

**ARVIND RETAIL LIMITED**  
**ANNUAL REPORT 2011- 12**



## AUDITORS' REPORT

### TO THE MEMBERS OF ARVIND RETAIL LIMITED

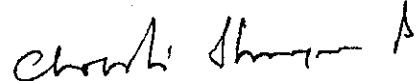
1. We have audited the attached Balance Sheet of **ARVIND RETAIL LIMITED** ("the Company"), as at March 31, 2012, the Statement of Profit and Loss and also the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 ("Order") issued by the Central Government of India in terms of sub - section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) 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;
  - iii) The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;

**SORAB S. ENGINEER & CO. (Regd.)**

- v) On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2012;
- (b) In the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Ahmedabad  
May 9, 2012

For **Sorab S. Engineer & Co.**  
Firm Registration No. 110417W  
Chartered Accountants



**CA. Chokshi Shreyas B.**  
Partner  
Membership No. 100892

**ANNEXURE TO THE AUDITORS' REPORT**

**Re: ARVIND RETAIL LIMITED**

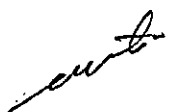
Referred to in Paragraph 3 of our Report of even date,

- (i) (a) The Company has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
  - (b) As explained to us, the fixed assets have been physically verified by the management during the year in accordance with a phased programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. We are informed that no material discrepancies were noticed on such verification.
  - (c) In our opinion and as per the information and explanations given to us, the Company has not made any substantial disposal of fixed assets during the year and going concern status of the Company is not affected.
- (ii) (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of 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.
  - (c) The Company is maintaining proper records of inventory. As explained to us, the discrepancies noticed on verification between the physical stocks and the book records were not material having regard to the size of the Company, and the same have been properly dealt with.
- (iii) The Company has not granted/taken any loans secured or unsecured to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, requirement of clauses (iii,b), (iii,c), (iii,d), (iii,e), (iii,f) and (iii,g) of paragraph 4 of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that there were no contracts or arrangements that need to be entered in the Register maintained under section 301 of the Companies Act, 1956. Consequently, requirement of clauses (v,a) and (v,b) of paragraph 4 of the order are not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any public deposits.
- (vii) The Company has an internal audit system, which in our opinion, is commensurate with the size of the Company and the nature of its business.

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**SORAB S. ENGINEER & CO. (Regd.)**

- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 in respect of the Company's product. Consequently, requirement of clause (viii) of paragraph 4 of the order is not applicable.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Value Added Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- (b) There are no undisputed amounts outstanding as at March 31, 2012 for a period of more than six months from the date they became payable.
- (c) There are no amounts which have not been deposited as on March 31, 2012 on account of any dispute.
- (x) The Company has accumulated losses and has incurred cash losses during the financial year covered by our audit. However, the Company had neither accumulated losses nor incurred any cash losses during the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (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.
- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Consequently, the provisions of clause (xiii) of paragraph 4 of the order are not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Consequently, the provisions of clause (xiv) of paragraph 4 of the order are not applicable.
- (xv) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the Company has not given any guarantee for loans taken by others from banks or financial Institutions. Consequently, the provisions of clause (xv) of paragraph 4 of the order are not applicable.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans obtained during the year were, *prima facie*, applied by the Company for the purpose for which they were obtained, other than temporary deployment pending application.
- (xvii) According to the Cash Flow Statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short-term basis have not, *prima facie*, been used during the year for long-term investments.
- (xviii) During the year, the Company has not made any preferential allotment of shares to persons covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us and the records examined by us, the Company has not issued any Secured Debentures during the year.
- (xx) The Company has not raised any money by public issue during the year.



**SORAB S. ENGINEER & CO. (Regd.)**

(xxi) Based upon the audit procedure performed by us and as per the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Ahmedabad  
May 9, 2012

For **Sorab S. Engineer & Co.**  
Firm Registration No. 110417W  
Chartered Accountants



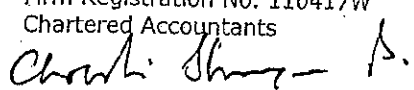
**CA. Chokshi Shreyas B.**  
Partner  
Membership No. 100892

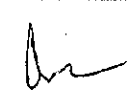
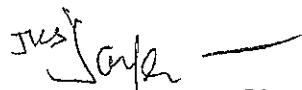
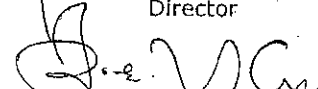
**Arvind Retail Limited**

**Balance Sheet**

	Note	Amount in Rs.	
		As at	
		March 31, 2012	March 31, 2011
<b>Equity and Liabilities</b>			
<b>Shareholders' funds</b>			
Share Capital	3	209,500,000	200,500,000
Reserves and Surplus	4	637,805,707	318,028,980
<b>Non-current liabilities</b>			
Long Term Borrowings	5	152,020,687	171,541,674
Deferred Tax Liabilities (Net)	6	-	11,822,615
Other Long Term Liabilities	7	4,475,517	4,298,950
<b>Current liabilities</b>			
Short Term Borrowings	8	466,175,202	718,470,320
Trade Payables	9	1,612,617,253	1,138,691,169
Other Current Liabilities	10	160,184,365	164,751,702
Short Term Provisions	11	14,241,856	10,031,107
<b>Total</b>		<b>3,257,020,587</b>	<b>2,738,136,517</b>
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Fixed Assets</b>			
Tangible Assets	12	971,534,461	794,795,906
Intangible Assets	13	198,952,037	217,508,570
Capital Work-in-progress		83,182	4,404,405
Long Term Loans and Advances	14	309,170,459	264,316,792
Deferred Tax Asset (Net)	6	46,467,591	-
<b>Current assets</b>			
Inventories	16	1,429,873,602	1,245,379,628
Trade Receivables	17	79,999,512	52,942,204
Cash and bank Balances	18	60,231,651	11,442,271
Short Term Loans and Advances	19	160,422,875	147,311,934
Other Current Assets	20	285,217	34,807
<b>Total</b>		<b>3,257,020,587</b>	<b>2,738,136,517</b>
<b>Significant Accounting Policies</b>	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached  
 For **Sorab S. Engineer & Co.**  
 Firm Registration No. 110417W  
 Chartered Accountants  
  
**CA. Chokshi Shreyas B.**  
 Partner  
 Membership No.100892  
 Ahmedabad  
 May 9, 2012

X   
 Director  
 Just   
 Director  
 X   
 Company Secretary

**Arvind Retail Limited**

**Statement of Profit and Loss**

Amount in Rs.

