



The delivery formats that belong to the company and its partners.

- Pantaloons
- Central
- Big Bazaar
- Food Bazaar
- Fashion Station
- all
- Chamosa
- Food Stop
- Fuel
- Books, Stationery and Music
- Communications
- Wellness
- E-tailing
- Home Solutions Retail
 - HOME TOWN
 - MELA
 - STANDALONE FURNITURE
 - E ZONE (STANDALONE CONSUMER ELECTRONICS)
- Indus League – Stores
 - INDIGO NATION/ SCULLERS/ URBAN YOGA
- JV with Liberty
 - VALUE STORES
 - LIFESTYLE STORES
- Stake in Planet Sports
 - MARKS & SPENCER
 - GUESS
 - DEBENHAMS
 - PLANET SPORTS
 - ATHLETE FOOT
- Stake in Galaxy Entertainment
 - BOWLING CO. / SPORTS BAR/ BREW BAR
 - RAIN

KNOWLEDGE HOUSE,
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PANTALOON
KNOWLEDGE GROUP

PANTALOON
RETAIL (INDIA) LIMITED

Everything Everywhere for Everyone

ANNUAL REPORT 2004-2005

Everything Everywhere for Everyone

ANNUAL REPORT 2004-2005

EVERYTHING A CONSUMER WILL EVER NEED

EVERYWHERE ACROSS POPULATION STRATA/
TOWNS/ CLASS/ CONSUMER TYPES

EVERYONE, EVEN THOSE WHO CURRENTLY
DON'T CLASSIFY AS CONSUMER



PANTALOON
RETAIL (INDIA) LIMITED



ANNUAL REPORT 2004 - 2005

The first part of the paper discusses the importance of the research and the objectives of the study. It highlights the need for a comprehensive understanding of the subject matter and the role of the researcher in this process. The second part of the paper presents the methodology used in the study, including the data collection methods and the analysis techniques. The third part of the paper discusses the results of the study and the conclusions drawn from the data. The final part of the paper provides a summary of the findings and offers suggestions for future research.

The research was conducted in a systematic and rigorous manner, following the principles of scientific inquiry. The data was collected from a large and diverse sample of participants, ensuring the representativeness of the findings. The analysis was conducted using advanced statistical techniques, allowing for a detailed and accurate interpretation of the results.

The results of the study indicate that there is a significant relationship between the variables under investigation. This finding is consistent with the theoretical framework and provides valuable insights into the underlying mechanisms of the phenomenon. The conclusions drawn from the study are based on the evidence presented and are supported by the statistical analysis.

In conclusion, the study has provided a comprehensive and detailed examination of the subject matter. The findings are significant and have implications for both theory and practice. Further research is needed to explore the topic in greater depth and to address the limitations of the current study.

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corporate information



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Managing Director

Mr. Gopikishan Biyani
Wholetime Director

Mr. Rakesh Biyani
Wholetime Director

Mr. Ved Prakash Arya
Director-Operations & Chief
Operating Officer

Mr. Shailesh Haribhakti
Director

Mr. S. Doreswamy
Director

Dr. Darlie Koshy
Director

Mr. Anil Harish
Director

Ms. Anju Poddar
Director

Ms. Bala Deshpande
Nominee Director

COMPANY SECRETARY

Mr. Shiraj Deji

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NGS & CO

ADVOCATES & SOLICITORS

Haresh Jagtiani & Associates

BUSINESS PROCESS ADVISORS

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Leisure / Entertainment



Food



IT / Telecom

Fashion
Home / Electronics
General Merchandise



Financial Products / Services



everything





EVERYTHING A CONSUMER WILL EVER NEED

At Pantaloon, our vision is to capture as much share of the customer's wallet as possible by retailing just about everything that goes into his shopping basket.

We initially started with fashion meeting a small share and then evolved to include food and general merchandise, which took this share higher.

We believe that there are many emerging opportunities in the Indian market and we have to identify areas where we can build category expertise and add value to the customer. Home, leisure, entertainment and communications are just some of these opportunities. With 3 million new homes being bought annually and the current size of the home market estimated between Rs. 70,000 to Rs. 80,000 crores, we are already well prepared to be a part of every Indian home.

After 24 months of research and consumer understanding, we have decided to add a new line of business, which as of now is a largely unorganised segment. A separate subsidiary and a new CEO are already in place to look after this business. A similar opportunity exists in communications. With

50 million mobile users and a growing market forming around 6% of the customers' monthly expenditure, communications is a strong emerging business. We are building expertise in this category with a new CEO spearheading the business. In addition to all of this, we have used inorganic, innovative and India-inspired ways to capitalise on the rapidly increasing leisure and entertainment segment.

At Pantaloon, we continue to identify categories that require special attention and care and a different approach for delivery. Blue Sky (watches and sunglasses) and aLL (for plus size people) our more recent launches, address these requirements. Work is also in progress to enter the cosmetic and perfume, wellness and beauty categories with distinct delivery formats. Books, music and gifts, footwear and family entertainment centers are some of the other specialty areas that we have identified. We expect to come up with diverse delivery approaches to cater to customer needs in these segments.

We believe in evolving faster than our consumer evolves. This ensures our preparedness with whatever it takes to fulfill demands when s/he is ready.

Everything Everywhere for Everyone 7

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everywhere





ACROSS POPULATION STRATA/TOWNS/CLASS/ CONSUMER TYPES

We are an equal retailer- in other words, class-less- both demographically speaking (i.e. town class types) and psycho-graphically speaking (i.e. across all socio-economic categories).

We believe in delivering everything, everywhere and to everyone. What helps us is the manner in which we segment markets. For us, there are only two types of customers: aspirational and non-aspirational, and we want to meet the current and future requirements of aspirational customers everywhere in India.

This customer resides both in urban India as well as in smaller towns. After having experimented with Sangli, an agrarian town and Durgapur, a small industrial town, we feel that we have the chance to open stores in 83 similar towns (with a population of up to half a lakh) across the country; a huge base of people to whom value itself is an aspiration.

We believe that different delivery formats will be required to address different fields in as diverse a country as ours where one format that sells everything, may just not work. Recognising this, we have developed multiple delivery formats that allow us to take modern retail to the aspirational masses

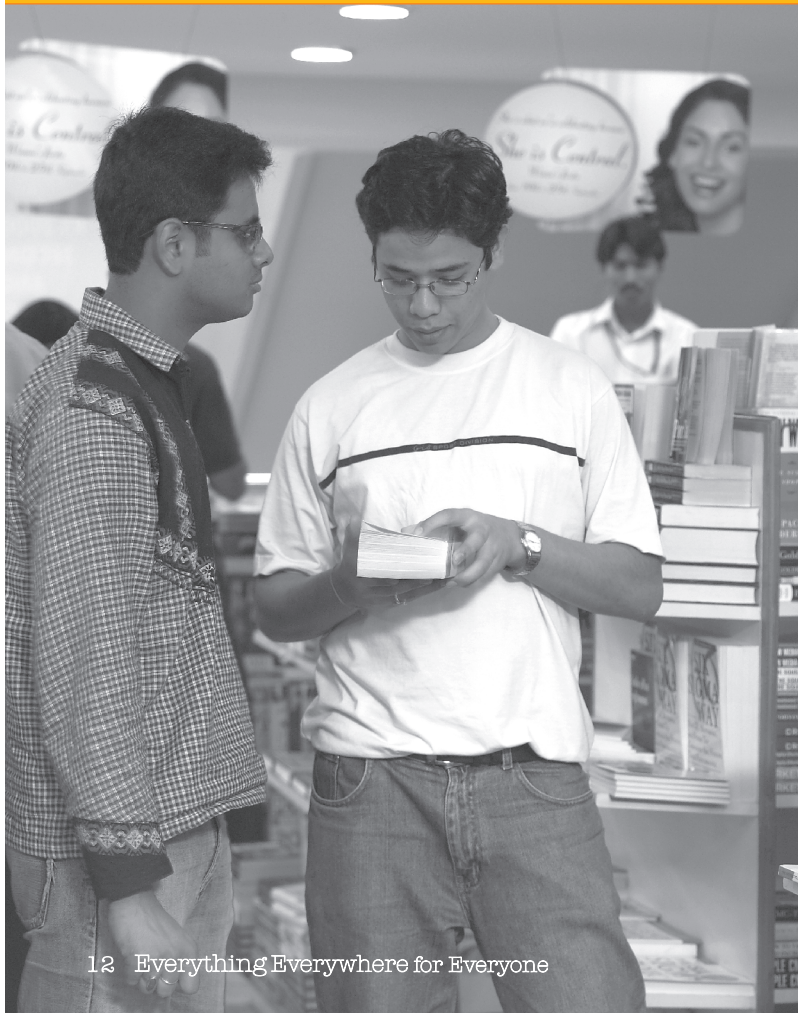
across India. Today, our delivery formats service customers in all major cities like Mumbai, Kolkata, Bangalore, Ahmedabad, Hyderabad, Baroda and Pune, as well as distant places like Sangli, Durgapur, Bhubaneshwar, Vishakapatnam, Nasik and Nagpur.

Our experience has shown that stores in smaller towns have huge potential for business. Contrary to what people think, these stores are as profitable as stores in large cities and in some cases, even more so. It is not difficult to comprehend this if one takes a moment to review the facts- occupancy costs are low, productivity is high and there is no dearth of footfalls since these smaller towns experience modern retail for the first time.

We are entering a large number of small towns and expanding rapidly in larger cities as well. Some new store locations include Allahabad, Amritsar, Ludhiana, Meerut, Agra, Jalandhur, Coimbatore, Thrissur, Calicut, Mysore and Kochi. We believe that Indian customers are getting more aspirational all the time thus providing us with even bigger opportunities. We will be everywhere the aspirational Indian consumer is! Regardless of the class of customer, or town class type.



everyone



EVEN THOSE WHO CURRENTLY DON'T CLASSIFY AS CONSUMERS

Having aspired to sell everything, everywhere we also want to sell to everyone.

Currently we cater to only three kinds of customers—value, value-lifestyle and lifestyle through our delivery formats. With five lines of businesses—fashion, food, general merchandise, leisure and entertainment and home, Pantaloon reaches out to aspirational customers across income segments, age brackets and communities. And this can be seen at our Big Bazaar, which we believe has democratized shopping in India.

We cater to customers from 0 to 80 years. In India, we were the first to recognize that everyone shops in families. But we observed yet another interesting trend last year. Even nuclear families came to our stores with their parents (who live separately). Some of us may live apart (due to space constraints—mainly in metros) but we go out together. On weekends, children account for more than 25% of the footfalls and the senior citizens are not far away with 20% footfalls.

It's a Pantaloon fact that India shops in communities. Across our stores and through our print and media advertising, we ensure that every community is attracted to our stores. India celebrates 29 major festivals. Almost all festivals are 'community centric', 'Gudi padwa' for Maharashtrians, 'Pongal' for Tamilians, 'Bestu Varas' for Gujaratis, 'Eid' for Muslims, 'Diwali' for all Hindus, 'Durga Pooja' for the Bengalis, 'Christmas' for the Christians, 'Basant' for the Punjabis etc. Unity in diversity at its ultimate best can be seen at our stores.

However, we also aspire to add one more class of customer, one which currently does not classify as a consumer.

We believe that there reside in India two kinds of people. The first are the ones everyone talks about—who visit our stores and are already a part of the retail revolution. But there is one more class in India—one that comprises of mainly the support system and includes domestic helps, painters, electricians,

carpenters, drivers, peons etc., essentially the service providers of the Indian economy. Our customer insights have shown us that the latter hesitate in going to the same stores as the former. But this is a large segment of the country's population, comprising about 60 % and ironically given the economic hardship, they pay a premium for every commodity they consume and at rates that are ten times higher than for other Indians.

This segment does not classify as customers for most. Professor C.K Prahlad calls them 'Bottom of the Pyramid' customer. Research is on to reach them, serve them and facilitate their purchase process. Their first exposure to organized retail.

So that we have something in store...for everyone in India.

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message from the managing director

“CONSUMPTION = DEVELOPMENT! PANTALOON IS PLAYING AN IMPORTANT ROLE BY TAKING MODERN RETAIL AND HENCE, CONSUMPTION, TO THE MASSES”

Dear Customers, Pantaloonians, Supply-Partners and Investors,

2004-05 was an eventful year for the company. We surpassed the Rs 1000 cr target we had set for ourselves in 1999.

Having evolved as a retailer and observed the joy that modern retail brings to the customers convinced me that there is more to retail than meets the eye. Retail is about facilitating consumption.

And consumption = development!

We believe that in the times to come, Pantaloon will play an active role in the social and economic development of the country. By creating avenues, formats, brands and spaces—we are raising aspirations, inducing consumption and more importantly developing urban Indian infrastructure, creating public property and generating employment opportunities. All pointers to a strong, buoyant and emerging India.

We are also pleased about inching closer to our mission of increasing the share of the customer's wallet. By adding two more lines of businesses, home and leisure & entertainment, plus adding more delivery formats like aLL, Blue Sky, Fashion Station, we are touching Indian customers in many ways. Communication, wellness, books and music, footwear and family entertainment centers are being delivered to the customer using a distinctly Indian approach. As a retailer we have been able to establish different delivery formats for different customers as we firmly believe that all customers cannot be sold everything under one roof. In India you require a 'horses for courses' approach. More delivery formats are under way, both by our partners and us.

In terms of growth too, we have an aggressive outlook. We have signed more than 10 million square feet of retail space and the management of the venture capital fund for property will further that space. Between

the domestic and international schemes, the venture fund is likely to develop 30 million square feet of space and hopefully, Pantaloon may get some space there too. As a company we are not restricting ourselves to organic growth. We are looking at inorganic growth too.

Pantaloon is betting big on Indian youth. With 60% of the population of India comprising of the youth, we cannot ignore this segment. Hence, Pantaloons has been upgraded to provide to fresh fashion. Big Bazaar has evolved from just a discount store into a fashion-led, family oriented, happy shopping destination. Food Bazaar is adding many concepts that redefine 'fresh & pure' in the Indian context with live chakki, live pasteurizing plant and live bakery. And we are taking all the formats across the country.

We have also taken modern retail to smaller towns and cities and encouraged development there. Sangli, Durgapur, Nasik, Nagpur and Bhubaneshwar are examples. Many more towns will be added to the above list of names. In one of my visits a senior citizen hugged me and thanked me for having brought pride to their town. He also told me that it won't be long before others follow and the town would be no different from Mumbai. That strengthened my belief that consumption does equal development.

The entire credit for all that we have achieved so far goes to our people who have made the difference. Without their positive energy and agility, this surely would not have been possible. I want to personally thank every stakeholder for the faith they have shown in Pantaloon.

I am proud to be the leader of this team of fanatic, positive individuals.

Kishore Biyani
CEO & Managing Director



business division discussion





EXPANSION PLANS

The company has drawn up an aggressive expansion plan for the future. Total retail space at the end of 2004-05 stood at over 1.9 million square feet with around 1 million square feet being added in the year under review. The company will further step up the pace of expansion and based on the space currently signed, expects 3.5 million square feet to be operational by June 2006 and 7 million square feet by June 2007.

LINE OF BUSINESS FASHION

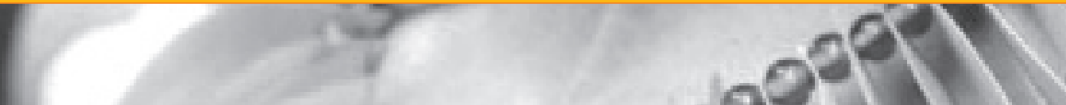
Comprising close to 50 per cent of the total revenues of the company, fashion continues to be the strength of Pantaloon. The antecedents of the company lie in garment manufacturing and it is the ability to understand the fashion business backed by years of experience that has been a key differentiator for Pantaloon. This knowledge has enabled the company

to come up with a robust private label programme. Private labels have a crucial role to play for any retailer and especially so for a fashion chain. Having its own labels allows the company more control and flexibility in determining style, fashion, fabric and inventory. And ultimately, private labels help in achieving better margins.

Pantaloon has over the years been able to create, develop and sustain a large number of its own labels, targeting men, women, kids and infants at different price points. These have created a strong equity for the company and Pantaloon stores today are known for differentiated products but with a value-for-money proposition. The company reaches out to customers in the lifestyle segment through Pantaloons and Central and in the value segment through Big Bazaar and Fashion Station.



pantaloon





PANTALOONS FRESH FASHION

2004-05 was a landmark year for Pantaloons as it shed its erstwhile image of being a family store. Having bet on the youth of India, we believe that affordable fresh fashion is going to be the next driver. It is this belief that led to the launch of **Pantaloons-Fresh Fashion**. Consequently, Pantaloons will now wear a new identity—a fresh look, feel, attitude through a new logo, merchandise, layout, brand communication and mindset enabling it be a fashion trendsetter with a focus on the youth of today and will offer trendy and hip fashion that defines the hopes and aspirations of this demography. We believe fashion is a perishable commodity, needing to be replaced faster than ever before, and hence customers will now be able to shop for the latest fashion every time they visit the store. Expect more than seven season changes signifying 'fresh fashion'.

During the year under review, Pantaloons used a double pronged approach to re-affirm its fashion credentials, while new labels were launched to fill up gaps in the private label programme, existing in house brands were revamped and re-launched in order to give a more trendy and contemporary product line. Stores also displayed a more coordinated look as the company used its design capabilities and sourcing prowess to ensure that the right product mix hit the stores at the right time. Exclusive products and fresh merchandise at regular intervals backed by persuasive visual merchandising and accessories ensured healthy same store growth across the chain.