	Note	Year ended	
		March 31, 2012	March 31, 2011
Revenue from operations (Gross)	22	5,363,241,092	3,930,616,697
Less : Value Added Tax		300,332,451	201,058,638
Revenue from operations (Net)		5,062,908,641	3,729,558,059
Other Income	23	22,752,916	17,802,778
<b>Total Revenue</b>		<b>5,085,661,557</b>	<b>3,747,360,837</b>
<b>Expenses:</b>			
Purchases of Stock in Trade	24	3,608,937,464	2,606,431,738
Changes in Inventory of stock-in-trade	25	(198,663,727)	(288,129,321)
Employee benefits expense	26	328,052,706	235,363,804
Finance costs	27	139,102,487	88,171,032
Depreciation and amortization expense	28	116,906,340	91,699,897
Other expenses	29	1,270,839,766	1,008,462,426
<b>Total expenses</b>		<b>5,265,175,036</b>	<b>3,741,999,576</b>
<b>Profit/(Loss) before exceptional and extraordinary items and tax</b>		<b>(179,513,479)</b>	<b>5,361,261</b>
Exceptional items		-	-
<b>Profit/(Loss) before extraordinary items and tax</b>		<b>(179,513,479)</b>	<b>5,361,261</b>
Extraordinary Items		-	-
<b>Profit/(Loss) before tax</b>		<b>(179,513,479)</b>	<b>5,361,261</b>
<b>Tax expense:</b>			
Current Tax		-	1,075,000
Deferred tax		(58,290,206)	6,258,184
<b>Loss for the year</b>		<b>(121,223,273)</b>	<b>(1,971,923)</b>
<b>Earnings per equity share</b>	37		
(Nominal Value per Share Rs. 10/- (Previous year Rs. 10/-):			
Basic		(6.04)	(0.10)
Diluted		(6.04)	(0.10)
<b>Significant Accounting Policies</b>	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached  
For **Sorab S. Engineer & Co.**  
Firm Registration No. 110417W  
Chartered Accountants

*Chokshi Shreyas B.*

**CA. Chokshi Shreyas B.**  
Partner  
Membership No.100892  
Ahmedabad  
May 9, 2012

X *[Signature]*  
Director

*[Signature]*  
Director

X *[Signature]*  
Company Secretary



Arvind Retail Limited  
Cash Flow Statement

A CASH FLOW FROM OPERATING ACTIVITIES	Year ended		Amount in Rs.	
	March 31, 2012		March 31, 2011	
Profit/(Loss) before taxation		(179,513,479)		5,361,261
Adjustments for:				
Depreciation /Amortization	116,906,340		91,699,897	
Interest Income	(2,705,139)		(1,316,514)	
Interest Expenses	116,108,708		73,633,442	
Bad Debts Written Off	1,362,946		361,368	
Provision for Retirement Benefits	8,841,805		7,213,076	
Sundry Debit Written off	491,330		-	
Profit on Sale of Tangible assets	(41,297)	240,964,693	(166,040)	171,425,229
<b>Operating Profit before Working Capital Changes</b>		<b>61,451,214</b>		<b>176,786,490</b>
Working Capital Changes:				
Changes in Inventories	(184,493,974)		(290,329,813)	
Changes in other long term liabilities	176,567		150,000	
Changes in trade payables	473,926,084		271,270,067	
Changes in other current liabilities	21,441,063		(4,770,666)	
Changes in short term provisions	(4,631,056)		(6,069,579)	
Changes in long term loans and advances	(42,111,429)		(55,123,109)	
Changes in trade receivables	(28,420,254)		(41,020,920)	
Changes in other assets	(32,755,776)		10,295,708	
Changes in short term loans and advances	(6,076,508)		(102,162,012)	
<b>Net Changes in Working Capital</b>		<b>197,054,717</b>		<b>(217,760,323)</b>
<b>Cash Generated from Operations</b>		<b>258,505,931</b>		<b>(40,973,833)</b>
Direct Taxes paid (Net of Income Tax refund)		(8,130,241)		(6,159,221)
<b>Net Cash flow from Operating Activities</b>		<b>250,375,690</b>		<b>(47,133,054)</b>
<b>B Cash Flow from Investing Activities</b>				
Purchase of tangible/intangible assets	(270,864,654)		(230,899,817)	
Sale of tangible assets	138,812		166,040	
Changes in Capital Advances	(2,742,238)		(21,620,406)	
Purchase of Long term Investments				
Changes in Loans & Advances				
Changes in Loans to Employees	604,478		2,505,995	
Interest Income	2,454,729		1,282,360	
<b>Net cash flow from Investing Activities</b>		<b>(270,408,873)</b>		<b>(248,565,828)</b>
<b>C Cash Flow from Financing Activities</b>				
Issue of Equity Shares with securities premium	450,000,000			
Changes in long term Borrowings	(19,373,809)		192,929,226	
Changes in short term borrowings	(252,295,118)		152,655,185	
Interest Paid	(142,264,286)	36,066,787	(47,477,864)	298,106,547
<b>Net Cash flow from Financing Activities</b>				
<b>Net Increase/(Decrease) in cash &amp; cash equivalents</b>		<b>16,033,604</b>		<b>2,407,665</b>
Cash & Cash equivalents at the beginning of the period		5,304,271		2,896,606
Cash & Cash equivalents at the end of the period		<b>21,337,875</b>		<b>5,304,271</b>

Particulars	As at	
	March 31, 2012	March 31, 2011
Cash and cash equivalents comprise of: (Note 17)		
Cash on Hand	96,863	111,358
Balances with Banks	21,241,012	5,192,913
<b>Total</b>	<b>21,337,875</b>	<b>5,304,271</b>

As per our report attached  
For Sorab S. Engineer & Co.  
Firm Registration No. 110417W  
Chartered Accountants  
*Chokshi Shreyas B.*  
CA. Chokshi Shreyas B.  
Partner  
Membership No. 100892  
Ahmedabad

*[Signature]*  
Director  
*[Signature]*  
Director  
*[Signature]*  
Company Secretary