ALL

Filling gaps in customer needs has always been a constant endeavor at Pantaloon. One such gap was fashion for plus size people. Taking a lead, Pantaloon launched '**aLL**', a format for plus size men and women. The merchandise in the store is designed and tailored keeping the Indian customer in mind. The clothes are fashionable yet conservative.

The product mix will undergo many cycles and changes, depending on customer needs and requirements. Everything in the store is aesthetically/sensitively designed around the proportions of our big consumers. The first store was launched in Vashi, Mumbai, followed by one at Andheri, Mumbai. aLL is expected to be a part of many Pantaloons, Centrals and also be present in a stand alone capacity.

BLUE SKY

In India, watches and sunglasses for urban aspirational customers are sold through departmental stores and high street stores. We believe that with accessories becoming an indispensable part of the wardrobe, this category is expected to witness robust growth. There is no national chain of stores of sunglasses and watches, in India. Pantaloon bridged this gap by launching **BlueSky**, which will sell a wide range of branded and private label sunglasses and watches. BlueSky has been launched as an independent store in Baroda and as a part of Pantaloons and Central.

MARKET TRENDS

Fashion in the Indian market is now coming of age as it makes bold strides in new and un-chartered territory. Trends from the west are not embraced in entirety; instead a distinct Indian dressing sense has emerged. Backed by soaps and increasing exposure to films traditional outfits, fabrics, and prints have made a comeback. Customers are now choosy about the selection of their wardrobe and have become more experimental; at the same time a strong inclination to dress differently for different occasions has emerged instead of the earlier trend of being in either formals or casuals. Individual personalities are increasingly being reflected through clothes and brand loyalties are gradually diminishing as product and price assume prime importance.

Pantaloon opened two stores post June 2005, their details are:

LOCATION	DATE	SIZE (SQ. FT.)
KANKARIA, AHMEDABAD	OCT 2005	20,000
CUNNINGHAM ROAD, BANGALORE	OCT 2005	20,000

Category Performance

The various launches under different categories in Pantaloon's stores have been described below.

MEN'S

The category witnessed the addition of ethnic and party wear to a strong existing western wear collection. The company was able to capitalize on the trend of differentiated dressing for diverse occasions. The category witnessed the following initiatives:

Men's Formals

JOHN MILLER

By periodically introducing technically superior products at competitive price points, the John Miller label as an executive attire brand was strengthened further this year.

LOMBARD

Lombard is usually associated with classic English formalwear with special focus given to fine tailoring. The collection under this label has been upgraded resulting in a sharper brand identity. Lombard's summer range emphasized 100% linen shirts and a new tailored fit was introduced for customers desiring a slimmer look. The brand was extended to ties, watches and sunglasses.

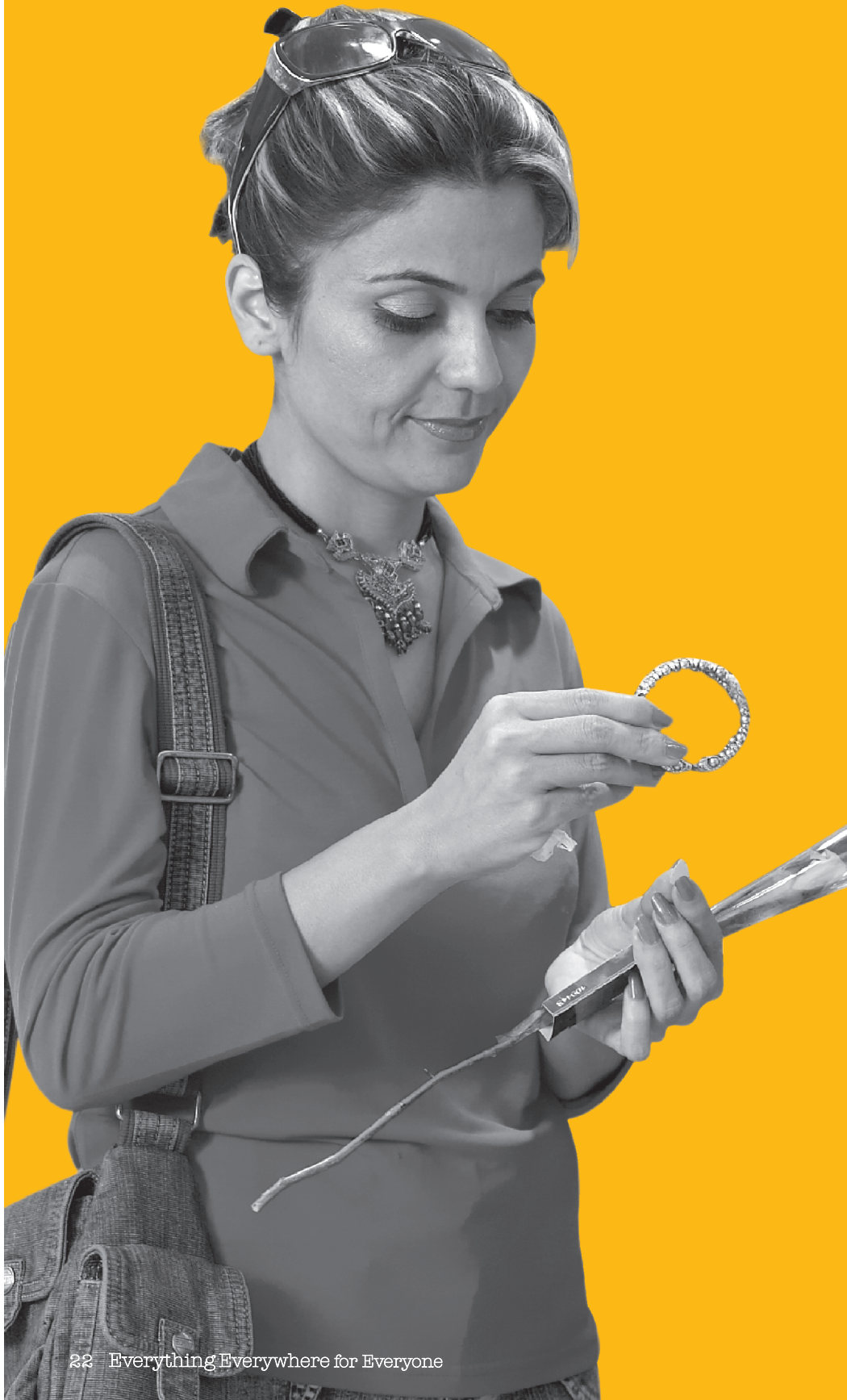
Men's Casuals, party and ethnic wear

BARE DENIM

Bare Denim; one of the most successful private brands was repositioned to target the fashion conscious 18-35 year age segment. The selection now includes fashion forward denims with contemporary fits

F

In order to meet the fast growing demand for party and evening wear, Pantaloon's introduced club and lounge wear through the 'F' brand. Products include shirts, t-shirts and trousers and cater to the party going 16 to 30 year age segment.



AKKRITI

Men's ethnic wear is undergoing a renaissance helped by the exposure through films and television soaps. To meet this demand Pantaloons extended its popular women's ethnic wear brand akkriti to include men's wear as well.

Men's Knits

AJILE

Ajile was re-launched with the objective of making it a trendy sports wear label for both men and women.

LADIES

The category was dominated by the demand for western formal wear for both work and leisure. The company has two strong brands in this space, Honey-for young women and Annabelle-for mature women. Ethnic wear found favour for the corporate look as well as for evening and leisurewear. Mix-n-match was also a popular trend. The rising awareness for fitness resulted in a strong demand for sports wear and the existing sports private label Ajile was successfully extended to cover women.

The other milestones for this category in 2004-05 were:

AKKRITI

Indo Western fusion wear is a growing category and with akkriti we have invested in a whole new product range. Two innovations carried out in this category were Ghagroo and QAMIZ.

Ghagroo is a long skirt inspired from rustic Indian folk, introduced by the company, Ghagroo has now become a new genre in women's clothing in the country. The everyday humble kameez (women's traditional shirt) was also given a fusion twist, with longer and slimmer silhouettes and was christened as QAMIZ.

MIX-N-MATCH

The trend in Indian wear has moved from ensembles to buying separates over the last few years. There is a large potential for a brand in this category, and the reason behind the launch of mix-n-match. This offering allows women to create their own looks, by offering them a vast array of choices in salwars, dupattas and kurtas as separates.

TRISHAA

TRISHAA was introduced, for women who prefer to get their salwar kameez stitched according to their own personal tastes, rather than purchase it off the rack.

LADIES WESTERN

ANNABELLE

The existing women's western wear brand for working women, extended its offering to provide leisurewear (Annabelle Leisure) and evening wear (Annabelle Eve) for social occasions.

These offerings now fulfill the needs of young working women looking for stylish, well-crafted western clothing for all occasions.

HONEY

The scope of the western wear brand for young girls was increased to include party wear and inner wear.

CHILDREN

A new private brand was launched in infant wear called Chalk, the brand targets the age segment 3-10 and is positioned as a brand for fun loving and energetic kids. Bare 7214 was launched for the age segment 7-14 and is for young, urban fashionable kids. Both the labels cater to girls and boys. Lines in party and ethnic wear were also introduced.

STRATEGIC DIRECTION

The company's objective is to position Pantaloons as the preferred fashion destination for the age segment-15 to 35. To achieve this goal, Pantaloons will churn out fresh fashion at regular intervals and will move on from the traditional four seasons to seven seasons. This will ensure that stores display fresh merchandise every 45 to 60 days. The company expects to leverage its strength in private labels to implement the above plan; this is also expected to result in higher stock turns at the same time reducing markdowns and inventory. The exercise will be an integrated one-backed by the appropriate accessories and marketing drive.

A strong in-house design team has facilitated the regular launch of new labels and re-vamp of existing labels, this is expected to gather steam in the future as the company moves on to being a fashion centric private label driven

chain. In the coming years, regular dollops of fresh fashion keeping in mind the Indian perspective with the right mix of accessories focused at the high spending and fast growing numbers of youth is expected to drive revenues.

International fashion and sportswear are emerging as strong product categories. As Indians travel the world over with increasing frequency, their buying habits are being influenced by the latest trends in the west. There is a small but growing segment of customers, which is keen to patronize international lifestyle brands. The company has entered into a strategic joint venture agreement with speciality retailer Planet Sports Private Ltd. to cater to this demand. A leading sports and fashion retailer with significant presence in South East Asia, Planet Sports is the sole franchisee for the prestigious UK based retail chain-Marks & Spencer in India. The company also has the exclusive distribution/licensing rights for some of the world's best-known sports brands like Wilson, Puma, Speedo and Converse. Planet Sports currently has 6 Marks & Spencer stores and 25 Planet Sports stores in India. It also has the franchisee rights for well-known lifestyle stores like Guess, Gap, Next, Debenhams etc. Pantaloon has acquired 49 per cent stake in Planet Sports and expects to set up multiple stores under each of the above brands in select cities.

central





The second offering from Pantaloon in the lifestyle segment, Central is a showcase, seamless mall,—the first of its kind in India. The mall is designed in a manner that does away with in-between walls and shops offering customers an unobstructed and a pure shopping experience.

The revenue model is based on the concept of space utilization; brands pay certain fixed charges based on the retail space occupied. Additionally, they also pay a certain percentage of monthly sales. These parameters ensure a de-risked model with the downside being protected—at the same time ensuring that the company gains from any upside.

Central has been positioned as a destination where one can shop, eat and celebrate. On offer are some of the best known national and international fashion brands, food courts, fine dining options, book and music stores, lifestyle accessories, well-stocked food and grocery store and more. Location plays a key role and Central is situated at the heart of the city. Prime positioning and an array of different facilities are expected to cater to a large portion of the customer's shopping basket.

Pantaloon had launched the first Central in May 2004 in Bangalore; the performance

of the mall during the previous year indicated that Central has made a strong impression on the citizens of the city. An active promotion schedule ensured that the store became a much sought after and visited shopping destination.

The company launched two more Centrals in 2005-06. Their details are

LOCATION	DATE	SIZE (SQ. FT.)
HYDERABAD	NOVEMBER 2004	216,000
PUNE	APRIL 2005	135,000

At 216,000 square feet, Hyderabad Central is the largest store belonging to the company. Six floors house some of the best national and global brands in fashion, toys, books, music, sports and lifestyle accessories. An entertainment zone, food court, restaurants, music & book stores make Hyderabad Central an irresistible destination. The store also includes a Food Bazaar.

Pune Central is located in the up market Bund Garden area, in one of the most rapidly expanding cities in India. The store occupies over 135,000 square feet of space. In addition to strong fashion and accessories collection, the store also has a Food Bazaar, multi cuisine restaurants, food court and a music store.

big bazaar



Having democratized shopping in India, Big Bazaar evolved from a discount store to an experience catering to the aspirations of the family. This was a big change in the perception of the format and with this; Big Bazaar was able to raise the emotional quotient with its customers.

In terms of operations, fashion comprises the single largest chunk and constitutes over 45 per cent of the revenues of a typical Big Bazaar. The company has been able to leverage on its inherent strength in fashion and create a strong value-for-money proposition for the Indian consumer. This aspect highlights the uniqueness of the Big Bazaar model as compared to traditional hypermarkets, which principally revolve around food, groceries and general merchandise. It also helps in achieving better margins.

PRIVATE LABEL PROGRAMME

The highlight in 2004-05 was the growth of private labels. The share of private label revenue at the commencement of the year was negligible, however during the year, the category was able to successfully develop in-house labels catering to men, women and children. The current contribution from private labels as a percentage of the total fashion revenues stands at over 40 per cent.

Highlights of the year were:

- > Launch of STUDIO NYX, targeted at the disco, pub and club going male customers in the age segment 20 to 40
- > Exclusive retailing of *ruf n tuf*, the popular denimwear from Arvind Mills at Big Bazaar outlets
- > Launch of *Pink n blue* for infants
- > Licensing of *Tarzan*, the popular comic

The details of the Big Bazaars launched during 2004-05 and the early part of 2005-06 are:

LOCATION	DATE	SIZE (sq. ft.)
HI LAND PARK, KOLKATA	NOVEMBER 2004	22,500
KANKARIA, AHMEDABAD	DECEMBER 2004	66,000
EAST DELHI MALL, GHAZIABAD	DECEMBER 2004	50,000
DURGAPUR	MARCH 2005	26,000
KANDIVLI, MUMBAI	MAY 2005	65,000
THANE, MUMBAI	MAY 2005	42,000
BANASHANKARI, BANGALORE	JUNE 2005	98,000
SANGLI, MAHARASHTRA	JUNE 2005	24,000
INDERLOK, NEW DELHI	JULY 2005	32,500
WAZIRPUR, NEW DELHI	JULY 2005	35,000
VIZAG	OCTOBER 2005	45,000

character from *Disney* for young boys and girls

> Launch of accessories under existing private labels *Knighthood* and *DJ&C*

> Launch of *Haute n Spicy*, denimwear targeted at college going and young working women

In addition to the above initiatives, the growth in private label share is also due to increased revenues from existing private labels that were launched towards the end of 2003-04. In the past year, these labels have managed to create a strong connect with the customers.

STRATEGIC DIRECTION

In the year under review, Big Bazaar moved from being just another apparel store. Propelled by an ever-increasing array of private labels, it opened the doors into the world of fashion and took the first initial steps. In the coming year, the category will take bold strides in that journey as it attempts to meet the growing fashion aspirations of a large segment of India's population.

Private labels are expected to continue to be at the fore, the category will attempt to introduce labels to fill in the current

gaps. Men's wear and women's wear will be reinforced by the induction of further occasion specific clothing, at the same time the category will strengthen its presence in the kids and infants wear section. By the end of the coming year, the category expects to derive more than half the total fashion revenues from private labels.

New categories will continue to be added as the category strives to provide customers with a 'complete' look. The growing demand for sports wear will be addressed with the induction of fashion-oriented sport apparel through a mix of national, international and private labels. The company has put in place a mechanism, which ensures that the fashion requirements of each store are looked upon individually keeping in mind the local preferences. With trends being closely monitored at each location, the company expects a reduction in inventory levels and markdowns.

While, the addition of new stores and the introduction of newer categories are expected to drive revenues, the margins are expected to improve as the chain moves up the fashion ladder.



fashion station



The company is all set to increase its share of fashion in the value segment. A significant event in this direction was the launch of Fashion Station—the latest retail format addressing the value end at Pantaloon. A thematic store, Fashion Station is an attempt to offer fashion forward products to the mass market. With increasing media penetration and a proliferation of television channels—some of which cover fashion extensively, the average Indian is being steadily exposed to bolder and more contemporary fashion. The result is that within the value market there is a segment that has attained higher fashion aspirations and this segment is getting larger with time. Fashion Station is positioned to meet the requirements of this growing number of customers; it is an effort to take fashion a notch higher in the value segment.

The first Fashion Station opened in Mulund, Mumbai in March 2005. Spread over 32,000 square feet, the store houses a mix of private labels sold in Big Bazaar and Pantaloons.

These are backed by the requisite fashion accessories and appropriate footwear, which lends an integrated feel to the store and meets the entire fashion requirements of a customer. The second Fashion Station of 15,000 square feet opened in Shipra Mall, Ghaziabad in October 2005.

STRATEGIC DIRECTION

Ready availability of private labels at different price points permit Pantaloon to meet varying customer requirements. It also allows the product mix to be modified, altered and fine-tuned to suit regional tastes and local buying power. The company expects Fashion Station to provide customers with a sophisticated shopping experience and deliver better margins to its bottomline.



general merchandise

LINE OF BUSINESS GENERAL MERCHANDISE

The general merchandise business of the company is conducted through the hypermarket discount chain-Big Bazaar and comprises of various household requirements and other goods. The principal categories stocked in stores are utensils, luggage, plastics, household & kitchen products, toys, gifts, crockery, sports goods, stationary, furniture etc. The merchandise under each category consists of a mix of national & regional brands as well as unbranded products; this gives consumers the option of choosing from different price points and helps the store to attract customers from varying income segments. The wide product offering and multiple price points have made the general merchandise segment extremely popular with the consumers.

REVIEW OF 2004-05

Pantaloon was successful in increasing the product offerings in the year under review. At the commencement of 2004-05, the division primarily revolved around utensils, plastics and luggage. This was enhanced with the introduction of certain other categories; these include white goods, furniture, crafts, kitchen appliances etc. The objective of the division is to ensure that maximum products are converted into Volume Producing Items (VPI's), this happens when the volume of a

product reaches a certain critical mass thus enabling the division to profit from benefits of scale.

Sourcing is an extremely critical aspect of the general merchandise business considering the vast umbrella of products retailed and the volumes involved. The company was able to significantly build upon its vendor base in 2004-05, thus ensuring that the future supply keeps pace with the aggressive expansion plan. As Pantaloon builds scale, it is able to source products cheaper, a phenomenon that was in vogue in the past year. The company largely passed on the margin benefits to the customers-living up to its reputation of 'isse sasta aur accha kahin nahin'.

Apart from the categories mentioned above, the company also introduced new categories such as auto accessories in 2004-05, and strengthened product diversity and depth in footwear. Both are emerging product lines and are witnessing an increasing part of the consumer's expenditure. In the footwear section, the company offers products to men, women and children at reasonable prices to suit various occasions, while two-wheeler and four-wheeler owners have an extensive array of accessories to choose from in the auto accessories section.

The policy of the company is to launch new best selling categories on a regular basis in addition to the usual 'bread and butter' categories; this dovetails with the overall objective of the company to capture

the maximum possible, of the customer's shopping basket.

STRATEGIC DIRECTION

In 2004-05, Big Bazaar was able to add more categories to its existing line of best sellers; this feature is expected to become a recurring part of the general merchandise business. The company will continue to create more categories and innovate in order to bring high priced products at low prices for the consumption of the masses. Some of the categories that will be in focus in the coming year include furnishings, appliances, consumer electronics, health and fitness products etc.

This philosophy has also enabled Pantaloon to embark on an ambitious value-engineering programme. The company expects to use this tool to rationalize intermediaries and ensure availability of affordable products to its consumers thus creating a differentiated setting, one that will help attract customers to the store.

Finally, Big Bazaar is moving away from just being a price driven store. While affordability will continue to be a key aspect, Big Bazaar is set to introduce value-added and designed products to its consumers. This is in sync with the evolving lifestyle of a large segment of India's population due to the steadily increasing aspiration levels.



food bazaar





LINE OF BUSINESS FOOD

Life is all about good taste and at Food Bazaar our aim is to ensure just that. For us food is not just a product—its much more, its something special. We source responsibly, adhering to the highest quality standards and ensure that the freshest produce is available at the most affordable rates. Our endeavor is to make life simple and more convenient for our customers.

FOOD BAZAAR

Pantaloons's food and grocery format, Food Bazaar was set up in 2002-03. Since the launch of the first Food Bazaar, the chain has grown to 33 stores. A large number of these stores are located within Big Bazars, but given their ability to bring in customers; Food Bazars are also a part of Pantaloon's, Centrals and also separate in a stand alone capacity.

A Food Bazaar stocks an average of 7,000 stock keeping units (SKU's), predominantly daily consumption items ranging from basic staples to detergents, from soaps to biscuits. The SKU's are divided into the broad categories—staples, fresh produce and branded foods, home & personal care products. Staples include groceries like rice, wheat, dal, spices and oils. Fresh produce comprise of fruits and vegetables, which are sold loose through the concessionaire

arrangement. Branded foods are the dominant category in Food Bazaar and include products from FMCG companies in India. With low prices, a wide selection of products and guaranteed freshness, Food Bazaar has proved to be a big draw with customers.

REVIEW OF 2004-05

Food Bazaar made the transition from just being a grocery store to creating an emotional connect with customers by significantly upgrading the shopping experience. This was principally due to the introduction of value added services that brought about delight as well as convenience to the daily shopping habits of customers. These initiatives include:

- > Live *chakki*, which allows customers to buy fresh wheat and have it ground in front of their eyes
- > Live bakery
- > Fresh Juice counter
- > Live dairy, this provides customers with fresh milk and milk products
- > Live kitchen, customers have the option of buying vegetables, getting them chopped, cooked fully or partly. Soups, salads and sandwiches are also available
- > Loose tea and coffee sourced from some of the best national gardens as well as internationally
- > Home made pickles in loose form

Launched selectively in a few stores, the above initiatives have proven to be extremely successful and will now be an integral part

The company opened the following Food Bazars in 2004-05 and in the early part of 2005-06.

LOCATION	DATE	SIZE (SQ. FT.)
GOREGAON, MUMBAI	AUGUST 2004	21,000
HI LAND PARK, KOLKATA	NOVEMBER 2004	7,500
KANKARIA, AHMEDABAD	DECEMBER 2004	14,000
EAST DELHI MALL, GHAZIABAD	DECEMBER 2004	10,000
DURGAPUR	MARCH 2005	5,000
KANDIVLI, MUMBAI	MAY 2005	10,000
THANE, MUMBAI	MAY 2005	10,000
BANASHANKARI, BANGALORE	JUNE 2005	15,000
SANGLI, MAHARASHTRA	JUNE 2005	6,500
INDERLOK, NEW DELHI	JULY 2005	10,000
WAZIRPUR, NEW DELHI	JULY 2005	10,000
VIZAG	OCTOBER 2005	10,000



of all future Food Bazaars. Private labels are an intrinsic part of Food Bazaar offering customers better value and more options, they also generate higher revenues for the company. Rolled out in December 2002; the category has been able to develop a cross section of products, which have successfully competed with some of the best local and national brands.

The following products were launched in 2004-05:

LABEL	PRODUCT	MONTH OF LAUNCH
CLEANMATE	UTENSIL CLEANER CONCENTRATE	AUG 2004
CLEANMATE	GLASS CLEANER	AUG 2004
CLEANMATE	DISHWASH BAR	SEP 2004
PREMIUM HARVEST	BASMATI RICE	SEP2004
TASTY TREAT	PICKLES	OCT2004
CLEANMATE	TOILET CLEANER	NOV2004
CLEANMATE	PAPER DISPOSABLE	NOV2004
CLEANMATE	HOUSEHOLD CLEANER	DEC2004
TASTY TREAT	PAPAD	JAN 2005
TASTY TREAT	TRADITIONAL SNACKS	FEB 2005
CLEANMATE	GREEN PHENYL	APR 2005
TASTY TREAT	INSTANT NOODLES	JUN 2005

Launching in-house products is one thing, but ensuring that the products find acceptability and continue to be viable is a lot more challenging. The category has developed the systems; the know-how and the skills required to scale up and take a larger share of the segment. Some of the products launched in the earlier years have attained more than 15 per cent share of the respective categories, these include; dals & pulses, ready mix masalas, tea, salt, glass cleaner, hand wash, basmati rice etc.

Private labels will continue to be in the news. The category expects to double the existing revenues by launching new products under foods, home and kitchen segments and as earlier launches stabilize and attain a greater market share.

STRATEGIC DIRECTION

The past year witnessed the acceptability of modern food and grocery concept in small towns and cities in India. The company had set up Food Bazaars in cities like Nagpur, Nashik and Bhubaneshwar during 2003-04, the results from these stores have been positive and subsequently stores were set up during 2004-05 in Sangli and Durgapur. In the coming year, the company expects to consolidate its presence in major metro cities like Kolkata, Hyderabad, Mumbai, Pune,

Bangalore, Ahmedabad, Gurgaon etc where it already has a sizeable chunk of the food & grocery market. Additionally, Pantaloon will continue to increase its presence in other non-metro cities in its quest to be the only national food and grocery chain.

Food Bazaar has drawn up an aggressive expansion plan. While it will continue to be present in all Big Bazaars and Centrals as in the past, a result of the strong brand recall and high popularity across income segments will see a proliferation of Food Bazaars in cities where the store already exists. This fast expansion pace coupled with aggressive growth plans have enabled the company to enter into long-term multi dimensional terms of trade with FMCG majors leading to improvement in category margins and other initiatives like partnerships with leading brands to understand shopper behavior and vendor managed inventories, practices prevalent in the west. The company expects benefits from these measures to arise in the coming years.

The company remains committed to meeting the twin principles upon which Food Bazaar has been based; freshness and price. Pantaloon Food Products (India) Ltd. a subsidiary has been set up to facilitate just this. The prime objective behind the creation of this company is to build a food supply chain and use national scale to reduce the intermediate links between the producing centers and the consumers resulting in fresher products at lower costs. In the coming year the company will be tying up with fruit and vegetable collection centers across the country, this is expected to grow in scale with time and have a positive impact on the quality of produce as well as the prices.



home

LINE OF BUSINESS HOME

Housing is one of the basic needs of human beings and is a significant indicator of the degree of well-being and development of an individual. The progress of any nation is measured by the quality of life attained by its people. Availability of decent and safe shelter is an important component of the quality of life. With the second highest population in the world, India has an unfavorable land-man ratio. As the country enters an era of economic growth, the basic urge to own a home is being matched by the ability to afford one. A growing population, increasing urbanization and burgeoning middle class in India have always ensured that a healthy demand for housing exists. This has been further spurred by the break up of the traditional large Indian joint family into small nuclear set ups. However, affordability and lack of easy credit proved to be hindrances in the growth of the housing industry.

All this was in the past, with an increase in job opportunities, relaxation in interest rates and proliferation of home loan schemes from innumerable financial institutions and intermediaries—there exists an annual demand for over 30 million residential units and this is expected to increase every year. However setting up a house in India remains a cumbersome business. Since housing and its allied industries are largely unorganized—consumers face problems from the very beginning—from the selection of location till choosing the appliances, from buying the right building materials to getting the matching paint—consumers have to scout all over without any certainty regarding the price and quality. These drawbacks provide Pantaloon with an opportunity to leverage its retail expertise through new products and services and increase the company's share of the customer's shopping basket.

Entering the vast untapped home solutions market estimated at between Rs. 70,000 to Rs. 80,000 crores is a logical expansion of the company's business. Due to its presence in

the value & lifestyle segments through different established formats, Pantaloon has sufficient experience in understanding the diversity of the Indian consumer's requirements across geographies in tier 1, 2 and 3 locations. The company has been retailing furniture, home furnishings, appliances and consumer electronics through Big Bazaar stores and has built up considerable experience in these areas. A strong sourcing base has been created through strategic relations with some of the top vendors in the above categories.

Pantaloon has utilized its expertise, supply chain, systems, operational ability and customer insight to set up a subsidiary, Home Solutions Retail (India) Limited (HSRIL), which will cater to the requirements of different income segments through existing and new formats. The proposed manner in which, HSRIL will meet the home solutions requirement is:

In the value segment, the company will dedicate between 7,000 to 10,000 square feet in each Big Bazaar to sell furniture,

furnishings and appliances. The lifestyle demand for these products will be met through Centrals where the company will earmark between 20,000 to 30,000 square feet of space for this purpose. HSRIL is also setting up stand-alone stores dealing exclusively in these products to meet the requirements of lifestyle customers.

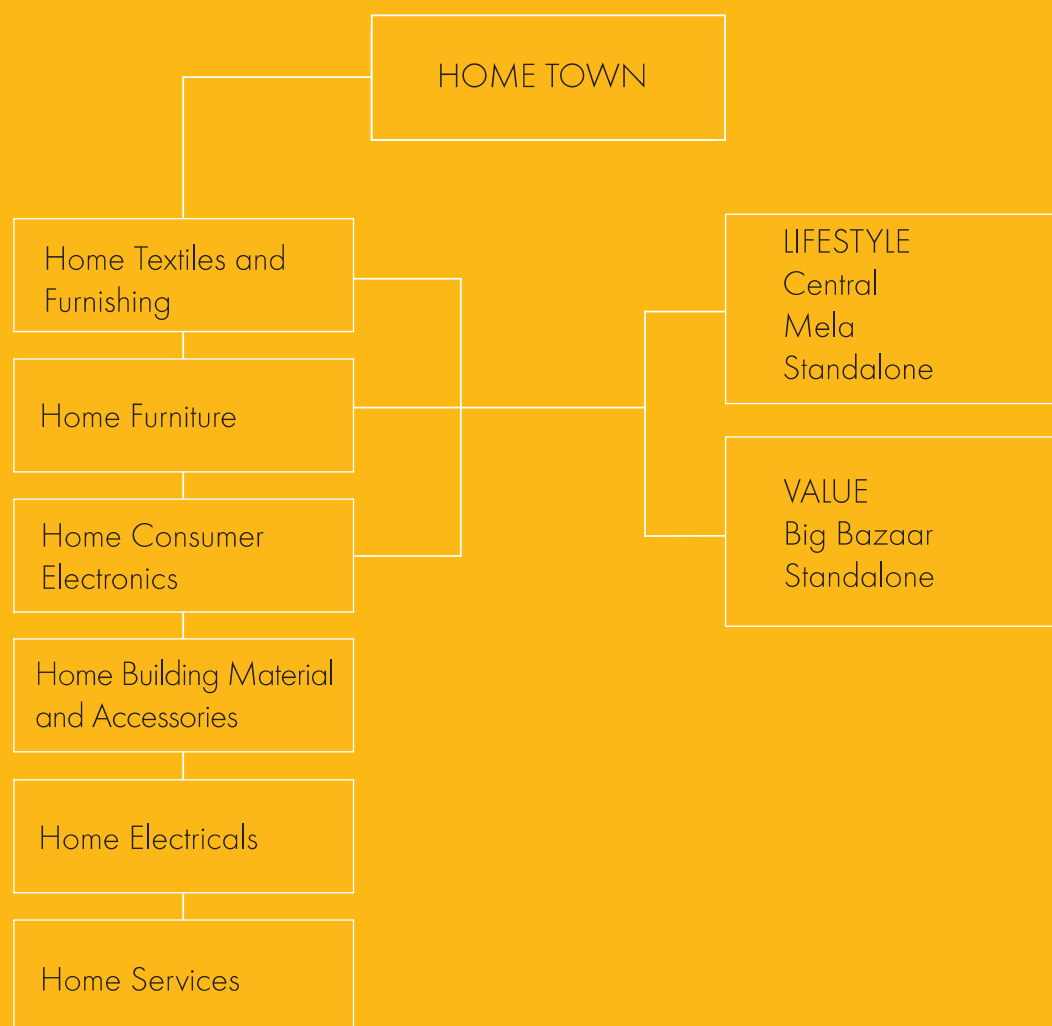
In addition to all of the above, the company is in process of rolling out flagship stores called Home Town. Spread between 100,000-150,000 square feet, each store will comprise

of the following product categories; home furniture, home furnishings, home building materials, home consumer electronics, home appliances and home services (architects, designers, financial products etc.) Home loans, building materials, sanitary ware, white goods, furniture, furnishings etc will all be available under one roof. The wide product offerings will be backed by multiple options across different price points—all at the best possible rates to attract customers from different income segments into the store. Home Town is being positioned as a one-

stop-shop, consumers would be able to stroll into the store and emerge with a house—complete with all the fittings and amenities. The company has already signed up property in four locations—Bangalore, Gurgaon, Thane and Noida. The first Home Town is expected to be operational in Gurgaon by the end of the 2005-06.

Mr. Raghu Pillai, the ex-CEO of the retail business of the RPG Group heads HSRIL. He is credited with having built the group's retail businesses namely Food World, Spencer's & Music World.

Home Solutions Retail (India) Limited



leisure and entertainment

LINE OF BUSINESS

LEISURE AND ENTERTAINMENT

As basic necessities get fulfilled, middle class India longs to quench its thirst for leisure and entertainment. Still at a nascent stage, the industry is expected to witness rapid growth as a result of the changes in demographic and economic factors.

Increasing urbanization and rising disposable incomes are characteristics that are common in emerging economies like India. Estimates suggest a growth in urban consumption at potentially 20% per annum in nominal terms for at least the next 5-7 year period. The total number of middle- to high-income households is projected to reach 105 million by 2010, thereby adding a large number of people to the consuming class. There are 100 million 17-21 year olds in India, and six out of ten households have a child that was born in the post-liberalization era and has grown up with no guilt of consumption. These demographic trends point towards an increasing wallet spend on leisure and entertainment activities.

Leisure and entertainment currently account for over six percent of the aspirational consumer spend and this share is increasing quickly.

With the number of malls multiplying rapidly

all over the country, there is a heavy demand for quality entertainment options. The company has identified this field as one of the potential high growth areas. Its exposure to consumers from various income segments and regional tastes have enabled it to understand consumer behaviour well. The company expects to build on this knowledge and come up with food courts, restaurants and family entertainment centers for diverse income groups with value-for-money deals.

As a start, Pantaloon has acquired 15.73 per cent stake in Galaxy Entertainment Ltd. An emerging player in the entertainment business, Galaxy has strong brand equity in Mumbai where it owns and operates Bowling Co., Sports Bar, Brew Bar, and Rain restaurant. This acquisition provides Pantaloon an entry into one of the largest markets in India. The company is working on launching different models to tap this segment in the future.

support systems

VENDOR MANAGEMENT AND DEVELOPMENT

As the focus on fashion grows at an exponential rate, vendor management and development assume critical importance. With established brands in both the lifestyle and the value segments, an intensive private label programme and a fashion forward strategy, the need of the hour is to be flexible in catering to market demands, at the same time meeting the stringent quality parameters while keeping costs competitive.