Arvind Retail Limited

3 Share Capital

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
<b>Authorised</b> 25,000,000 Equity Shares (Previous Year 25,000,000) Par Value of Rs.10/- per share	250,000,000	250,000,000
<b>Issued</b> 20,950,000 Equity Shares (Previous Year 20,050,000) Par Value of Rs.10/- per share	209,500,000	200,500,000
<b>Subscribed and fully paid up</b> 20,950,000 Equity Shares (Previous Year 20,050,000) Par Value of Rs.10/- per share fully paid up	209,500,000	200,500,000
<b>Total</b>	<b>209,500,000</b>	<b>200,500,000</b>

a Reconciliation of Number of Shares

Particulars	As At			
	March 31, 2012		March 31, 2011	
	No. of Shares	Amount in Rs.	No. of Shares	Amount in Rs.
Balance at the beginning of the year	20,050,000	200,500,000	20,050,000	200,500,000
Add : Shares issued during the year	900,000	9,000,000	-	-
Balance at the end of the year	<b>20,950,000</b>	<b>209,500,000</b>	<b>20,050,000</b>	<b>200,500,000</b>

b Shares allotted as fully paid up pursuant to contract(s) without payment being received in cash (during 5 years immediately preceding March 31, 2012)

20,000,000 shares of Rs. 10 each were allotted as fully paid up in April, 2009 pursuant to the scheme of arrangement without payment being received in cash.

c Rights, Preferences and Restrictions attached to Equity Shares

The Company has one class of shares referred to as equity shares having a par value of Rs. 10 each. Each shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

d Shares held by Holding Company and their Subsidiaries

Particulars	As at	
	March 31, 2012	March 31, 2011
Holding Company - Arvind Brands and Retail Limited	20,200,006	20,000,006
Fellow subsidiary - Arvind Lifestyle Brands Limited	700,000	-

e Details of Shares held by Shareholders holding more than 5% of the aggregate shares in the Company

Particulars	As at	
	March 31, 2012	March 31, 2011
Holding Company - Arvind Brands and Retail Limited	20,200,000 96.42%	20,000,000 99.75%

*cont.*

Arvind Retail Limited

4 Reserves and Surplus

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
<b>Securities Premium Account</b>		
Balance as per last financial statements	300,000,000	300,000,000
Add: Received during the year	441,000,000	-
<b>Balance at the end of the year</b>	<b>741,000,000</b>	<b>300,000,000</b>
<b>Surplus in Statement of Profit and Loss</b>		
Balance as per last financial statements	18,028,980	20,000,903
Add : Loss for the year	(121,223,273)	(1,971,923)
<b>Balance at the end of the year</b>	<b>(103,194,293)</b>	<b>18,028,980</b>
<b>Total</b>	<b>637,805,707</b>	<b>318,028,980</b>

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Arvind Retail Limited

5 Long Term Borrowings

	Non-Current portion As At		Current Maturities As At		Amount in Rs.
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	
Secured					
Term Loans :					
From Banks	149,393,097	167,379,354	20,000,000	20,000,000	20,000,000
From Others	2,627,590	4,162,320	1,534,730	1,387,552	1,387,552
	<b>152,020,687</b>	<b>171,541,674</b>	<b>21,534,730</b>	<b>21,387,552</b>	<b>21,387,552</b>
Amount disclosed under the head "Other Current Liabilities" (Note 10)	-	-	21,534,730	-	21,534,730
<b>Total</b>	<b>152,020,687</b>	<b>171,541,674</b>	<b>21,534,730</b>	<b>21,387,552</b>	<b>21,387,552</b>

a Nature of Security

- I Term Loans from Banks are secured by:
- i. First charge over the entire project assets of the Company both present and future.
  - ii. Additionally secured by Corporate Guarantee given by Arvind Limited, the ultimate holding company.
- II Hire Purchase Loan from Others are secured by hypothecation of related vehicles.

b Rate of Interest and Terms of Repayment

Particulars	Amount in Rs.	Range of Interest	Terms of Repayment
Bank of Baroda	169,393,097	13.50%	Repayable in 17 quarterly instalments starting from the year 2011-12
Kotak Mahindra Prime Limited - Hire Purchase Loan	4,162,320	9 to 11%	Repayable in 48 monthly instalments from the date of release of respective loans

*Account*

**Arvind Retail Limited**

**6 Deferred Tax Liabilities (Net)**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
<b>Deferred Tax Liability</b>		
Fixed Assets	60,382,885	46,989,377
<b>Deferred Tax Asset</b>		
Expenditure allowable on payment basis	15,849,499	7,932,494
Unabsorbed loss / Depreciation	90,469,096	26,436,447
Other timing differences	531,881	797,821
<b>Net Deferred Tax (Asset)/Liability</b>	<b>(46,467,591)</b>	<b>11,822,615</b>

**7 Other Long Term Liabilities**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Security Deposits	4,475,517	4,298,950
<b>Total</b>	<b>4,475,517</b>	<b>4,298,950</b>

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**Arvind Retail Limited**

**8 Short Term Borrowings**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
<b>Secured</b>		
Working Capital Loans repayable on demand From Banks	387,309,829	403,801,043
	<b>387,309,829</b>	<b>403,801,043</b>
<b>Unsecured</b>		
Intercompany Deposits From Ultimate Holding Company From Fellow Subsidiary	78,865,373 -	64,669,277 250,000,000
	<b>78,865,373</b>	<b>314,669,277</b>
<b>Total</b>	<b>466,175,202</b>	<b>718,470,320</b>

**a Nature of Security**

Loans from banks:

- i. Rs. 47,561,164 is secured by first charge over entire stocks, receivables and other current assets and extension charge over the entire fixed assets of the Company both present and future
- ii. Rs. 339,748,665 is secured by first charge over entire stocks, receivables and other current assets and first pari passu charge over the entire fixed assets (except project assets) of the Company both present and future.
- iii. Both the above loans are additionally secured by Corporate Guarantee given by Arvind Limited, the ultimate holding company.

**b Rate of Interest**

- i. Loans from banks carry interest @ 13% per annum
- ii. Inter Corporate Deposit carries interest rates ranging from 13.25% to 15% per annum

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Arvind Retail Limited

9 Trade Payables

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Sundry Creditors (Note a)	1,338,369,072	1,017,127,452
Acceptances	274,248,181	121,563,717
<b>Total</b>	<b>1,612,617,253</b>	<b>1,138,691,169</b>

- a The Company has not received any intimation on suppliers regarding their status under the Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 and hence disclosures as required under Section 22 of The Micro, Small and Medium Enterprise Small Enterprise regarding:
- (a) Amount due and outstanding to suppliers as at the end of accounting year;
  - (b) Interest paid during the year;
  - (c) Interest payable at the end of the accounting year; and
  - (d) Interest accrued and unpaid at the end of the accounting year
- have not been given. The Company is making efforts to get the confirmations from the suppliers as regards their status under the said act.