Pantaloon has developed an extensive vendor management and development programme to gear up to the above requirements. Although, the company does have certain manufacturing facilities, the contribution will be minimal in the future. Instead, Pantaloon will use its manufacturing expertise to identify, develop and promote high quality vendors.

The objective of this division is to be a hub of competitive sourcing for fashion products to fuel the fast expanding private labels. To achieve this, Pantaloon has embraced the concept of dispersed manufacturing. Under this, the company will source to various vendors in India and abroad, various components that go into fashion e.g. fabrics, manufacturing, accessorization etc. The final inspection will happen under strict observation of the company. Pantaloon is in the process of developing strategic alliances with vendors that include domestic manufacturers, exporters, trading companies and buying houses. Through these alliances, some of which are/will be on an exclusive basis, the company expects to gain from the scale and expertise of the individual vendors.

Pantaloon will also play an important role in identifying and developing exclusive vendors and mould them into entities that will help meet specific company requirements. The company will act as a guide to these manufacturers and be involved from the

inception stage-right from suggesting the machinery, providing all technical inputs to transferring manufacturing expertise to these vendors, it will also guide them on other areas like cost reduction, faster turnaround etc. The company will have a transparent mechanism to decide the final price. This will allow Pantaloon to add flexibility and scalability to its overall sourcing. The company is in the process of setting up offices and logistic centers in the four zonal offices to liaise closely with vendors.

With manufacturing primarily outsourced, Pantaloon will use its manufacturing strengths to enhance product knowledge. The division will work closely with the design team and the research and development cell to understand trends, develop products, value engineer and create season wise collection that cater to regional tastes.

SUPPLY CHAIN MANAGEMENT

The company's supply chain cell ensures the smooth and safe passage of merchandise to various stores. This cell is also responsible for assuring quality, vendor management, transportation and managing factory outlets.

Pantaloon's retail formats require a supply chain that is flexible enough to meet their diverse requirements, e.g. in case of fashion the time to market is paramount, while in general merchandise, the cost to market is crucial. Keeping these varied requirements in mind, the company set up its own supply chain and logistics model and this model has evolved with time and circumstances.

SUPPLY CHAIN AT WORK IN PANTALOON

The company's supply chain design revolves around a central warehouse and city warehouses. The central warehouse is located at Tarapur, a suburb of Mumbai, there are 13 regional warehouses located at different cities across the country.

The company follows different mechanisms for different products under various formats.

In case of fashion in lifestyle retailing, the entire stock is delivered to the central warehouse. The merchandise is then allocated to different stores by the respective category teams. For first time merchandise, the allocation is done based on studies carried out by category, which include multiple parameters, the store's racking capacity is also considered. For existing merchandise, replenishment orders are generated by the Auto Replenishment System, which takes into account the sales of the product in the store, the stock levels amongst other factors to forecast replenishment requirements. In addition to central buying, there is also restricted local buying. A unique aspect of the Pantaloon's supply chain is the factory outlet. It is the last link in the supply chain model and helps remove unsold merchandise from the stores. Factory outlets ensure that merchandise moves only in one direction, it is also a profitable way of divesting unsold stock.

In Big Bazaar, the merchandise is delivered directly from the manufacturer/vendor to different city warehouses. When the store requires any merchandise, it calls for the same. The goods can also be distributed amongst the stores based on the allocation done by the category manager.

In Food Bazaar, most of the products are sourced locally by each store. Perishable products are sourced directly from the APMC. Non-perishables are supplied directly by the suppliers. Food Bazaar uses

the supply chain infrastructure (warehousing and transportation) only for replenishment of its Private Label products from suppliers located in different parts of India.

The company outsources inter city transport of goods to third parties. The intra city movement of goods from the warehouse to the stores is handled by the company's own fleet of vehicles.

B2B connectivity was established during the year with the top vendors; with this the company will be able to work with vendors as a single entity eliminating duplication. In addition to introducing more clarity and transparency with regard to vendor relationship, it has also increased the efficiency of the procurement process and brought down the procurement cost.

The company was able to create a costing cell within the organization; the purpose of this cell is to arrive at the correct cost and mark up structure for different suppliers with the objective of ensuring savings for the consumers and fair prices for suppliers. The cell is equipped with specialists from each business line.

STRATEGIC DIRECTION

The company's supply chain vision is to ensure that as the business continues to grow, merchandise reaches the store in the minimum time at the least possible cost. To achieve this, the division is adopting leading technologies, making changes in the existing supply chain design and improving logistics.

Pantaloon is moving from a format driven supply chain system to a business led one. Under this, the Company's supply chain will be split in three distinct categories-fashion, food and general merchandise. This re-organization becomes imperative, as each business gets larger. With this shift, each business line will benefit with more attention and sharper focus. This is expected to increase specialization of the personnel involved in the respective business ultimately leading to better inventory management and a reduction in damages.

The existing supply chain design is being revamped with the central warehouse being upgraded to a Master Distribution Centre (MDC) and City warehouses to City

Distribution Centers (CDCs). These centers will now be highly automated and equipped with modern material handling systems and specialized to handle the distinct product categories. The implementation of SAP will facilitate the management of the DC's, it will enable the company to introduce some of the best global practices in retail and will also allow warehouse practices across the organization to be standardized.

INFORMATION TECHNOLOGY

The pace at which Pantaloon is expanding makes it imperative that IT assumes critical importance and hence investment and development in IT systems has emerged as a top priority in Pantaloon. The company is in the process of revamping its systems to address the growing demands of the customer and has had to enhance, redesign and rationalize its IT architecture.

The IT vision of the company is to address multiple aspects like connectivity, infrastructure, security, real time information and tools for financial management amongst others. At the same time it has to be ensured that operations remain simple and easy to implement. The IT strategy has been framed keeping in mind the growth in formats, chains, product categories and locations.

The most rudimentary issue is that of connectivity, it means ensuring seamless flow of data to the HO from regional offices, zonal centers, stores and warehouses. All locations are connected through company wide VPN (Virtual Private Network), stock and sales data from each store is consolidated on a daily basis allowing close monitoring and quick decision-making.

At present, business planning occurs through a high-end planning tool called 'Cognos Planning', while data analysis is undertaken through 'Cognos Powerplay', a highly analytical platform that enables data to be drilled down to the lowest level. 'Oracle Financials', the backbone of accounting function, is the integrator between planning, buying, moving, selling and analysis functions, and gives on-line real time access to the company's overall financial position at any given point in time.

STRATEGIC DIRECTION

The company is in the midst of upgrading the IT set up with the first step being a strategic relationship with SAP, the world's leading business software solutions provider. The company expects to implement my SAP Business Suite, SAP Advanced Planning Tool for Merchandise Planning and SAP Apparel and Footwear Solutions. Currently, mySAP Business Suite is considered to be one of the premier business solutions providing functionality, integration, scalability and collaboration.

Pantaloon is in the process of installing CCTV's at stores, using the VPN, live feeds from the CCTV's will be relayed to the HO and the zones for interactive sessions between the category and the store. This will compliment the video conferencing facility that already exists between the stores and the HO. To enable quicker decision-making and reduce the lag time, different needs of different users are being addressed through the creation of a personalized 'dash-board'. Individual users will be able to receive alerts based on their profiles and categories on various aspects related to stock, sales etc. Graphs pertaining to key performance areas will be generated enabling better control and informed decision-making.

The company has begun to implement fully integrated transaction system, which would accumulate accurate real time data as each key function of the organization performs its day-to-day operations, this would include merchandise management, procurement, manufacturing, warehousing, logistics, inventory management, store operations and customer management. A data warehouse and Business Intelligence Tool are in the process of being installed, advanced corporate planning tools that facilitate decision making in budgeting, forecasting, space planning and inventory planning are being put in place.

In order to improve visibility of data across the value chain, an enterprise portal is being set up. This will be integrated with the company's core transaction system providing a common interactive interface to share information with all stake holders; which includes vendors, warehouses, stores, customers and other business partners.

BUILDING THE 'PEOPLE' ASSET

Pantaloon approaches human resource development as a fundamental strategic priority. Our business revolves around people; a simple smile from a sales executive is more persuasive than any advertisement, a motivated store manager can inspire the entire store, a patient hearing to a troubled vendor goes a long way in ensuring timely deliveries. To be able to double the existing retail space, launch new formats and handle the softer intangibles calls for a special effort, Human Resource Management in Pantaloon is about all of this.

The objective is clear; each month new stores are opening in different corners of the country, handling different merchandise and dealing with diverse cultures. To manage this, we have to attract and retain the brightest, most capable people at different levels. Furthermore, we have to add to the skill level and motivate them by creating a diverse and inclusive culture where everyone feels they have equal opportunity to succeed and grow.

The company evaluates employees on a holistic basis, rather than on a transactional approach. This is what we term as Employee Connect. While the compensation structure remains amongst the best in the industry, the company believes in building emotional bridges with employees wherein the individual's personal aspirations and professional goals are recognized and encouraged and are in sync with the underlying organization culture and value. This provides the necessary binding and bonding amongst the people within the Pantaloon family where respect for the individual is of paramount importance.

Pantaloon provides opportunities for growth to employees at every level in the organization. Training programmes tailor made to suit various functional requirements back the prospects of growth. A strong focus is imparted to harness the entrepreneurial spirit and create leaders at every level; the company encourages contrarian and unconventional thinking.

Pantaloon is a house built on the planks of knowledge. The company believes this to be a key ingredient for future excellence and has set in place systems to institutionalize

knowledge at various levels within the organization. Operational abilities are the heart and soul of Pantaloon, to enable continuous improvement on its operational parameters; the company is working with one of India's leading knowledge players. Through this partnership, the company is setting up an institute that will help operations personnel to improve upon their current performance at regular intervals. Intensive management development programmes have been developed that will enable Pantaloon to create management depth through various assessment and development centers. This is in addition to the programs that have been set up to increase domain expertise for category teams.

Efforts at building an emotional connect and banking on knowledge have resulted in Pantaloon having one of the strongest management bandwidths within the sector. The company has a front ranking management team of more than 50 individuals, specialists on various functions drawn from different sectors. This is backed by a strong second line comprising of 250 managers.

The company's fast paced expansion has led to an increase in the total employee strength from 3500 in 2003-04 to over 7,000 in 2004-05. Given the pace of expansion, the company expects the total number of employees to more than double by the end of the coming year. Since the sector is in its infancy, retail based education has yet to take off in India. To create quality personnel equipped with the skills and know how to manage this growth, Pantaloon has put in place certain initiatives that are expected to help the company in future recruitment.

The company is working closely with various schools and colleges and educating students about the potential of retail and the various roles that exist within the sector. Through this, Pantaloon expects to spot young talent and groom them through sponsored courses for various functions within the company. The company has entered into exclusive arrangements with renowned educational institutions to create distinct retail focused programmes tailor made to suit the company's requirements. In addition to bringing talented young individuals into the company's fold, these arrangements are also expected to provide Pantaloon with future managers.

The implementation of SAP throughout the organization will help integrate better, key

areas like the BSC (Balance Score Card) providing a more accurate and precise measure of performance. A strong sourcing base will allow Pantaloon to recruit the best, intensive specialized training programmes will help equip individuals for the future and finally accurate performance measures will help raise the level of contribution of each employee in the company and create a highly motivated workforce.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTERNAL CONTROLS AND THEIR ADEQUACY

The company has a sound system of Internal Controls for financial reporting of various transactions, efficiency of operations and compliance with relevant laws and regulations. Suitable delegation of power and guidelines for accounting has been issued for uniform compliance. In order to ensure that all checks and balances are in place and all internal control systems are in order, regular and exhaustive internal audits are conducted by experienced firms of Chartered Accountants in close co-ordination with company's own Internal Audit Department. The Retail Management exercise is being conducted by Ernst & Young who advised the company in mitigating the risks.

The Audit Committee, comprising independent directors is involved in regularly reviewing financial and risk management policies, significant audit findings, the adequacy of internal control systems and compliance with the accounting standards

DISCUSSION ON FINANCIAL PERFORMANCE

SEGMENTAL REPORTING

		(Rupees in Lacs.)	
SR. NO.	PARTICULARS	YEAR ENDED 30.06.2005	YEAR ENDED 30.06.2004
1	Segment Revenue		
	Value Retailing	61,666.04	31,993.25
	Lifestyle: Retailing	37,637.97	21,306.04
	Others	10,922.33	12,882.46
		110,226.34	66,181.75
	Less : Inter Segment Revenue	1,825.01	350.57
	Net Sales/Income from Operation	108,401.33	65,831.18
2	Segment Profit		
	Profit Before Tax & Interest		
	Value Retailing	4,600.29	2,376.14
	Lifestyle Retailing	5,982.12	3,850.57
		10,582.41	6,226.71
	Less: 1) Interest	2,438.97	2,394.00
	2) Other Unallocable Expense		
	net of unallocable income	2,831.35	1,391.53
	Total Profit Before Tax	5,312.09	2,441.18
3	Capital Employed		
	Value Retailing	27,301.11	14,560.59
	Lifestyle Retailing	20,771.14	17,254.07
	Unallocated	4,604.90	1,339.27
	Total Capital Employed	52,677.15	33,153.93

2004-05 vs. 2003-04

- The company reported the Operating Income of Rs.1084.01 crore during 2004-05, an increase of 65 per cent over the previous year.
- Profit before interest, depreciation and tax increased from Rs.57.14 crore in 2003-04 to Rs.90.84 crore in 2004-05, while profit after tax rose from Rs.19.78 crore to Rs.38.55 crore during the same period.
- Profit before interest, depreciation and tax increased by 59 per cent and Profit after tax increased by 95 per cent over the previous year.

SURPLUS MANAGEMENT

- The company generated a cash profit of Rs.51.88 crore as compared to Rs 28.57 crores in the last year, registering the growth of 82 per cent. The cash outflow on account of proposed dividend is Rs.6.27 crores. The balance amount is ploughed back into the business to fund the growth.

MARGINS

- Net margins improved from 3.00 per cent in 2003-04 to 3.56 percent in 2004-05.

CAPITAL EMPLOYED

- The capital employed in the business increased by Rs.176.84 crores in 2004-05. This is reflected in the liabilities side of the balance sheet through an increase in borrowings by Rs. 50.09 crores and an increase in equity by Rs. 126.75 crores. The ratio of sales-to-average capital employed improved from 2.42 in 2003-04 to 2.59 in 2004-05.

CAPITAL STRUCTURE

- The company's has authorized capital (equity) of Rs.25.00 crores comprising 2.50 crores equity shares of Rs.10/- each.
- The paid up equity of Rs.19.13 crores as on 30/6/04 increased by Rs.2.86 crores to Rs.21.99 crores following the conversion of 2,13,547 10% Unsecured Fully Convertible Debentures of Face Value Rs.1000/- in two tranches (on 10th October, 2004 and 15th April 2005) into 9,53,335 Equity Shares per tranche of Rs.10/- each at a premium of Rs 102/- per share. Besides the company has also made the preferential allotment of 9,53,653 Equity Shares of Rs10/- each to Bennett, Coleman and Company Limited at the premium of Rs 724.02/- per share

LOAN PROFILE

- Loans increased from Rs.236.12 crores in 2003-04 to Rs.286.21 crores in 2004-05.
- The Debt-equity ratio (Term Debt to Net Worth) stood at 0.89 in 2004-05 as compared to 1.29 in 2003-04.
- The Debt-equity ratio (Total Debt to Net Worth) stood at 1.29 in 2004-05 as compared to 1.85 in 2003-04.

CAPITAL EXPENDITURE

- During 2004-05, the company incurred a capital expenditure of Rs.69.55 crores (including addition in WIP). The capital expenditure incurred during the year is primarily on account of opening of new stores and modification of the existing stores

INVESTMENT

- During the year, investment in equity shares comprised of Rs. 31.88 crores in subsidiaries, associates and joint ventures. The company has liquidated long term investments for Rs.6.40 crores

INTRA-GROUP TRANSACTION

- The company buys fabric from Pantaloon Industries Limited, a group company. The pricing of the fabric is done at the prevailing market rates. The relationship between Pantaloon Industries Limited and the company is professional and all dealings are conducted at arms length.

GROSS BLOCK SIZE AND NATURE OF ASSETS

- The company's gross block (including capital work in progress) increased from Rs 199.15 crores 2003-04 to Rs 266.90 crores in 2004-05.
- Work in progress of Rs 15.79 crores represents on-going projects pending completion as on 30/06/05.
- The ratio of sales-to-gross block has improved from 3.56 in 2003-04 to 4.32 in 2004-05.

DEPRECIATION

- The company provided Rs.13.33 crores for depreciation in 2004-05 as against Rs. 8.79 crores 2003-04. The accumulated depreciation of the company comprised 14.88% of its gross block. The company continues with the Straight Line Method (Schedule XIV) for computing depreciation on the company's assets.

LOANS AND ADVANCES

- Loans and advances at Rs. 93.68 crores in 2004-05 represented an increase of Rs. 52.73 crores over the previous financial year. The major component of loans and advances represents advance lease deposits for the stores paid to Lessors and advances given to suppliers.

WORKING CAPITAL REQUIREMENT

- Sales to working capital has marginally decreased from 4.21x to 4.18x in 2004-05. The marginal decrease in the ratio is due to higher increase in retail space during the year. The impact of full year sales of the stores opened during the year has not been reflected in the ratio.

INTEREST OUTFLOW

- Interest & Financial charges outflow has marginally increased from Rs. 23.94 crores in 2003-04 to Rs.24.39 crores in 2004-05. The interest & financial charges cover during the year under review improved to 3.72 as compared to 2.39 in the preceding year.
- The interest cost on average fund borrowed has reduced from 9.51 percent in 2003-04 to 8.05 percent in 2004-05. Although, the company does not expect interest outflow to decline in absolute terms, interest cover will increase. The company reduced the overall interest cost through a swap of high-cost rupee borrowings with low-cost foreign currency borrowings during 2004-05 and this practice is expected to continue during 2005-06.

FOREIGN EXCHANGE EARNINGS

- Foreign exchange earnings have increased to Rs.26.04 crores in 2004-05 against Rs. 11.53 crores in 2003-04. This amount includes Rs. 14.57 crores on account of indirect foreign exchange earned through credit cards certified by Bankers.
- The foreign exchange outgo was Rs. 26.05 crores in 2004-05 against Rs. 16.95 crores in 2003-04. A major increase in the foreign exchange outgo was on account of import of Capital good (Rs. 8.68 crores). The company expects foreign exchange outgo to increase further in line with growth plans.

RATING

- The company's Commercial Paper has been assigned "F1 (ind)" (F one ind) by Fitch Ratings India Private Limited.

BASIC EARNING PER SHARE (EPS)

- Basic Earning Per Share (EPS) is Rs 18.89, which was Rs. 10.53 in the preceding year registering the growth of 79 per cent.

BASIC CASH EARNING PER SHARE (CPES)

- Basic Cash Earning Per Share (CPES) is Rs 25.42, which was Rs 15.20 in the preceding year registering the growth of 67 percent.

OUTLOOK

- The outlook for the company is buoyant. With two new line of businesses home and leisure and entertainment Pantaloon will be able to address in excess of 60% of the customer's wallet. Besides, with more than 10 million square feet of retail space signed, the company is on for an aggressive roll out. The company has also expanded its formats by acquiring 49% stake in Planet Sports Private Limited and introducing, Fashion Station, aLL and Mela. With the AMC business through PFH Investment Advisory Company Limited, Pantaloon is participating in the property space. The consumer sentiment in India is rising by the day, this is reflected in same store growth of around 30% in value retailing and around 19% in lifestyle retailing in August 2005 and that is encouraging. As a company we are confident than ever before and want to make the most of the first mover advantage.

PANTALOON RETAIL (INDIA) LIMITED DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the Eighteenth Annual Report together with Audited Statements of Account for the year ended 30th June 2005.

FINANCIAL HIGHLIGHTS

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

PARTICULARS	(Rupees in Lacs)	
	2004-05	2003-04
Profit before depreciation & tax	6,645.41	3320.47
Less: Depreciation	1,333.33	879.28
Profit before tax	5,312.08	2441.19
Less: Earlier Year's Income Tax	3.20	7.46
Less: Provision for tax	1,453.77	455.87
Profit after tax	3,855.11	1977.86
Profit brought forward from previous year	3,808.13	3424.99
Surplus available for appropriation	7,663.23	5402.86
APPROPRIATION		
Proposed Dividend	549.94	287.06
Provision for dividend tax	77.14	37.52
Transfer to general reserves	385.51	98.89
Balance carried to Balance Sheet	6,650.64	4979.38

REVIEW OF PERFORMANCE

During the year, your company recorded growth in both topline as well as bottom line. The highlights for the year include:

- Income from sales and services went up from Rs. 658.31 crores in 2003-04 to Rs. 1084.01 crores in 2004-05 recording a growth of 64.67 per cent.
- PBDIT stood at Rs. 90.84 crores in 2004-05, an increase of 58.97 per cent over the preceding year
- PAT for 2003-04 was Rs. 38.55 crores, an increase of 94.91 per cent over 2003-04

DIVIDEND

The Board of Directors of the Company has recommended a dividend of Rs. 2.50 per equity share. The dividend will be declared in the ensuing Annual General Meeting based on approval by the Shareholders. The total payment on account of dividend (including Dividend tax) shall be Rs. 627.07 lacs.

THE YEAR IN RETROSPECT

NEW RETAIL CONCEPTS

Fashion Station Fashion ka big bazaar

The company during the year launched "Fashion Station" a new format in Value Retailing. It deals with fashion categories of Big Bazaar & some private labels of Pantaloons. It stocks private label apparel of Big Bazaar stores and other private label of fashion merchandise will be developed over a period of time. First store of this kind was opened in Mulund, Mumbai. The store is positioned between Big Bazaar & Pantaloons that caters to the 'Youth' wanting affordable fashion.

The store will be developed as smaller big bazaar for fashion merchandise. The store is a higher store margin than Big Bazaar and will be competing with other departmental stores in fashion merchandise. The company has aggressive roll out plan for Fashion Station.

STRATEGIC INVESTMENT

PLANET SPORTS PRIVATE LIMITED

Pantaloon, formed up a strategic Joint Venture Agreement (JVA) with the renowned speciality retailer Planet Sports during the year. The company has subscribed to 49 per cent equity in Planet Sports Private Ltd.

Supreme Tradelinks Private Limited a wholly owned subsidiary of Planet Sports Private Limited is the sole franchisee of the prestigious UK-based retailer : Marks and Spencer in India. It also has the exclusive distribution/ licensing rights for well-known brands including Wilson, Puma, Speedo, Converse, Guess & Planet Sports, among others.

GALAXY ENTERTAINMENT CORPORATION LIMITED

PRIL has taken 15.73 % stake in Galaxy Entertainment Limited through preferential allotment. Post subscription, Pantaloon is likely to come out with a mandatory 20 per cent open offer to the shareholders of Galaxy Entertainment Limited. The draft offer letter is pending before SEBI for their approval as on the date.

Galaxy owns and operates Sports Bar, Bowling Co. and Rain Restaurant in Mumbai. Growth in entertainment, food & beverages, leisure business will be facilitated by the strong presence and availability of prime space that Pantaloon has in malls across the country. Galaxy Entertainment Corporation Limited will also gain from the management bandwidth that Pantaloon has.

FOOTWEAR JOINT VENTURE

The company is proposed to enter into Joint Venture with

Liberty Shoes Limited for setting up a chain of stores for retailing of footwear and other accessories. The proposed Joint Venture will combine the retail expertise of the company and design sourcing and merchandising expertise of Liberty Shoes Limited. This will provide a focused attention to footwear category, which commands a sizeable portion of the consumer spending. The company will hold 51% and Liberty will hold 49% stake in the new company.

TIE UP WITH EDUCATIONAL INSTITUTIONS FOR CREATING STRONG MANAGEMENT BANDWIDTH FOR THE FUTURE

Retail is still in a nascent stage in the country and professionals with expertise in this field are few. With a view to creating a strong management base, the company has tied up with some renowned educational institutions like Somaiya Institute of Management Studies & Research & Welingkar Institute of Management Development & Research. Under an exclusive tie up with PRIL, these institutions admit using stringent admission procedures candidates from all across the country. These candidates are then exposed to quality academic inputs from the institutions and practical on the job experience from PRIL. At the end of the duration of the course all candidates are expected to be absorbed by the company. The first such batch of 35 students will be inducted into PRIL management ranks during the course of this financial year. In the coming years, the number of students coming through these courses is expected to increase significantly.

ISSUE OF PREFERENTIAL EQUITY DURING THE YEAR

Your Company had made a preferential allotment of 9,53,335 equity shares of 10/- each at premium of Rs. 102/- per share on 26th October 2004 to promoters and associates on conversion of first tranche of 10% 2,13,547 unsecured fully convertible debentures of Rs. 1000/- each issued on 11th November 2003. Company had made a preferential allotment of 9,53,653 equity shares of Rs. 10/- each at a premium of Rs. 724.02 per share to Bennett, Coleman & Company Limited on 11th February 2005. The second tranche of conversion of unsecured fully convertible debentures into 9,53,335 equity shares of Rs. 10/- each at a premium of Rs. 102/- per share to promoters and associates was made on 15th April 2005.

RIGHTS ISSUE

The Board of Directors in their meeting held on August 24, 2005 approved rights issue of one equity share for every five shares held by shareholders in the company at price of Rs.500/- per share. A total of Rs. 224.05 crores will be mobilized through the issue will be utilized for the expansion plans of the Company.

IMAGE AWARDS 2005

Image Awards ceremony is held every year to recognize the companies that have made a significant impact in the Indian retailing environment both from the consumer and industry perspective. This year your company has won five awards. The categories in which the awards were won are as follows:

- | | |
|---|------------------------------------|
| a) Retailer of the Year : Food & Grocery | - Food Bazaar |
| b) Retailer of the Year : Value Retailing | - Big Bazaar |
| c) Most Admired Retailer of the Year | - Pantaloon Retail (India) Limited |
| d) Retail Launch of the Year | - Central |
| e) Retail Face of the Year | - Kishore Biyani |

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The management discussion and analysis has been dealt with extensively elsewhere in the Annual Report.

THE FUTURE

The company has drawn up an aggressive expansion plan for the future. Total retail space at the end of 2004-05 stood at over 1.9 million square feet with around 1 million square feet being added in the year under review. The company will further step up the pace of expansion and based on the space currently signed expects 3.5 million square feet to be operational by June 2006 and 7 million square feet by June 2007.

DIRECTORATE

Shri Rakesh Biyani and Dr. Darlie Koshy retire by rotation and being eligible offer themselves for reappointment.

The present tenure of Shri Kishore Biyani as Managing Director & Shri Gopikishan Biyani as Wholetime Director was upto 31st March 2005. The Board of Directors in their meeting held on 30th March 2005 have considered and approved their re-appointment for a further period of five years with effect from 1st April 2005 subject to the approval of members in the 18th Annual General Meeting.

AUDITORS

M/s. NGS & CO, Chartered Accountants, Mumbai, hold office as Statutory Auditors upto the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Shareholders are requested to appoint them as Statutory Auditors to hold office upto the conclusion of the next Annual General Meeting and to fix their remuneration.

The observations made by the auditors are self-explanatory.

FIXED DEPOSITS

The Company has not accepted any Deposits during the year. The Deposits repaid during the period is Rs. 33,000/- & the unclaimed deposits at the end of the year is Rs. 49,000/-.

REPORT ON CORPORATE GOVERNANCE

A detailed report on Corporate Governance has been included as an attachment to this Report.

DIVESTMENT

During the year the company had divested in Pantaloon Retail Technologies Limited and Mark Middle east, LLC.

Due to large scale expansion in the Company's business it was decided by the Board to outsource its software development & technology requirement due to which the company has fully divested in Pantaloon Retail Technologies Limited during the year.

Mark Middle East, LLC is engaged in the business of trading of garments, and other products. There is no significant growth in the business of Mark Middle East in the last 2 years due to which the company has fully divested in Mark Middle East, LLC during the year.

SUBSIDIARY COMPANIES

During the year the following companies became subsidiaries of the Company.

- a) Home Solutions Retail (India) Limited was incorporated on October 4, 2004 to offer solutions in home furnishings, furniture, consumer durables, etc. The company has 66.66% stake in Home Solutions Retail (India) Limited.
- b) PFH Investment Advisory Company Limited was incorporated on December 31, 2004. The main business of PFH Investment Advisory Company Limited is to carry on the business of providing financial investment advisory services, management and facilitation services. The company has 76.00% stake in PFH Investment Advisory Company Limited.
- c) PAN India Restaurants Limited was incorporated on February 7, 2005. The main business of PAN India Restaurants Limited is to carry on the business of quick service restaurants and food courts through restaurants, food court, hotels, eating house etc. The company has 98.46% stake in PAN India Restaurants Limited.
- d) Pantaloon Food Product (India) Limited was incorporated on April 13, 2005. The main business of supply of Food products. The company has 100.00% stake in Pantaloon Food Product (India) Limited.

A statement pursuant to section 212 of the Companies Act, 1956 relating to subsidiary companies has been given as an annexure to the Annual Report.

PARTICULARS OF EMPLOYEES

The particulars of employees drawing remuneration covered under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, which is as per Annexure "I".

None of the directors are disqualified under Section 274(1)(g) of the Companies Act, 1956.

DIRECTORS RESPONSIBILITY STATEMENT

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

- i) in preparation of the annual accounts, the applicable accounting standards have been followed with proper explanation relating to material departures;
- ii) the accounting policies selected have been applied consistently and judgments made and estimates given are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 30th June 2005 and the profit of the company for the year ended on that date;
- iii) the proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) the accounts have been prepared on a going concern basis.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

A Statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988, in Annexure II (Form A, B & C) is attached and forms part of this report.

ACKNOWLEDGMENT

We take this opportunity to thank all our stakeholders for

their continuous support, co-operation, support, guidance and encouragement. You have as shareholders, bankers, vendors, lenders etc have contributed to our growth. A special thanks to every pantaloonian for their determined efforts and commitment. We will scale higher heights with all your support.

For and on behalf of the Board,

Kishore Biyani
Managing Director

Rakesh Biyani
Wholetime Director

Place : Mumbai
Date : 24/09/2005

ANNEXURE

ANNEXURE I

Statement of particulars of employees pursuant to the provision of section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 and forming part of the Directors' Report for the year ended 30th June 2005

S.N.	NAME	DESIGNATION NATURE OF DUTIES	QUALIFICATION	EXPE- RIENCE YEARS	REMUNERA- TION (RS.)	DATE OF AP- POINTMENT	AGE (YEARS)	PARTICULA- RS OF LAST EMPLOYMENT
1.	Mr. Kishore Biyani	Managing Director	B.Com, PGD in marketing	25	84,91,800	01/06/1991	45	Not appli- cable
2.	Mr. Rakesh Biyani	Wholetime Director	B.Com	11	52,10,930	01/04/1997	33	Not appli- cable
3.	Mr. Gopikishan Biyani	Wholetime Director	B.Com	29	27,20,440	01/06/1991	60	Not Appli- cable
4.	Mr. Ved Prakash Arya	Director- Operations & Chief Operating Officer	BE, MBA	10	56,27,076	29/03/2004	35	Globus Store Pvt. Ltd.
5.	Mr. Chinar S. Deshpande	Chief Information Technology	BE, MBA, MS	12	28,97,487	17/05/2004	36	Dodsal Pvt Ltd.
6.	Mr. Krishnakant Rathi	Head- Risk Management and Finance	ACA, ACS	20	13,56,274	17/01/2005	43	H&R Johnson (India) Limited

Notes:

1. Gross Remuneration shown above is subject to tax and comprises salary (including arrears, allowances, rent medical reimbursement leave travel benefits, provident fund) in terms of actual expenditure incurred by the company
2. In addition to the above, employees are entitled to gratuity benefit as per Company rules

ANNEXURE II

CONSERVATION OF ENERGY

FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy.

A) POWER AND FUEL CONSUMPTION	2004-05	2003-04
(1)ELECTRICITY		
Purchased		
Unit	641,888	513,242
Total amount	28,94,613	24,28,210
Rate/unit	4.51/-	4.73/-
(2). FURNACE OIL		
Quantity (k. ltrs.)	81,496	70,793
Total amount	12,47,594	10,08,798
Average rate	15.31 Rs/Ltr	14.25 Rs/Ltr
(3). HSD		
Quantity (k. ltrs.)	5291	3908
Total amount	1,69,499	96,471
Average rate	32.03 Rs/Ltr.	24.75 Rs/Ltr.

FORM B

Form for Disclosure of Particulars with respect to absorption.

(Rupees in Lacs)

RESEARCH AND DEVELOPMENT (R & D)	N.A.	N.A.
TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION	2004-05	2003-04
Technology imported	12.54	13.87
Year of import	2004-05	2003-04
Has technology been fully absorbed?	Yes	Yes
It not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action	N.A	N.A

FORM C

Foreign Exchange Earnings and Outgo.

(Rupees in Lacs)

FOREIGN EXCHANGE OUTGO	2004-05	2003-04
Traveling Expenditure	57.72	62.54
Interest on FCNR Loan	640.23	299.22
Consulting Fees	50.23	-
License Fees and Royalty	12.54	13.87
IMPORTS		
-Raw Materials	173.07	107.03
-Finished Goods	491.67	49.80
-Capital Goods	868.41	1040.09
-Stores & Spares	5.92	0.85
-Stitching Materials	159.94	101.76
-Accessories & Others	145.47	19.93
FOREIGN EXCHANGE EARNING		
-Earnings in Foreign Currency	2,604.40	1,153.22

CORPORATE GOVERNANCE REPORT

Corporate Governance indicates transparency, accountability and reliability on any organisation. We aim at providing fairness, clarity and transparency in all our dealings and increasing the value of all stakeholders of the Company.

Pantaloon Retail (India) Limited is continually committed in adopting the best Corporate Governance Practices.

1. BOARD OF DIRECTORS

The composition of the Board of Directors of Pantaloon Retail (India) Limited is as follows :

- 1) Executive Promoter Directors - 3
- 2) Executive Non-Promoter Director - 1
- 3) Independent Non Executive Directors - 5
- 4) Nominee Director - 1

2. BOARD MEETINGS

During the financial year 2004-2005, ten Board Meetings were held on 24/08/2004, 24/09/2005, 26/10/2004, 15/12/2004, 06/01/2005, 29/01/2005, 04/02/2005, 18/02/2005, 30/03/2005 & 28/04/2005.