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Arvind Retail Limited

10 Other Current Liabilities

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Current maturities of long-term borrowings (Note 5)	21,534,730	21,387,552
Interest accrued but not due on borrowings	-	26,155,578
Advance from Customers	11,117,459	3,720,104
Statutory dues Including Provident Fund and Tax deducted at Source	63,965,366	67,939,703
Others	63,566,810	45,548,765
<b>Total</b>	<b>160,184,365</b>	<b>164,751,702</b>

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**11 Short Term Provisions**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Provision for Employee Benefits	13,191,856	8,081,107
Provision for Customer Loyalty Program Reward Points	1,050,000	1,950,000
<b>Total</b>	<b>14,241,856</b>	<b>10,031,107</b>

a **Provision for Customer Loyalty Program Reward Points**

The Company has made provision for customer loyalty program reward points. The movement in provision for those reward points are given below:

Particulars	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Balance as per last financial statements	1,950,000	3,000,000
Net Provision/(Reversal) made during the year	(900,000)	(1,050,000)
<b>Balance at the end of the year</b>	<b>1,050,000</b>	<b>1,950,000</b>

*each*

12. Tangible Assets

Particulars	Gross Block				Depreciation / Amortization				Amount in Rs.	
	As on 01.04.2011	Additions	Disposals	As on 31.03.2012	As on 01.04.2011	Additions	Deductions	As on 31.03.2012	As on 31.03.2012	As on 31.03.2011
Own Assets										
Plant and Equipment	72,082,712	25,993,564	-	98,076,276	4,695,544	3,963,494	-	8,659,038	89,417,238	67,387,168
Electrical Equipments	103,851,904	23,260,909	-	127,112,813	8,314,533	5,418,570	-	13,733,103	113,379,710	95,537,371
Furniture and Fixtures	199,285,624	45,728,396	-	245,014,020	19,336,778	13,994,045	-	33,330,823	211,683,197	179,948,846
Leasehold Improvements	445,670,792	142,383,432	-	588,054,224	76,040,953	52,409,314	-	128,450,267	459,603,957	369,629,839
Office Equipment	54,324,945	3,870,448	-	58,195,393	4,547,518	3,364,084	-	7,911,602	50,283,791	49,777,427
Data Processing Equipments	37,232,934	24,692,561	-	61,925,495	10,877,949	8,238,665	-	19,116,614	42,808,881	26,354,985
Vehicles	7,588,166	-	579,178	7,008,988	1,427,896	1,705,068	481,663	2,651,301	4,357,687	6,160,270
<b>Total</b>	<b>920,037,077</b>	<b>265,929,310</b>	<b>579,178</b>	<b>1,185,387,209</b>	<b>125,241,171</b>	<b>89,093,240</b>	<b>481,663</b>	<b>213,852,748</b>	<b>971,534,461</b>	<b>794,795,906</b>
Previous Year	697,499,043	223,283,208	745,174	920,037,077	55,161,642	70,824,703	745,174	125,241,171	794,795,906	642,337,401

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13 Intangible Assets

Particular	Gross Block				Amortization				Amount in Rs.		
	As on 01.04.2011	Additions	Disposals	As on 31.03.2012	As on 01.04.2011	Additions	Deductions	As on 31.03.2012	As on 31.03.2012	As on 31.03.2011	As on 31.03.2011
Brand Value	190,261,953	-	-	190,261,953	13,541,242	13,028,353	-	26,569,595	163,692,358	176,720,711	176,720,711
Computer Software	65,690,995	9,256,567	-	74,947,562	24,903,136	14,784,747	-	39,687,883	35,259,679	40,787,859	40,787,859
Total	255,952,948	9,256,567	-	265,209,515	38,444,378	27,813,100	-	66,257,478	198,952,037	217,508,570	217,508,570
Previous Year	252,740,744	3,212,204	-	255,952,948	17,569,184	20,875,194	-	38,444,378	217,508,570	235,171,560	235,171,560

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**14 Long Term Loans and Advances**  
(Unsecured, Considered good unless otherwise stated)

Amount in Rs.	
As at	
March 31, 2012	March 31, 2011

Capital Advances	33,237,651	30,495,413
Security Deposits	275,932,808	233,821,379
<b>Total</b>	<b>309,170,459</b>	<b>264,316,792</b>

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**15 Inventories**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Stock-in-trade	1,385,035,464	1,186,371,737
Stock-in-trade in Transit	29,603,120	48,598,936
Packing Materials	15,172,768	10,408,955
Packing Materials in Transit	62,250	-
<b>Total</b>	<b>1,429,873,602</b>	<b>1,245,379,628</b>

**a Details of Inventory**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
<b>Stock-in-trade (Traded)</b>		
Garments	1,385,035,464	1,186,371,737
<b>Total</b>	<b>1,385,035,464</b>	<b>1,186,371,737</b>

*cut*

**16 Trade Receivables**  
(Unsecured, considered good unless otherwise stated)

Amount in Rs.	
As at	
March 31, 2012	March 31, 2011

Outstanding for a period exceeding six months from the date they are due for payment	1,495,819	-
Others	78,503,693	52,942,204
<b>Total</b>	<b>79,999,512</b>	<b>52,942,204</b>

*cents*

17 Cash and Bank Balances

Amount in Rs.	
As at	
March 31, 2012	March 31, 2011

Cash and Cash Equivalents:		
<b>Cash on Hand</b>	96,863	111,358
<b>Balances with Banks</b>		
In Current Account	5,481,012	5,192,913
In Deposit Account (with original maturity up to 3 months)	15,760,000	-
	<b>21,337,875</b>	<b>5,304,271</b>
<b>Other Bank Balances</b>		
Deposits held as Margin Money (Under lien against bank guarantees)	38,893,776	6,138,000
	<b>38,893,776</b>	<b>6,138,000</b>
<b>Total</b>	<b>60,231,651</b>	<b>11,442,271</b>

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**18 Short Term Loans and Advances**  
(Unsecured, Considered good unless otherwise stated)

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Loans to Employees	1,880,480	2,484,958
Advances recoverable in cash or in kind or for value to be received	125,820,499	128,224,369
Prepaid Expenses	18,070,351	10,081,303
Advance Tax (Net of Provision of Rs. 6,309,418/-, Previous Year Rs. 6,309,418/-)	14,651,545	6,521,304
<b>Total</b>	<b>160,422,875</b>	<b>147,311,934</b>

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19 Other Current Assets

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Interest Accrued	284,564	34,154
Others	653	653
<b>Total</b>	<b>285,217</b>	<b>34,807</b>

*cuts*

**20 Contingent Liabilities**  
(to the extent not provided for)

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Claims against the Company not acknowledged as debts	200,000,000	200,000,000

a It is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above pending resolution of the respective proceeding.