COMPOSITION OF THE BOARD OF DIRECTORS AND THEIR ATTENDANCE IN THE BOARD MEETINGS HELD AS SPECIFIED ABOVE ARE AS FOLLOWS:

NAME OF THE DIRECTOR	DESIGNATION	NO. OF BOARD MEETINGS ATTENDED	NO. OF OTHER DIRECTORSHIPS IN PUBLIC LTD. COMPANIES	ATTENDANCE IN THE LAST AGM HELD ON 15/12/2004
Mr. Kishore Biyani	Executive Promoter Director	10	13	Yes
Mr. Gopikishan Biyani	Executive Promoter Director	8	Nil	Yes
Mr. Rakesh Biyani	Executive Promoter Director	8	Nil	Yes
Mr. Shailesh Haribhakti	Independent Non executive Director	8	14	Yes
Dr. Darlie Koshy	Independent Non executive Director	9	1	Yes
Mr. S. Doreswamy	Independent Non executive Director	10	6	Yes
Mrs. Anju Poddar	Independent Non executive Director	7	4	No
Mrs. Bala Deshpande	Nominee Director	2	14	No
Mr. Ved Prakash Arya	Executive Director	10	4	Yes
Mr. Anil Harish	Director	8	13	Yes

3. REMUNERATION COMMITTEE

The Remuneration Committee of the Company consists of the following members and one meeting of the Committee was held on 24/09/2004 which was attended by all members except Smt. Bala Deshpande.

Mr. S. Doreswamy
Dr. Darlie Koshy
Mrs. Bala Deshpande
Mr. Anil Harish

The details of remuneration paid to the Directors for the year ended on 30th June 2005 are as follows:

NAME OF THE DIRECTOR	SALARY & PERQUISITES (RS.)	SITTING FEES (Rs.)	COMMISSION (Rs.)	TOTAL (RS.)
Mr. Kishore Biyani	8491800	NA	NA	8491800
Mr. Gopikishan Biyani	2720440	NA	NA	2720440
Mr. Rakesh Biyani	5210930	NA	NA	5210930
Mr. Shailesh Haribhakti	NA	244000	200000	444000
Mr. S. Doreswamy	NA	332000	200000	532000
Dr. Darlie Koshy	NA	280000	200000	480000
Mrs..Anju Poddar	NA	140000	200000	340000
Mr. Anil Harish	NA	180000	200000	380000
Mrs. Bala Deshpande	NA	NA	NA	NA
Mr. Ved Prakash Arya	5627076	NA	NA	5627076

4. AUDIT COMMITTEE

The Audit Committee of the Board of Directors was constituted in 2000 and the Committee comprises of three members. The functions of the committee are as specified in clause 49 of the Listing Agreement entered with Stock Exchanges in which the Company's shares are listed.

A total of four Audit Committee meetings (24/09/2004, 26/10/2004, 29/01/2005 & 28/04/2005) were held in the financial year July 04-05

NAME OF THE MEMBER	DESIGNATION	NO. OF MEETING
Mr. Shailesh Haribhakti	Chairman	3
Mr. S. Doreswamy	Member	4
Dr. Darlie Koshy	Member	4

5. COMMITTEE OF DIRECTORS

The Board of Directors have constituted a Committee of Directors and delegated powers to transact certain regular business of the company. A total of 12 meetings were held during the period under review.

6. SHARE TRANSFER COMMITTEE

The Share Transfer Committee consists of 3 members. The Committee meets on a regular basis to approve transfer of shares, transmission of shares, splitting, consolidation and rematerialisation of shares. The Shares in physical form sent for transfer in physical form are processed and registered by our registrar & transfer agent (Intime Spectrum Registry Limited) within 30 days of receipt of documents, if found in order. A total of 41 meetings was held during the year in which 45821 equity shares were transferred.

7. INVESTORS GRIEVANCE COMMITTEE

The Investors Grievance committee was constituted by the Board in 1999 to redress the grievance of the Investors. A total of four meetings (24/09/2004, 26/10/2004, 29/01/2005 and 28/04/2005) of the Investors Grievance Committee was held in the financial year July 2004- June 2005. The composition of the Committee and the no. of meetings attended by the members are as follows:

NAME OF THE MEMBER	DESIGNATION	NO. OF MEETING
Mr. S. Doreswamy	Chairman	4
Mr. Gopikishan Biyani	Member	3
Mr. Rakesh Biyani	Member	4

A total of 221 complaints were received during the year. All these complaints have been resolved to the satisfaction of complainants.

8. GENERAL BODY MEETINGS

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

NAME OF THE MEMBER	NO OF AGM	DAY, DATE & TIME OF AGM	VENUE
2003-2004	17	Monday, 15th December 2004 at 10.30 a.m.	Knowledge House, Off Jogeshwari-Vikhroli Link Road, Jogeshwari (East), Mumbai - 400 060
2002-2003	16	Wednesday, 17th December, 2003 at 10.00 a.m.	Knowledge House, Off Jogeshwari-Vikhroli Link Road, Jogeshwari (East), Mumbai - 400 060
2001-2002	15	Friday, 20th December, 2002 at 3.00 p.m.	Knowledge House, Off Jogeshwari-Vikhroli Link Road, Jogeshwari (East), Mumbai - 400 060

Postal Ballot:

During the year, one special resolution was passed by postal ballot in relation to alteration of object clause under Section 17 and all other applicable provisions, if any, of the Companies, 1956. Shri Virendra Bhatt, Practising Company Secretary, was the scrutinizer for overseeing the Postal Ballot process. The Company announced the results of the postal ballot in the 17th Annual General Meeting held on 15th December 2004. The above resolution was passed with the requisite majority as per the following details :

PARTICULARS	NO. OF POSTAL BALLOT FORMS	NO. OF EQUITY SHARES	PERCENTAGE
Postal ballot forms with assent for the resolution	280	9447261	99.99
Postal ballot forms with dissent for the resolution	9	802	0.01

9. 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 "The Economic Times", "The Free Press Journal" and "Nav Sakthi".

The details of the financial results and shareholding pattern are hosted on the company's website: www.pantaloon.com. All other official news and press releases are also displayed on the website.

Dividend, if approved in the ensuing Annual General Meeting will be paid to those shareholders whose names appear in the register of members as on Tuesday, 15th November 2005.

10.4 REGISTERED OFFICE:

Knowledge House,
Shyam Nagar,
Off Jogeshwari-Vikhroli Link Road,
Jogeshwari (East),
Mumbai 400 060

10.5 LISTING IN STOCK EXCHANGES

The Equity Shares of the Company are listed in the Following Stock Exchanges:
Bombay Stock Exchange Limited
National Stock Exchange of India Limited
The Stock Exchange, Ahmedabad &
The Delhi Stock Exchange Association Limited

10.1 DATE, TIME AND VENUE OF THE 18TH ANNUAL GENERAL MEETING

Tuesday, 22nd November 2005 at 10.30 a.m. at Y. B. Chavan Centre, Gen. Jagannath Bhosale Marg, Mumbai - 400 021.

10.6 STOCK CODE

Bombay Stock Exchange Limited 523574
The National Stock Exchange of India Limited
PANTALOONR, series-EQ BE

10.2 DATE OF BOOK CLOSURE

Tuesday 15th November 2005 to Tuesday, 22nd November 2005 (both days inclusive)

10.7 LISTING FEES

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

10.3 DIVIDEND

The Board of Directors have recommended a dividend of 25% of the paid up equity capital of the Company.

10.8 STOCK PERFORMANCE

The performance of the stock in the Bombay Stock Exchange Limited & National Stock Exchange of India Limited for the period from 1st July 2004 to 30th June 2005 are as follows:

MONTH	BSE			NSE		
	HIGH	LOW	VOLUME	HIGH	LOW	VOLUME
July	365.00	313.10	189577	365.00	301.70	514500
August	428.75	320.00	368814	428.75	325.00	629573
September	436.25	372.20	418315	435.30	385.00	448932
October	504.00	426.00	266943	497.00	425.00	461611
November	578.00	431.00	382086	580.00	440.00	601761
December	830.00	535.00	542985	840.00	506.00	845838
January	827.00	625.00	692049	830.00	625.00	794450

MONTH	BSE			NSE		
	HIGH	LOW	VOLUME	HIGH	LOW	VOLUME
February	860.00	750.00	479123	877.40	749.90	567605
March	838.90	694.00	733446	840.00	690.00	338182
April	972.90	760.00	343055	971.80	770.25	563608
May	1346.00	885.00	674541	1346.00	870.00	2023981
June	1408.00	1170.00	401946	1407.60	1167.00	1510923

10.9 DEMATERIALISATION OF SHARES

The equity shares of your company is under compulsory Demat. A total of 21382473 equity shares aggregating to 97.20% of the total shares of the Company are in dematerialised form as on 30th June 2005.

10.10 SHARE TRANSFER AGENTS:

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compund, L B S Marg,
Bhandup (West), Mumbai 400 078
Telephone No. : 022-55555454
Fax No. : 022-55555353
email : maheshwari@intimespectrum.com

10.11 DISTRIBUTION OF SHAREHOLDING

NO. OF SHARES	NO. OF SHARES HOLDERS	%	AMOUNT	%
1-500	10710	93.770	10760200	4.89
501-1000	267	2.34	2138450	0.97
1001-5000	243	2.13	5517190	2.51
5001-10000	43	0.38	3430110	1.56
10001-50000	93	0.81	23056270	10.48
50001-100000	17	0.15	11874800	5.40
100001-9999999999	48	0.42	163200340	74.19
Total	11421	100.00	219977360	100.00

10.12 CATEGORIES OF SHAREHOLDERS AS ON 30TH JUNE 2005

CATEGORY	NO. OF SHARES	% TO TOTAL SHARES
Promoters & their Relatives	9471619	43.06
Mutual Funds	587628	0.14
Banks, Financial Institutions	30647	0.14
Foreign Institutional Investors	6478260	29.45
Non Resident Indians & OCBs	130433	0.59
Indian Companies	1686985	7.67
Indian Public	3578245	16.27
Clearing Members	33919	0.15
Total	21997736	100.00

10.13 FINANCIALS RELEASE DATES FOR 2004-05

QUARTER	RELEASE DATE (TENTATIVE & SUBJECT TO CHANGE)
1st Quarter ending 30th September	28th October 2005
2nd Quarter ending 31st December	Third week of January 2006
3rd Quarter ending 31st March	Third week of April 2006
4th Quarter ending 30th June	Third week of July 2006

10.14 INTERNET ACCESS : WWW.PANTALOOON.COM

The website of the Company contains all relevant information about the pantaloon family. The Annual Reports, Shareholding pattern, unaudited quarterly results and all other material information are hosted in this site.

10.15 PLANT LOCATIONS

G-6, MIDC, Tarapur, Dist. Thane.

11. DISCLOSURES

- There were no materially significant related party transaction with the Promoters, Directors etc that may have potential conflict with the interests of the Company at large.
- There were no non compliance by the Company, penalties, strictures 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.
- There were no pecuniary relationship or transactions of Non-executive Directors vis-a-vis the Company.

AUDITORS REPORT ON CORPORATE GOVERNANCE

To the shareholders of Pantaloon Retail (India) Limited

We have examined the compliance of conditions of corporate governance by Pantaloon Retail (India) Limited for the year ended on June 30, 2005 as stipulated by Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

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

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

We state that no investor grievances are pending for a period exceeding one month except where disputed or subjudice, as per the records maintained by Company's registrar and transfer agents and reviewed by the Investors Grievance Committee of the Company.

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 **NGS & CO.**
Chartered Accountants

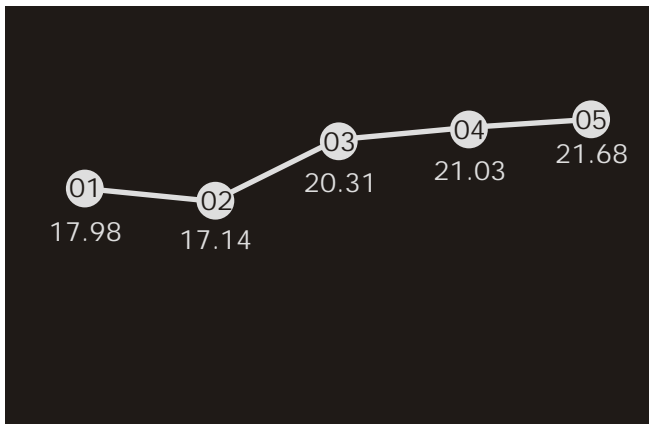
Place : Mumbai
Date : 24/09/2005

Navin T. Gupta
Partner

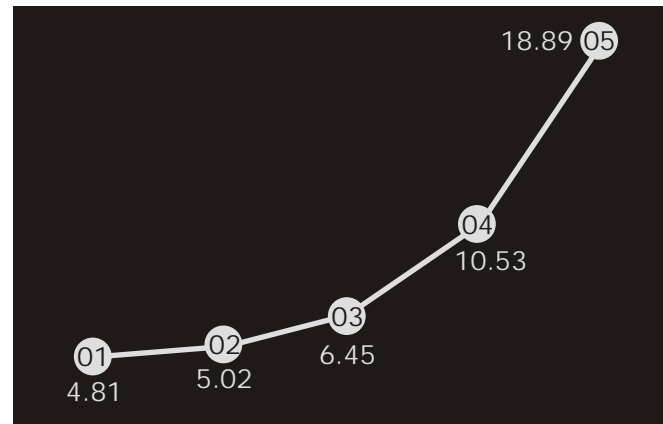
RATIOS

FINANACIAL PERFORMANCE	JUN-01	JUN-02	JUN-03	JUN-04	JUN-05
Cost of goods sold/Net Sales	65.33%	65.24%	68.23%	66.54%	64.60%
Manpower costs/Total Income	3.76%	4.75%	4.29%	4.17%	4.65%
Advertising and selling cost/Total Income	3.34%	3.07%	2.65%	2.84%	2.99%
Interest/Total Income	3.44%	3.93%	3.97%	3.64%	2.24%
PBDIT/Interest(Debt-Service Ratio)	2.37	2.04	2.13	2.36	3.72
PROFITABILITY					
PBDIT/Total Income	8.15%	8.04%	8.57%	8.66%	8.35%
PBDT/Total Income	4.71%	4.11%	4.60%	5.03%	6.11%
Net Profit/Total Income	3.54%	2.46%	2.56%	3.00%	3.54%
RONW	21.34%	15.85%	18.92%	24.47%	24.42%
ROCE	17.98%	17.14%	20.31%	21.03%	21.68%
BALANCE SHEET					
Debt-equity ratio	1.24	1.38	1.53	1.29	0.89
Debtors turnover(days)	25.88	22.32	18.07	9.62	4.09
Inventory turnover(days)	112.30	110.30	92.57	86.18	91.63
Current Ratio	1.61	1.59	1.51	1.65	1.73
Quick Ratio	0.51	0.54	0.48	0.52	0.55
Asset turnover (Total Income/total assets)	1.72	1.73	2.07	1.96	2.09
GROWTH					
Growth in Total Income	31.23%	57.98%	55.83%	48.03%	64.98%
Growth in PBDIT	29.25%	55.86%	66.15%	49.66%	58.98%
Growth in PAT	30.27%	9.76%	62.30%	73.37%	94.94%
Growth in cash flow	34.23%	39.98%	57.93%	60.86%	81.61%
PER SHARE DATA					
Basic Earnings(less extraordinary income)	4.81	5.02	6.45	10.53	18.89
Basic Cash Earnings(Rs.)	6.03	8.03	10.04	15.20	25.42
Dividend(Rs.)	-	-	1.00	1.50	2.50
Book value(Rs.)	26.51	30.82	36.93	49.37	100.58

ROCE (%)



Basic Earnings per share (Rs.)