**21 Capital and Other Commitments**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
<b>Capital Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for	34,105,449	41,596,923
<b>Other Commitments</b>		

*cont*

## 22 Revenue from Operations

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
<b>Sale of Products</b>		
Own Merchandise (Including concession sales)	5,228,407,128	3,817,470,069
Consignment Merchandise	281,674,486	240,230,191
	5,510,081,614	4,057,700,260
Less : Value Added Tax	300,332,451	201,058,638
Less : Cost of Consignment Merchandise	263,114,761	223,388,300
	4,946,634,402	3,633,253,322
<b>Other operating revenues</b>		
Commission Income	84,746,909	71,961,901
Royalty Income	4,652,078	3,420,589
Facility Management Fees and Others	26,875,252	20,922,247
<b>Total</b>	<b>5,062,908,641</b>	<b>3,729,558,059</b>

## a Details of Sales (Net of VAT)

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Garments	5,209,749,163	3,856,555,955
Others		85,667
<b>Total</b>	<b>5,209,749,163</b>	<b>3,856,641,622</b>

## 23 Other Income

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Interest Income	2,705,139	1,316,514
Profit on Sale of Fixed Assets	41,297	166,040
Miscellaneous Income	20,006,480	16,320,224
<b>Total</b>	<b>22,752,916</b>	<b>17,802,778</b>

## 24 Purchase of Stock-in-Trade

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Garments	3,608,937,464	2,606,431,738
<b>Total</b>	<b>3,608,937,464</b>	<b>2,606,431,738</b>

## 25 Changes in Inventory of Stock-in-Trade

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
<b>(Increase)/Decrease in stock</b>		
Stock at the end of the year Stock-in-trade	1,385,035,464	1,186,371,737
	1,385,035,464	1,186,371,737
Stock at the beginning of the year Stock-in-trade	1,186,371,737	898,242,416
	1,186,371,737	898,242,416
<b>(Increase)/Decrease in stock</b>	<b>(198,663,727)</b>	<b>(288,129,321)</b>

## 26 Employee Benefits Expense

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Salaries and Wages	283,868,832	207,076,681
Contribution to Provident Fund and Other Funds	21,138,302	12,610,026
Staff Welfare Expenses	23,045,572	15,677,097
<b>Total</b>	<b>328,052,706</b>	<b>235,363,804</b>

## 27 Finance Costs

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
<b>Interest</b>		
On Term Loans	25,093,213	5,838,063
On Cash Credit Facilities	20,198,383	32,779,633
Others	70,817,112	35,015,746
Other Borrowing Costs	22,993,779	14,537,590
<b>Total</b>	<b>139,102,487</b>	<b>88,171,032</b>

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**28 Depreciation / Amortization Expense**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Depreciation on Tangible assets	89,093,240	70,824,703
Amortization on Intangible assets	27,813,100	20,875,194
<b>Total</b>	<b>116,906,340</b>	<b>91,699,897</b>

**29 Other Expenses**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Power and fuel	111,570,489	83,601,932
Insurance	3,681,866	2,935,074
Processing Charges	10,766,151	9,086,258
Printing, Stationery & Communication	21,338,968	21,850,708
Lease Rent	340,738,419	243,997,476
Commission, Brokerage and Discounts	70,572,983	47,955,154
Rates and taxes	16,529,689	9,957,000
Repairs to Buildings	1,261,212	1,343,018
Repairs to Plant and Machinery	5,384,489	4,789,583
Repairs to Others	86,534,463	65,836,076
Royalty on Sales	24,505,489	18,418,017
Freight, Insurance and Clearing Charges	34,443,268	24,473,216
Octroi	29,131,367	21,051,706
Legal and Professional Fees	20,509,987	15,612,193
Housekeeping Charges	13,215,739	11,433,187
Security Charges	21,722,239	17,706,875
Computer Expenses	5,478,511	2,859,783
Conveyance and Travelling Expenses	24,593,293	26,891,654
Advertisement and Publicity	182,873,514	150,167,969
Sales Promotion	1,191,344	1,066,153
Charges for Credit Card Transactions	38,364,100	29,497,467
Packing Materials	40,667,421	39,955,517
Contract Labour Charges	111,757,927	116,444,823
Sampling and Testing Expenses	2,049,780	2,477,292
Sundry Debits written off	491,330	-
Bad Debts written off	1,362,946	361,368
Payments to the auditor as <input type="checkbox"/>		
(a) auditor	1,458,022	1,000,000
(b) for taxation matters	248,175	225,000
(c) for reimbursement of expenses	93,803	34,881
Business Conducting Fees	2,370,263	3,012,768
Foreign Exchange Loss	1,883,164	205,280
Miscellaneous expenses	44,049,355	34,214,998
<b>Total</b>	<b>1,270,839,766</b>	<b>1,008,462,426</b>

**30 CIF Value of Imports**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Finished Goods purchased	27,378,349	-

**31 Expenditure in Foreign Currency**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Royalty (Net of Tax)	18,956,180	16,117,287
Professional and Consultation Fees	17,628	36,157
Travel	1,401,153	2,175,475

**32 Earning in Foreign Currency**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Revenue from Exports on FOB Basis	4,924,073	-

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## **Arvind Retail Limited**

### **Notes to the financial statements**

#### **1. COMPANY BACKGROUND**

Arvind Retail Ltd (ARL) is engaged in the business of retailing Apparels. ARL is the pioneer of Apparel Value retailing business in India, under the umbrella brand "Megamart". Megamart today is the largest player in the Branded Apparel Value-Retailing concept. With more than 200 small format stores and five Large Format stores, Megamart operates with more than 960,000 square feet of Retail space across India.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **(A) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The Company follows the accrual method of accounting. The financial statements have been prepared in accordance with the historical cost convention and accounting principles generally accepted in India and the provisions of the Companies Act, 1956.