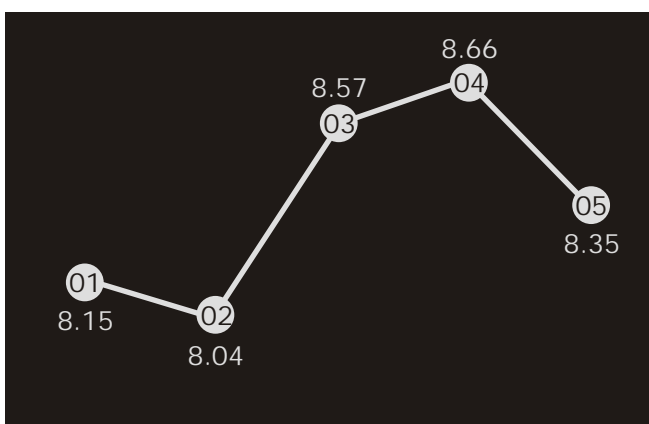
Growth in total income (%)



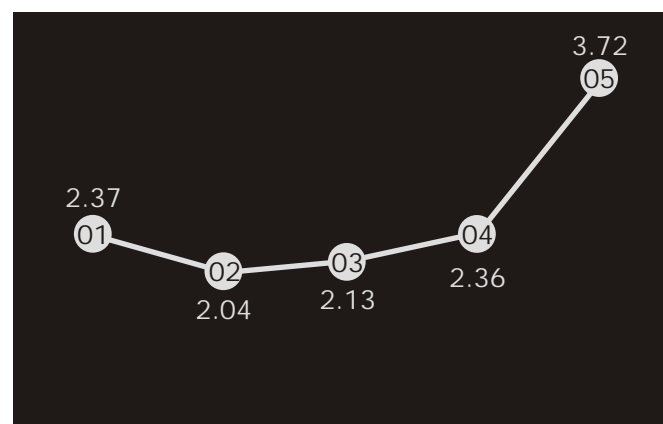
Inventory (Days)



PBDIT/total income (%)



PBDIT/interest (x)



5-YEAR FINANCIAL SUMMARY-BALANCE SHEET

	(Rs. in crores)				
BALANCE SHEET AS AT:	JUN-01	JUN-02	JUN-03	JUN-04	JUN-05
SOURCES OF FUNDS					
Equity Share capital	13.32	17.32	18.18	19.14	22.00
Reserves & surplus*	22.75	36.68	49.50	75.75	196.53
Warrant Application Money	-	-	-	-	3.00
Shareholder's Fund	36.07	54.00	67.68	94.89	221.53
Deferred Tax Liability	-	1.79	2.92	6.03	13.04
Secured loans	68.22	109.53	141.32	214.76	256.17
Unsecured loans	1.42	0.30	4.23	21.36	30.04
Total loans	69.64	109.83	145.55	236.12	286.21
Total liabilities	105.73	165.63	216.15	337.04	520.78
APPLICATION OF FUNDS					
Gross block*	41.24	77.72	122.98	184.71	251.10
Depreciation	5.22	9.43	15.67	24.32	37.36
Net block	36.02	68.29	107.31	160.39	213.74
Capital WIP	7.86	6.28	3.32	14.44	15.79
NB + CWIP	43.88	74.57	110.63	174.83	229.53
Investment	5.07	5.07	5.26	5.26	31.92
Current Assets					
Inventories	56.33	87.41	114.38	157.60	275.93
Debtors	12.98	17.69	22.32	17.58	12.31
Cash & bank balance	2.38	4.03	8.07	13.85	21.50
Loans & advances	11.10	23.33	21.43	40.95	93.68
Other current assets	-	-	-	-	0.46
Total current assets	82.79	132.46	166.20	229.98	403.87
Current Liabilities					
Creditors	13.75	23.82	17.64	13.58	78.08
Other current liabilities	12.04	22.05	44.43	52.91	48.39
Provisions	0.98	1.23	4.40	6.95	18.35
Total current liabilities	26.77	47.10	66.47	73.43	144.82
Net Current Assets	56.02	85.36	99.73	156.55	259.05
Misc. Expenditure	0.76	0.63	0.53	0.40	0.28
Total Assets	105.73	165.63	216.15	337.04	520.78

5-YEAR FINANCIAL SUMMARY-PROFIT & LOSS ACCOUNT

	(Rs. in crores)				
PROFIT & LOSS ACCOUNT	JUN-01	JUN-02	JUN-03	JUN-04	JUN-05
Domestic Sales & Operating Income	180.34	284.29	441.82	656.17	1,072.54
Export Sales	0.24	1.00	3.01	2.14	11.47
Net Sales	180.58	285.29	444.83	658.31	1,084.01
Other Income	0.44	0.67	0.79	1.33	4.27
Total Income	181.02	285.96	445.62	659.64	1,088.28
Cost of goods cons. & sold	117.98	186.11	303.50	438.01	700.31
Contract work expenses	8.28	6.51	6.77	6.97	15.27
Packing materials	1.24	2.11	3.10	5.64	12.44
Power	2.02	5.34	7.94	12.08	21.95
Excise	0.43	4.58	3.40	3.36	0.28
Rent	6.18	10.03	15.71	27.59	47.97
Personnel Cost	6.81	13.59	19.13	27.53	50.65
Advertisement expenses	6.05	8.77	11.83	18.75	32.56
Transportation expenses	1.73	2.72	3.43	5.95	12.66
Sales Tax	3.55	5.26	7.75	14.91	32.44
Misc. Expenditure	12.00	17.96	24.87	41.71	70.91
Other non cash Expenses -	-	-	-	-	-
Total Cost	166.27	262.98	407.43	602.50	997.44
PBDIT	14.75	22.98	38.19	57.14	90.84
Interest	6.22	11.24	17.67	23.94	24.39
PBDT	8.53	11.74	20.52	33.20	66.45
Depreciation	1.63	4.22	6.35	8.79	13.33
PBT	6.90	7.52	14.17	24.41	53.12
Extra-ordinary Items	0.04	0.01	0.78	0.07	0.03
Profit after EOI	6.86	7.51	13.39	24.34	53.09
Fringe Benefit Tax	-	-	-	-	0.24
Current Tax	0.45	0.39	0.85	1.45	7.28
Deferred Tax	-	0.10	1.13	3.11	7.01
PAT	6.41	7.02	11.41	19.78	38.55

AUDITORS REPORT

To the Members of
Pantaloon Retail India Limited

- 1) We have audited the attached Balance Sheet of Pantaloon Retail India Limited as at 30th June 2005, the Profit and Loss Account and also the Cash Flow Statement 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 the 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 (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4 A) of Section 227 of "The Companies Act, 1956" and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we 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 in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the directors as on 30th June 2005 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 30th June 2005 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and 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;
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 2005;
 - ii) In the case of the Profit and Loss Account, 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.

For **NGS & Co.**
Chartered Accountants

PLACE : MUMBAI
Dated : 24th September, 2005

(Navin T. Gupta)
Partner
Membership No.40334

ANNEXURE TO THE AUDITORS' REPORT

Re: Pantaloon Retail India Limited (Referred to in paragraph 3 of our report of even date)

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has physically verified certain assets during the year in accordance with a programme of verification, which in our opinion provides for physical verification of the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) In our opinion and according to the information and explanations given to us, the Company has not made any substantial disposals during the year.
- (ii) In respect of its inventories:
 - (a) As explained to us, inventories were physically verified during the year by management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted or taken any loan secured/unsecured to/from Companies, firms or parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause (iii) of Paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- (iv) In our opinion, and according to the information and explanations given to us, there is an internal control system commensurate with the size of the Company and nature of its business for purchase of inventory and fixed assets and for 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 control system.
- (v) In respect of particulars of contracts or arrangements and transactions entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
 - (a) To the best of our knowledge and belief and according to the information and explanations given to us, particulars of contracts or arrangements that needed to be entered into the register have been so entered.
 - (b) According to the information and explanations given to us, these contracts or arrangements have been made at prices which are reasonable having regards to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956, and the rules framed there under with regard to the deposits accepted from the public. We have been informed that, no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any other court or Tribunal in this regard.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost rewards under Section 209 (1) (d) of the Companies Act, 1956 for any products of the Company.
- (ix) According to the information and explanations given to us in respect of statutory and other dues:
 - (a) The Company has been generally regular in depositing 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 any other statutory dues with the appropriate authorities during the year. According to the information and explanation given to us, no undisputed amounts payable in respect of aforesaid were in arrears as at 30th June, 2005 for a period of more than six months from the date they became payable.
 - (b) According to the records of the company, there are no disputed dues in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Provident Fund, Employees State Insurance, Cess and any other statutory dues.
- (x) The Company has no accumulated losses and has not incurred any cash losses during the current financial year and in the immediately preceding financial year.

- (xi) Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- (xii) According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence the question of maintenance of adequate records for this purpose does not arise.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) The Company has maintained proper records of transactions and contracts in respect of dealing or trading in shares, securities, debentures and other investments and timely entries have been made therein. All shares and other investments have been held by the Company in its own name.
- (xv) In Our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions, are not prima facie prejudicial to the interests of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans obtained during the year have been prima facie applied for the purpose for which they were taken.
- (xvii) According to information and explanations given to us and on overall examination of the balance sheet of the Company, funds raised on short term basis have, prima-facie, not been used for long term investment.
- (xviii) The Company has not issued any debentures during the year, hence the question of creation of security or charge in respect of debentures issued does not arise.
- (xix) The Company has not raised any money by way of public issues during the year.
- (xx) During the course of our examination of the books and records of the company carried out in accordance with the generally auditing in India and according to the information and explanations given to us, no fraud by the company has been noticed or reported during the year. Further no material frauds, on the company have been noticed or reported during the course of our audit.

For **NGS & Co.**
Chartered Accountants

PLACE : MUMBAI
Dated : 24th September 2005

(Navin T. Gupta)
Partner
Membership No. 40334

BALANCE SHEET AS AT 30TH JUNE, 2005

PARTICULARS	SCH. NO.	AS AT 30.06.2005 (Rupees in Lacs)	AS AT 30.06.2004 (Rupees in Lacs)
I SOURCES OF FUNDS			
1 Shareholders' Funds			
Share Capital	1	2199.77	1913.74
Warrant Application money		300.00	-
Reserves & Surplus	2	19652.75	7575.29
		22152.52	9489.03
2 Loan Funds			
Secured Loans	3	25617.00	21476.06
10 % Unsecured Fully Convertible Debentures		-	2135.47
Unsecured Loans	4	3003.79	0.82
		28620.79	23612.35
3 Deferred Tax Liability (Net)		1304.36	603.01
		52077.67	33704.39
II APPLICATION OF FUNDS			
1 Fixed Assets			
Gross Block	5	25110.43	18470.77
Less : Depreciation		3736.27	2431.98
Net Block		21374.16	16038.79
Capital work-in-progress		1579.16	1444.14
2 Investments	6	3191.55	526.23
3 Current Assets, Loans & Advances			
Inventories	7	27592.56	15759.74
Sundry Debtors	8	1230.66	1758.42
Cash & Bank Balances	9	2150.04	1384.76
Loans & Advances	10	9368.00	4095.43
Other Current Assets		46.08	-
		40387.34	22998.35
Less : Current Liabilities & Provisions			
Current Liabilities	11	12647.44	6648.22
Provisions	12	1834.71	694.91
		14482.14	7343.13
Net Current Assets		25905.20	15655.22
4 Miscellaneous Expenditure (To the extent not written off or adjusted)	13	27.60	40.01
		52077.67	33704.39

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS
The Schedules referred to above form an integral part of the Balance Sheet
As per our Report of even date attached

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For NGS & CO.,
Chartered Accountants

For PANTALOON RETAIL (INDIA) LIMITED

NAVIN T.GUPTA
Partner
Membership No.40334

KISHORE BIYANI
Managing Director

RAKESH BIYANI
Wholetime Director

Place : Mumbai
Date: 24th September ,2005.

SHIRAJ DEJ
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2005

PARTICULARS	SCH. NO.	2004-2005 (Rupees in Lacs)	2003-2004 (Rupees in Lacs)
INCOME			
Sales & Operating Income	14	108401.33	65831.18
Other Income	15	427.42	132.77
		108828.75	65963.95
EXPENDITURE			
Cost of goods consumed & sold	16	70030.85	43800.99
Personnel cost	17	5065.42	2752.51
Manufacturing & other expenses	18	24648.11	13695.99
Finance Charges	19	2438.97	2394.00
Depreciation	5	1333.33	879.28
		103516.68	63522.76
PROFIT BEFORE TAXATION		5312.08	2441.19
Less: Earlier year's Income Tax		3.20	7.46
Less: Provision for Taxation			
a) Current Tax	728.42		145.00
b) Deferred Tax	701.35		310.87
c) Fringe Benefit Tax	24.00	1453.77	-
PROFIT AFTER TAXATION		3855.11	1977.86
Add : Balance brought forward		3808.13	3424.99
AVAILABLE FOR APPROPRIATION		7663.23	5402.85
Proposed Dividend		549.94	287.06
Dividend Tax		77.14	37.52
Transfer to General Reserve		385.51	98.89
Balance carried to Balance Sheet		6650.64	4979.38
		7663.23	5402.85
EARNINGS PER SHARE RS. (FACE VALUE RS.10)		Rs.	Rs.
Basic		18.89	10.53
Diluted		17.85	9.96

Refer Note No.22 of Schedule 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS
The Schedules referred to above form an integral part of the Balance Sheet
As per our Report of even date attached

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For NGS & CO.,
Chartered Accountants

For PANTALOON RETAIL (INDIA) LIMITED

NAVIN T.GUPTA
Partner
Membership No.40334

KISHORE BIYANI
Managing Director

RAKESH BIYANI
Wholetime Director

Place : Mumbai
Date: 24th September ,2005.

SHIRAJ DEJ
Company Secretary

SCHEDULES TO BALANCE SHEET AS AT 30TH JUNE , 2005

	AS AT 30.06.2005 (Rupees in Lacs)	AS AT 30.06.2004 (Rupees in Lacs)
SCHEDULE 1 : SHARE CAPITAL		
Authorised		
25000000 Equity Shares of Rs.10/- each.	2500.00	2500.00
	2500.00	2500.00
Issued, Subscribed & Paid Up		
21997736 (19137413) Equity Shares of Rs.10/- each fully paid	2199.77	1913.74
	2199.77	1913.74
SCHEDULE 2 : RESERVES & SURPLUS		
Share Premium	3662.82	2690.76
Add: During the year	8849.44	972.06
	12512.26	3662.82
General Reserve	104.34	5.45
Add : Transfer from Profit & Loss Account	385.51	98.89
	489.85	104.34
Surplus in Profit and Loss Account	6650.64	4979.38
Less: Brands Set Off	-	1171.25
	6650.64	3808.13
	19652.75	7575.29
SCHEDULE 3 : SECURED LOANS		
(1) Term Loans		
a) Foreign Currency Loans		
-From Banks	1491.61	1678.97
-From Financial Institutions	1237.10	1677.93
b) External Commercial Borrowings	2675.87	2973.32
c) Rupee Loans		
-From Banks	12549.36	6023.89
-From Financial Institutions and Others	1736.18	2520.00
(2) Working Capital Loans From Banks		
Foreign Currency Loans	4264.36	2848.90
Rupee Loan	113.52	2336.49
Commercial Paper	1500.00	1325.00
(3) Hire Purchase	49.00	91.57
	25617.00	21476.06
SCHEDULE 4 : UNSECURED LOANS		
Short Term Loans from Banks	3003.30	-
Public Deposits	0.49	0.82
	3003.79	0.82

SCHEDULES TO BALANCE SHEET AS AT 30TH JUNE , 2005

SCHEDULE 5 : FIXED ASSETS & CAPITAL WORK-IN-PROGRESS

DESCRIPTION	GROSS BLOCK			DEPRECIATION			(Rupees in Lacs)	
	AS AT 01.07.2004	ADDITIONS #	DEDUCTIONS	AS AT 30.06.2005	UPTO 01.07.2004	ADJUST- MENT FOR THE YEAR	DEPRECA- TION FOR 30.06.2005 THE YEAR	UP TO 30.06.2005
							AS AT 30.06.2005	AS AT 30.06.2004
Land	210.75	265.00	-	475.75	-	-	475.75	210.75
Leasehold Land	117.08	-	-	117.08	5.16	-	110.20	111.93
Building	3,547.28	184.65	-	3,731.93	224.16	-	3,395.35	3,323.13
Plant & Machinery	1,578.39	114.33	28.34	1,664.38	185.96	23.35	1,424.22	1,392.44
Office Equipments	481.21	149.42	-	630.63	49.07	-	556.51	432.14
Computer Owned	1,920.54	949.67	-	2,870.21	746.92	-	1,780.66	1,173.62
Computer Leased	226.31	-	-	226.31	111.90	-	54.21	114.41
Furniture & Fittings	6,200.53	3466.15	134.52	9,532.16	735.62	-	8,325.05	5,464.91
Electrical Instal.	3,001.90	1,499.41	-	4,501.31	216.64	-	4,118.88	2,785.26
Vehicles	251.65	94.03	17.69	327.99	55.83	5.70	249.84	195.82
Air Conditioner	811.96	83.26	-	895.22	84.45	-	770.57	727.51
Generator	96.43	1.35	-	97.78	12.23	-	80.95	84.20
Delivery Van	26.72	12.96	-	39.68	4.05	-	31.97	22.67
Total	18,470.75	6,820.23	180.55	25,110.43	2,431.99	29.05	21,374.16	16,038.79
Previous Year	24,067.64	6,190.93	11,787.80	18,470.75	1,566.66	13.95	16,038.79	22,500.99
Capital Work-In-Progress							1579.16	1444.14

* Deductions for the year includes gain on fluctuations in the rate of foreign exchange (net) of Rs. 134.52 Lacs. (2004 : NIL)

Additions for the year includes fluctuations in the rate of foreign exchange (net) of Rs. Nil (2004 :Rs.7.71 Lacs)

SCHEDULES TO BALANCE SHEET AS AT 30TH JUNE , 2005

	AS AT 30.06.2005 (Rupees in Lacs)	AS AT 30.06.2004 (Rupees in Lacs)
SCHEDULE 6 : INVESTMENTS		
LONG TERM INVESTMENT IN SHARES		
QUOTED		
Nil (18300) Equity shares of UTI Bank Ltd of Rs. 10/- each fully paid up	-	3.84
Nil (1700) Equity shares of The Syndicate bank Ltd. of Rs. 10/- each fully paid up	-	0.17
20,00,000(Nil) Equity shares of Galaxy Entertainment Corporation Ltd. of Rs. 10/- each fully paid up	883.47	-
UNQUOTED		
In Subsidiary Company		
Nil (49,99,930) Equity Shares of Pantaloon Retail Technologies Limited of Rs. 10/- each fully paid up	-	499.99
32,00,000 (Nil) Equity Shares of Pan India Restaurants Limited of Rs. 10/- each fully paid up	800.00	-
7,59,994 (Nil) Equity Shares of PFH Investment Advisory Company Limited of Rs. 10/- each fully paid up	76.00	-
50,000(Nil) Equity Shares of Pantaloon Food Products (India) Limited of Rs. 10/- each fully paid up	5.00	-
33,329 (Nil) Equity Shares of Home Solutions Retail (India) Limited of Rs. 10/- each fully paid up	3.33	-
In overseas Co.		
Nil (147) Equity Shares of 1000 Dirhams each in Marks Middle East (LLC) In Joint Venture Company	-	18.42
28,40,880 (Nil) Equity Shares of Planet Sports Pvt. Limited of Rs. 10/- each fully paid up	1420.44	-
In Others		
5 Shares of Y.A Chunawala Industrial Co-op Society Ltd.	0.01	0.01
Nil (1,660) Equity Shares of The Bombay Mercantile Co-op Bank Limited of Rs. 30/- each fully paid up	-	0.50
4,000 (Nil) Equity shares of Kalyan Janata Sahakari Bank Ltd. of Rs.25/- each fully paid up	1.00	1.00
4,000 Equity Shares of The Zorostrrian Co.Op.Bank of Rs. 10/- each fully paid up	1.00	1.00
OTHER		
National Saving Certificates	1.30	1.30
	3191.55	526.23

Market value of Quoted Investments is Rs.3180 Lacs (2004 : Rs.24.27 Lacs)

Cost of unquoted Investments is Rs.2308.08 Lacs (2004 : Rs. 522.22 Lacs.)