##### **(B) USE OF ESTIMATES**

The preparation of financial Statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

##### **(C) INFLATION**

Assets and liabilities are recorded at historical cost to the Company except so far as they relate to assets acquired under the Scheme of Arrangement which are valued at their fair value. These costs are not adjusted to reflect the changing value in the purchasing power of money.

##### **(D) REVENUE RECOGNITION**

Sales are recognized based on passage of title to goods which generally coincides with dispatch. Revenue from export sales are recognized on shipment basis. Sales are stated net of returns, excise duty and sales Tax/Vat. Export incentives are accounted on accrual basis at the time of export of goods, if the entitlement can be estimated with reasonable accuracy and conditions precedent to Claims are fulfilled.

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

The property in the merchandise of third party consignment stock does not pass to the Company. Since, however, the sale of such stock forms a part of the activities of the Company's departmental stores, the gross sales values and cost of the merchandise are displayed separately in the profit and loss account.

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

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

#### **(E) VALUATION OF INVENTORY**

The stock of finished goods and packing material of the Company has been valued at the lower of cost and net realizable value. Cost includes cost of materials and cost of conversion. The cost of finished goods has been measured on the Weighted Average Cost basis.

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

#### **(F) FIXED ASSETS & DEPRECIATION/AMORTISATION**

##### **Tangible Assets**

The Fixed Assets acquired under the scheme of demerger are stated at their fair value less accumulated depreciation.

The addition to the fixed assets is stated at their original cost of acquisition less accumulated depreciation. Cost comprises of all costs incurred to bring the assets to their location and working condition and includes all expenditure incurred up to the date of opening new stores; to the extent they are attributable to the new store.

##### **Intangible Assets**

Intangible assets acquired are stated at their Fair Value, less accumulated amortisation and impairment losses. An intangible asset is recognised, where it is probable that the future economic benefits attributable to the asset will flow to the enterprise and where its value/cost can be reliably measured.

The Company capitalizes software and related implementation costs where it is reasonably estimated that the software has an enduring useful life.

##### **Depreciation on Tangible Assets**

Depreciation on Fixed Assets acquired under the Scheme of Arrangement is provided, pro rata for the period of use, by the straight line method (SLM) at the rates based on management's estimate of residual useful lives of the fixed assets or at the rates specified in the Schedule XIV to the Companies Act, 1956 whichever is higher.

Depreciation on addition to Fixed Assets is provided, pro rata for the period of use, by the straight line method (SLM), as per the rates prescribed in Schedule XIV to the Act except for the following which are based on management's estimate of useful lives of the fixed assets:

Vehicles	25%
Leasehold Improvements	10%
Furniture given to Employees	18%

Individual assets costing less than Rs. 5,000/- have been depreciated at the rate of 100%.

##### **Amortisation of Intangible Assets**

Brand Value has been amortized in the ratio of revenue expected to be generated from these brands over the period of ten years.

Software is depreciated over management estimate of its useful life of 5 years.

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## **(G) IMPAIRMENT OF ASSETS**

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

## **(H) FOREIGN CURRENCY TRANSACTIONS**

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

The foreign currency monetary items consisting of trade receivables, payables and balances in bank accounts at the end of the year have been restated at the year end rate. The difference arising as a result has been accounted as income/ expense as per the Accounting Standard 11 (Revised 2003) on "Accounting for the Effects of Changes in Foreign Exchange Rates" notified by Companies (Accounting Standards) Rule, 2006.

## **(I) RETIREMENT BENEFITS**

The Company has Defined Contribution Plans for post employment benefits namely Provident Fund and Superannuation Fund. The Company's contributions thereto are charged to revenue every year. The Company also pays insurance premiums to fund a post-employment medical assistance scheme, a Defined Contribution Plan administered by Oriental Insurance Company Limited which is charged to revenue every year. The Company's Contribution to State Plans namely Employee's State Insurance Fund and Employee's Pension Scheme are charged to revenue every year.

The Company has Defined Benefit Plans namely leave encashment / compensated absences and Gratuity for all the employees, the liability for which is determined on the basis of an actuarial valuation at the year end and incremental liability, if any, is provided for in the books. The actuarial valuation is done based on Projected Unit Credit Method. Gratuity scheme is administered by Life Insurance Corporation of India.

Actuarial Gains and Losses comprise of experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the statement of Profit and Loss as Income or expense.

## **(J) BORROWING COST**

Borrowing costs include interest, fees and other charges incurred in connection with the borrowing of funds and considered as revenue expenditure and charged to the statement of profit and loss for the year in which it is incurred.

## **(K) LEASE ACCOUNTING**

Lease Rentals for assets acquired under operating lease are recognised as an expense in the Statement of Profit and Loss on a straight line basis over the lease term.

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#### **(L) TAXES ON INCOME**

Tax expense consists of both current as well as deferred tax liability. Current tax represents amount of income tax payable including the tax payable u/s 115JB, if any, in respect of taxable income for the year.

Deferred tax is recognised on timing difference between the accounting income and the taxable income for the year that originates in one period and is capable of reversal in one or more subsequent periods. Such deferred tax is quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

#### **(M) EARNING PER SHARE**

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

#### **(N) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the accounts by way of a note. Contingent assets are neither recognized nor disclosed in the financial statements.

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### 33. Employee Benefits:

Consequent to the adoption of Accounting Standard on Employee Benefits (AS 15 Revised 2005) notified by Companies (Accounting Standards) Rule, 2006, the following disclosures have been made as required by the Standard:

#### (i) Defined Contribution Plans

The Company has recognised the following amounts in the Statement of Profit and Loss for Defined Contribution Plans:

Amount in Rs.

Particulars	2011-2012	2010-2011
Provident Fund	5,751,997	3,755,427
Superannuation Fund	1,579,236	1,472,182

#### (ii) State Plans

The Company has recognised the following amounts in the Statement of Profit and Loss for Contribution to State Plans:

Amount in Rs.

Particulars	2011-2012	2010-2011
Employee's State Insurance	4,930,584	2,494,601
Employee's Pension Scheme	5,680,031	2,821,478

#### (iii) Defined Benefit Plans

##### (a) Leave Encashment/Compensated Absences

Salaries and Wages includes Rs. 4,104,233 (Rs. 3,694,791) towards provision made as per actuarial valuation in respect of accumulated leave encashment/compensated absences.

##### (b) Contribution to Gratuity Funds

The details of the Company's Gratuity Fund for its employees including Managing Director are given below which is certified by the actuary and relied upon by the auditors:

Amount in Rs.

Articulars	2011-12	2010-11
<b>Change in the Benefit Obligations :</b>		
Liability at the beginning of the year	5,696,290	3,446,784
Interest Cost	484,185	280,402
Current Service Cost	4,810,041	2,049,755
Benefits Paid	(131,539)	(78,173)
Actuarial Gain	(2,729,744)	(2,478)
Liability at the end of the year	8,129,233	5,696,290
<b>Fair Value of Plan Assets :</b>		
Fair Value of Plan Assets at the beginning of the year	3,691,388	3,241,637
Expected Return on Plan Assets	313,768	275,539
Contributions	344,190	250,000
Benefits Paid	(131,539)	(78,173)
Actuarial gain/(loss) on Plan Assets	(774,669)	2,385
Fair Value on Plan Assets at the end of the year	3,443,138	3,691,388
Total Actuarial gain to be recognized	1,955,075	4,863

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<b>Actual Return on Plan Assets :</b>		
Expected Return on Plan Assets	313,768	275,539
Actuarial gain/(loss) on Plan Assets	(774,669)	2,385
Actual Return on Plan Assets	<b>(460,901)</b>	<b>277,924</b>
<b>Amount Recognized in the Balance Sheet :</b>		
Liability at the end of the year	8,129,233	5,696,290
Fair Value of Plan Assets at the end of the year	3,443,138	3,691,388
Amount recognized in the Balance Sheet under " Provision for Employee Benefits "	<b>4,686,095</b>	<b>2,004,902</b>
<b>Expense Recognized in the Profit and Loss Account :</b>		
Interest Cost	484,185	280,402
Current Service Cost	4,810,041	2,049,755
Expected Return on Plan Assets	(313,768)	(275,539)
Net Actuarial gain/(loss) to be recognized	(1,955,075)	(4,863)
Expense recognized in the Statement of Profit and Loss under "Employee Benefits Expense"	<b>3,025,383</b>	<b>2,049,755</b>
<b>Reconciliation of the Liability Recognized in the Balance Sheet :</b>		
Opening Net Liability	<b>2,004,902</b>	<b>205,147</b>
Expense Recognized	3,025,383	(2,049,755)
Contribution by the Company	344,190	250,000
Amount recognized in the Balance Sheet under " Provision for Employee Benefits "	<b>4,686,095</b>	<b>2,004,902</b>

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at.

Principal Assumptions:

Particulars	Current Year (%)	Previous Year (%)
Discount Rate	8.5	8
Return on Plan Assets	8.5	8.65

#### 34. Lease Rent:

Rent expense includes lease rental payments towards office premises, showrooms and other facilities. Such lease agreements are generally for a period of 11 to 108 months with the option of renewal against increased rent and with a non cancellable period at the beginning of the agreement ranging from 11 to 60 months.

The particulars of these leases are as follows:

Amount in Rs.

Particulars	2011-12	2010-11
Future Minimum lease payments obligation on non-cancellable operating leases :		
Not later than one year	319,926,231	284,304,222
Later than one year and not later than five years	1,251,813,272	915,108,063
Later than five years	1,460,998,169	750,521,263
Lease Payment recognised in the Statement of Profit and Loss	340,738,419	243,997,476

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**35. Segment Reporting:**

The company is primarily engaged in the business of retail trade through retail and departmental store facilities in India, which in the context of Accounting Standard 17 on 'Segment Reporting' notified by Companies (Accounting Standards) Rule, 2006, constitutes a single reportable primary segment.

**36. Related Party Disclosures:**

As per the Accounting Standard on "Related Party Disclosures" (AS 18) notified by Companies (Accounting Standards) Rule, 2006, the related parties of the Company are as follows:

**List of Related Parties & Relationship:**

Ultimate Holding Company (1A)	Holding Company (1B)	Fellow Subsidiaries (1C)	Key Managerial Personnel (1D)
Arvind Limited	Arvind Brands and Retail Limited	Arvind Lifestyle Brands Limited	Mr. J. Suresh

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

**Related Party Transactions:**

Amount in Rs.

Nature of Transactions	Referred in 1(A) Above		Referred in 1(C) Above	
	2011-12	2010-11	2011-12	2010-11
<b>Purchases</b>				
Goods and Materials	291,63,709	15,888,976	367,985,631	389,376,013
<b>Sales</b>				
Goods and Materials		NIL	10,307,635	NIL
<b>Expenses</b>				
Receiving of Services		NIL		31,487,410
Agent Commission		NIL		NIL
Others		310,600		40,853
<b>Income</b>				
Others		469,424	29,217,813	20,371,924
<b>Finance</b>				
Loan Given/ (taken)	14,196,096	(64,669,277)	(250,000,000)	(37,252,750)
Interest Expenses	92,94,200	2,410,307	35,916,654	26,155,578
<b>Outstanding :</b>				
Receivable in respect of Current Assets	862,486	862,486	592,257	31,259,550
Payable in respect of Loans	78,865,373	64,669,277	0	250,000,000
Payable in respect of Current Liabilities	231,326,816	202,226,252	225,645,706	33,331,883

*auth.*

**37. Earning Per Share (EPS):**

Particulars		2011-12	2010-11
Loss available to Equity Shareholders	Rs.	(121,233,273)	(1,971,923)
Weighted average no. of Equity Shares for Basic/Diluted EPS	Nos.	20,054,918	20,050,000
Nominal value of Equity Shares	Rs.	10	10
Basic / Diluted Earning per Equity Share	Rs.	(6.04)	(0.10)

**38.** Sundry Debtors, Sundry Creditors and Loans and Advances include certain accounts which are subject to confirmation/reconciliation and consequential adjustments if any, the effect of which is not ascertainable.

**39. Impairment of Fixed Assets:**

In accordance with the Accounting Standard (AS -28) on 'Impairment of Assets', there is no indication of impairment based on intenal or external factors and hence no impairment is considered to be necessary at the year end.

**40. Unhedged Foreign Currency Exposure:**

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

Particulars	MARCH 31, 2012		MARCH 31, 2011	
	INR	FC	INR	FC
Payable towards Royalty	4,149,724	\$ 81,567	2,562,584	\$ 57,463
Payable towards Purchases	20,029	\$ 394	-	-

**41. Previous Years' Figures**

The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

As per our report of even date attached  
For **Sorab S. Engineer & Co.**  
Firm Registration No. 110417W  
Chartered Accountants

*CA. Chokshi Shreyas B.*  
**CA. Chokshi Shreyas B.**  
Partner  
Membership No. 100892  
Ahmedabad  
May 9, 2012

*[Signature]*  
Director

*Jus*  
*[Signature]*  
Director

*[Signature]*  
Company Secretary

# **ARVIND RETAIL LIMITED**

A MEMBER OF THE LALBHAI GROUP

Du Parc Trinity, 5th Floor, 17, M.G. Road, Bangalore - 560 001

Tel : 91-80-40488775, Fax : 91-80-40488751

Website : <http://www.arvindmills.com>

**NOTICE** is hereby given that the Fifth Annual General Meeting of the Members of Arvind Retail Limited (Formerly known as Aakar Foundationwear Limited) will be held on Friday, the 28<sup>th</sup> September, 2012 at 10.45 a.m. at the Registered Office of the Company at Arvind Mills Premises, Naroda Road, Railwaypura Post, Ahmedabad - 380 025 to transact the following business:

## **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2012 and the Report of the Directors and the Auditors thereon.
2. To declare dividends.
3. To appoint Auditors to hold office from the conclusion of the ensuing Annual General Meeting up to the conclusion of the next Annual General Meeting and to fix their remuneration.

M/s. Sorab S. Engineer & Co., Chartered Accountants, Mumbai, Statutory Auditors of the Company retire at the conclusion of this Annual General Meeting and being eligible offer themselves for reappointment.

4. To appoint a Director in place of Mr. Jayesh K. Shah, who retires by rotation in terms of Article 149 of the Articles of Association of the Company and being eligible, offers himself for reappointment.

**ARVIND**

REGD. OFFICE : Arvind Ltd., Arvind Mills Premises, Naroda Road, Ahmedabad - 380 025.

## **ARVIND RETAIL LIMITED**

A MEMBER OF THE LALBHAI GROUP

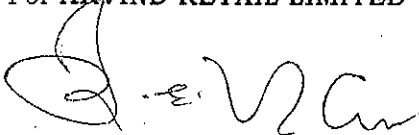
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A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON POLL VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS PRIOR TO THE TIME FOR HOLDING THE AFORESAID MEETING.

*By order of the Board*  
For **ARVIND RETAIL LIMITED**



**K.E. Venkatchalapathy**  
**Company Secretary**

**Place: Ahmedabad**  
**Date: 30<sup>th</sup> May 2012**

**ARVIND**

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## DIRECTORS REPORT

To,  
The Members,

Your Directors have pleasure in presenting the Fifth Directors Report of the Company together with the audited accounts for the period ended 31<sup>st</sup> March 2012.

## FINANCIAL RESULTS

Particulars	For the period ended 31 <sup>st</sup> March 2012 (Amount in rupees)	For the period ended 31 <sup>st</sup> March 2011 (Amount in rupees)
Sales & Services	5,062,908,641	3,729,558,059
Other Income	22,752,916	17,802,778
Total Income	5,085,661,557	3,747,360,837
Profit/Loss before interest and depreciation	76,495,348	185,232,190
Interest	139,102,487	88,171,032
Profit before depreciation	(62,607,139)	97,061,158
Depreciation/Amortization	116,906,340	91,699,897
Profit/(Loss) before tax	(179,513,479)	5,361,261
Tax	(58,290,206)	7,333,184
Profit/(Loss) after Tax	(121,223,273)	(1,971,923)
Profit/(Loss) after tax carried over to Balance Sheet	(103,194,293)	18,028,980
Proposed Dividend	-	-

ARVIND

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## ***OPERATIONS***

Your Company has posted a sales turnover of Rs. 5,062,908,641/- during the year under review. The operating profit before interest and depreciation stands at Rs. 76,495,348/-.

## ***DIVIDEND***

With a view to conserve the resources, Directors decided not to declare any dividend for the year under review.

## ***DIRECTOR***

Mr. Jayesh K. Shah, who retires by rotation in terms of Article 149 of the Articles of Association of the Company, but being eligible, offers himself for reappointment as the director of the Company.

## ***PERSONNEL***

The Statement of Particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is NIL.

## ***FIXED DEPOSITS***

The Company has not accepted any deposits from the public during the period.

## ***INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988***

### ***A. Conservation of Energy***

The energy consumption is insignificant so as to take steps for the conservation of energy.

**Arvind**

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## *B. Research and Development and Technology Absorption*

### *a. Research and Development*

The Company has not undertaken any research and development work.

### *b. Absorption of Technology*

The Company has not absorbed any technology.

## *C. Foreign Exchange Earning and Outgo.*

During the period under reference, the Company has incurred the following :

Expenditure - Rs 191,886,493/-

Income - Rs. 235,936,656/-

## *AUDITORS*

The Auditors of the Company, M/s Sorab, S. Engineer, Chartered Accountants retire at the conclusion of the Fifth Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from them to the effect that the re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

## *DIRECTORS RESPONSIBILITY STATEMENT*

The Directors hereby make the following Responsibility Statement as required by the Companies (Amendment) Act, 2000:

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed;
2. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for that period;

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3. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that the Annual Accounts have been prepared on a going concern basis.

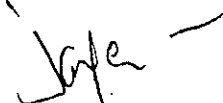
### *ACKNOWLEDGEMENT*

The Directors wish to place on record their thanks for the continued support received from the Customers, Employees and the Bankers of the Company.

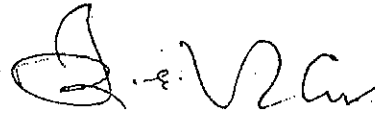
For and on behalf of the Board



Suresh Jayaraman  
Managing Director



Jayesh K. Shah  
Director



K.E. Venkatachalapathy  
Company Secretary

Place: Ahmedabad  
Date: 0<sup>th</sup> May 2012.

**ARVIND**

REGD. OFFICE : Arvind Ltd., Arvind Mills Premises, Naroda Road, Ahmedabad - 380 025.