SCHEDULES TO BALANCE SHEET AS AT 30TH JUNE , 2005

	AS AT 30.06.2005 (Rupees in Lacs)	AS AT 30.06.2004 (Rupees in Lacs)
SCHEDULE 7 : INVENTORIES		
(As certified and valued by the Management)		
Packing Materials , Branding Material and Stores & Spares	202.07	123.51
Raw Material	1995.77	2949.26
Stitching Materials	87.78	149.60
Semi finished goods	610.74	374.41
Finished Goods	24696.20	12162.96
	27592.56	15759.74
SCHEDULE 8 : SUNDRY DEBTORS		
(UNSECURED)		
(a) Debts due for more than six months		
Considered Good	64.40	39.58
Considered Doubtful	71.34	57.83
	135.74	97.41
Less : Provision for Doubtful Debts	71.34	57.83
	64.40	39.58
(b) Other Debts : Considered Good	1166.26	1718.84
	1230.66	1758.42
SCHEDULE 9 : CASH & BANK BALANCES		
Cash in Hand	215.82	165.13
Balance with Scheduled Banks :		
in Current Accounts (including in transit)	954.67	466.47
in Fixed Deposit Account	968.06	745.12
Dividend Account	11.49	8.04
	2150.04	1384.76
SCHEDULE 10 : LOANS & ADVANCES		
(Unsecured & Considered good)		
Share Application Monies (Subsidiary Company)		
- Advances Recoverable in cash or in kind		
or for value to be received	2153.84	844.05
Export Benefits Receivables	2.63	3.95
Fixed deposit with IDBI	-	82.50
Deposits	6453.09	2811.63
Payments /Deduction of Income Tax	721.97	353.05
Balance with Excise Authorities	-	0.25
Advances to Subsidiary Companies	36.47	-
	9368.00	4095.43

SCHEDULES TO BALANCE SHEET AS AT 30TH JUNE , 2005

	AS AT 30.06.2005 (Rupees in Lacs)	AS AT 30.06.2004 (Rupees in Lacs)
SCHEDULE 11 : LIABILITIES		
Acceptances	1136.90	4052.95
Sundry Creditors	7808.16	1357.63
Sundry Creditors - Due to Subsidiary	-	50.43
Sundry Creditors for Capital Goods	1882.43	227.26
Advances / Deposit from Customers	1601.63	843.68
Interest accrued but not due	90.72	52.75
Cheques overdrawn	116.24	55.61
Unclaimed Dividends	11.37	7.92
	12647.44	6648.22
SCHEDULE 12 : PROVISIONS		
Proposed Dividend	549.94	287.06
Dividend Tax	77.14	37.52
Provision for Leave Encashment / Gratuity	158.77	98.62
Provision for Fringe Benefit Taxation	24.00	-
Provision for Income Tax	958.42	271.71
Other Provisions	66.44	-
	1834.71	694.91
SCHEDULE 13 : MISCELLANEOUS EXPENDITURE		
Preliminary expenses	-	0.03
Capital issue expenses	27.60	39.98
	27.60	40.01

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR YEAR ENDED 30TH JUNE 2005

	2004-2005 (Rupees in Lacs)	2003-2004 (Rupees in Lacs)
SCHEDULE 14 : SALES & SERVICES		
Sales	104948.26	64732.80
Other Operating Income *	3453.07	1098.38
* (TDS Rs.164.69 Lacs) (2004 :-Rs.43.14 Lacs)		
	108401.33	65831.18
SCHEDULE 15 : OTHER INCOME		
Dividend	0.76	0.49
Export Benefits	37.22	3.95
Miscellaneous Income	163.31	67.32
Profit on Sale of Shares	117.11	4.44
Rent Received *	6.60	6.64
Cash Discount	86.17	25.42
Insurance Claim	7.83	4.50
Sundry Balances W/back (Net)	8.42	20.01
* (TDS Rs.1.07 Lacs) (2004 :-Rs.1.23 Lacs)		
	427.42	132.77
SCHEDULE 16 : COST OF GOODS CONSUMED & SOLD		
Opening Stock		
Raw Materials	2949.26	1663.81
Semi finished goods	374.41	271.76
Finished goods & Accessories	12162.96	9346.11
Stitching materials	149.60	60.33
	15636.23	11342.00
Add : Purchase		
Raw Material	11896.51	10833.05
Finished goods & Accessories	69264.44	36840.23
Stitching materials	677.02	421.94
	81837.97	48095.22
Less : Closing Stock		
Raw Materials	1995.77	2949.26
Semi finished goods	610.74	374.41
Finished goods & Accessories	24696.20	12162.96
Stitching materials	87.78	149.60
	27390.49	15636.23
Less : Insurance Claim	52.86	-
(See Note No.25 of Schedule 20)		
	70030.85	43800.99

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR YEAR ENDED 30TH JUNE 2005

	2004-2005 (Rupees in Lacs)	2003-2004 (Rupees in Lacs)
SCHEDULE 17 : PERSONNEL COST		
Salaries, Wages & Bonus	4452.80	2434.45
Welfare expenses	239.37	119.15
Contribution to E.S.I.C & P.F	343.27	181.89
Gratuity	29.98	17.01
	5065.42	2752.51
SCHEDULE 18 : MANUFACTURING & OTHER EXPENSES		
Labour Charges	1526.99	696.56
Packing Material & Expenses	1244.27	563.62
Stores & Spares Consumed	18.24	18.86
Branding Material Consumed	302.41	183.10
Printing & Stationery	330.39	188.70
Power & Fuel	2195.38	1,207.83
Mall Maintenance Charges	2168.24	1,012.68
Repairs & Maintenance		
Building	26.23	64.94
Plant & Machinery	13.00	1.89
Others	342.45	168.18
Rent	4796.86	2,758.82
Rates & Taxes	122.14	113.05
Excise Duty	28.05	335.57
Donation	22.54	5.00
Credit card charges	416.20	246.64
Insurance	261.54	146.40
Legal & Professional Charges	329.74	216.25
Communication Expenses	407.20	203.43
Sales Tax	3243.65	1,490.89
Travelling & Conveyance Expenses	655.56	395.97
Auditor's Remuneration	17.22	8.84
Transportation & Handling charges	1265.68	595.15
Commission	999.89	890.90
Advertisement & Sales Promotion	3256.47	1,874.72
Lease Rental & Hire Charges	93.90	1.38
Directors Sitting Fees	12.12	6.95
Directors Commission	10.00	1.75
Loss on Sale of Fixed Assets	5.26	2.29
Provision for Doubtful Debts	13.51	21.75
Royalty	12.54	5.33

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR YEAR ENDED 30TH JUNE 2005

	2004-2005 (Rupees in Lacs)	2003-2004 (Rupees in Lacs)
Other Expenses	498.02	255.30
Capital Issue Expenses w/off	12.39	12.39
Preliminary Expenses w/off	0.03	0.83
	24648.11	13695.99
SCHEDULE 19 : FINANCE CHARGES		
Interest : on fixed loans	1786.38	1299.88
on other loans	442.49	380.36
on Fully Convertible Debentures	112.73	135.36
Bill Discounting Charges	305.10	357.78
Bank Charges	172.76	185.94
	2819.46	2359.32
Less : Interest Income		
on fixed deposits*	63.71	41.36
on others*	10.09	3.26
Less : Exchange Fluctuation Gain / (Loss)	306.69	(79.31)
	2438.97	2394.00
* Tax deducted at Source	13.01	10.64

SCHEDULE 20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2005

1) SIGNIFICANT ACCOUNTING POLICIES :

1.1 BASIS OF ACCOUNTING :

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

1.2 FIXED ASSETS AND DEPRECIATION :

Fixed assets are stated at cost, less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided on Straight Line Method as per the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on the amount capitalised on account of foreign exchange fluctuation is provided prospectively over the residual life of the assets.

1.21 LEASED FIXED ASSETS

Lease payments under operating lease recognised as expense as per the tenure of the lease agreements.

Assets taken on finance lease (including that prior to 1st April 2001) are capitalised and finance charges are charged to Profit & Loss account on accrual basis.

1.3 BORROWING COST:

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset up to the date the assets are ready for their intended use or sale. Other expenses are recognized as an expense in the period in which they are incurred.

1.4 INVESTMENTS :

Long-term investments are stated at cost. Provision for diminution is being made if necessary to recognise a decline, other than temporary in the value thereof.

Current Investments are stated at the lower of cost and market / fair value.

1.5 INVENTORIES :

Inventories are valued as follows :

- a) Stores, Spare parts, Packing material, and Branding Material : At cost
- b) Raw material & Stitching material : At cost
- c) Finished goods lying at the stores : At the retail price less mark up
- d) Work in Progress and Finished goods lying in the factory : At the lower of cost or net realisable value.

In case of finished goods cost includes material cost and direct production overheads.

1.6 TRANSACTIONS IN FOREIGN CURRENCY :

Foreign currency transactions are accounted at the rates prevailing on the date of transaction. Year-end current assets and liabilities are translated at the exchange rate ruling on the date of the Balance Sheet.

Exchange differences on settlement / conversion are adjusted to :

- (i) Cost of fixed assets, if the foreign currency transaction relates to fixed assets.
- (ii) Profit and Loss Account, in other cases.
- (iii) Wherever forward contracts are entered into, the exchange differences are dealt with in the Profit and Loss Account over the period of the contracts

1.7 REVENUE RECOGNITION :

Sale of Goods accounted on delivery to customers net of returns and discounts, but includes amounts recovered towards sales tax. Export sales is accounted as revenue on the basis of Bill of Lading. Interest income is recognised on accrual basis. Dividend income is accounted for when the right to receive is established. Claims are accounted only when there is reasonable certainty of its ultimate collection.

1.8 CAPITAL ISSUE EXPENDITURE AND PRELIMINARY EXPENDITURE :

Capital Issue Expenditure and Preliminary Expenditure are amortized over a period of ten years and the difference between the amount incurred and charged to Profit & Loss Account is shown as Miscellaneous Expenditure to the extent not written off or adjusted.

1.9 ADVANCE LICENSE / DUTY CREDIT IN PASS BOOK :

The advance license benefits and Duty Credit in Pass Book have been recognised as income of the year on the basis of actual exports.

1.10 RETIREMENT BENEFITS :

In respect of benefits like Gratuity and Leave encashment, the provision is accrued and provided for on the basis actuarial valuation made at the end of every financial year

1.11 TAXATION :

- a) The deferred tax for timing differences between the book and tax profits for the period is accounted for using the tax rates and laws that have been substantially enacted as on the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits.
- b) Provision for current income tax of Rs. 728.42 Lacs has been made for Assessment year 2005-2006. The profits relating to the period 1st April 2005 to 30th June 2005 along with further working results for the period of 9 months from 1st July, 2005 to 31st March, 2006 would be assessable to tax in the Assessment Year 2006-2007 and hence provision for current taxation, if any, in respect of the said profits will be made in next year's accounts

1.12 PREMIUM ON PREPAYMENT OF TERM LOANS :

Premium paid on prepayment of Term Loans is amortised over the unexpired tenure of the said Term Loan.

1.13 PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

Provisions are recognised when the company has a present obligation as a result of past events and it is more likely than not that an outflow of resource will be required to settle the obligation and the amount has been reliably estimated.

1.14 IMPAIRMENT OF ASSETS

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

2 Contingent liabilities not provided for:

- 2.1 Bill Discounting Rs. 185.12 Lacs (2004: Rs. 400.25 Lacs)
- 2.2 Guarantee outstanding Rs. 1543.15 Lacs (2004: Rs. 749.30 Lacs)
- 2.3 Income tax demand against which Company has filed appeal Rs. NIL (2004: Rs. 0.26 Lacs)
- 2.4 Claims against the company not acknowledged as debts : Rs. 5 Lacs (2004: Rs. 5 Lacs)

3 Term Loans from Financial Institutions and Others: Amount Outstanding (Rs. in Lacs)

589.48	Secured by Hypothecation of specific assets i.e. Plant and Machinery and other movable assets, furniture and fixtures and miscellaneous assets and motor car and mortgage of land and building
902.13	Secured by hypothecation of specific assets and specific credit card receivables.
1491.61	
506.23	Secured by Hypothecation of assets of specific mega stores, assignment of specific brands of the Company. Exclusive charge over Fixed Deposit with Industrial Development Bank of India of Rs. 91.47 Lacs (including accrued interest).
730.87	Secured by Hypothecation of specific assets i.e. Plant and Machinery and other movable assets, furniture and fixtures and miscellaneous assets and motor car and mortgage of land and building.
1237.10	
1740.41	Secured by exclusive mortgage and charge over the rights, titles, interest of the Borrower in the specific membership establishment agreements, Secured by the first mortgage on all the immovable and movable properties of the Company, subject to prior charge created in favour of Company's Banker's on specific movable assets to secure the borrowing of the Company for the Working Capital Facilities and charge also subject to charge created in favour of term loan banker and financial Institution and exclusive charge on specific immovable property and specific brands.
935.46	Secured by Hypothecation of specific assets i.e. Plant and Machinery and other movable assets, furniture and fixtures and miscellaneous assets and motor car and mortgage of land and building.
2675.87	
1706.73	Secured by hypothecation of specific assets and specific credit card receivables.
1707.78	Secured by Hypothecation of specific assets i.e. Plant and Machinery and other movable assets, furniture, spare and miscellaneous assets and motor car and mortgage of land and building.
1500.00	Secured by personal guarantees by some of the directors and continuing security of the asstes charged to the existing term loans.
2175.50	Secured by pledge of shares held by promoters, Demand Promissory Note and Post Dated Cheques.
1180.00	Secured by Personal Guarantee of some of the directors.
600.00	Secured by all present and future credit card receivables at specific stores.
994.14	Secured by Hypothecation of all movable property comprising Plant and spare parts at specific mega stores and Personal Guarantee of some of the directors.
561.91	Secured by Personal Guarantee of some of the directors, hypothecation of Land & Building and exclusive charge on specific fixed assets..
403.27	Secured by pledge of shares held by promoters and group company, Personal Guarantee of some of the directors and exclusive first charges by hyptohecation of movable assets at specific stores.
351.21	Secured by pledge of shares held by promoters, Personal Guarantee of some of the directors and exclusive first charge on the assets such as Furniture & Fixture, computers and miscellaneous assets situated at specific stores.
1102.17	Secured by exclusive charge on the fixed assets of the projects at specific stores and Personal Guarantee of some of the directors.
266.65	Secured by hypothecation of assets at specific stores and personal guarantee of some of the directors.
12549.36	
260.00	Secured by Hypothecation of assets of specific mega stores, assignment of specific brands of the Company. Exclusive charge over Fixed Deposit with Industrial Development Bank of India of Rs. 91.47 Lacs (including accrued interest).
1476.18	Secured by Hypothecation of specific assets i.e. Plant and Machinery and other movable assets, furniture and fixtures and miscellaneous assets and motor car and mortgage of land and building.
1736.18	

WORKING CAPITAL LOANS :

4264.36	Secured by Hypothecation of stock in trade both present and future book debts and equitable mortgage of shop at
113.52	Secunderabad, Ahmedabad and Industrial unit at Andheri (East), and mortgage of the flat of one of the members
1500.00	of the company.

HIRE PURCHASES :

49.00	Secured by Hypothecation of specific assets.
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4. The company has prepaid the Term Loan in the previous year, which had unexpired tenure of 4 years at the date of repayment, by paying premium of Rs.149 Lacs. A sum of Rs.35.95 Lacs being the premium for the current year has been debited to the Profit & Loss Account and the balance of Rs.98.87 Lacs has been carried forward as prepaid expenses.
5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 316.22 Lacs (2004: Rs.113.11 Lacs)
6. In the opinion of the Board, the current assets, loans and advances are approximately of the value stated if realised in the ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.
7. Some of the balances in Sundry Debtors, Sundry Creditors, Advances and Deposits and Bank Accounts are subject to confirmation, reconciliations and adjustments if any, which in the opinion of the management will not be significant and would be carried out when settled.
8. Of the unsecured loans, amount repayable before 30th June 2006 is Rs. 3003.79 Lacs (2004: Rs 0.82 Lacs) and of the Secured Loans amount is Rs. 3654.80 Lacs (2004: Rs.2666.80 Lacs).
9. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund.

10. Auditor's Remuneration :

		(Rupees in Lacs)
	2004-05	2003-2004
Audit Fees	15.43	7.56
Tax Audit	1.10	1.08
Out of pocket Expenses	0.69	0.20
TOTAL	17.22	8.84

- 11 Future interest liabilities in respect of assets of the value of Rs. 133.33 Lacs (2004: Rs. 154.77Lacs) acquired on hire purchase basis is Rs. 3.36 Lacs (2004: Rs. 11.47 Lacs).
- 12 The interest allocated against fixed assets amounts to Rs. 55.96 Lacs (2004: Rs. 82.69 Lacs).
- 13 The company has taken some assets on Finance Lease basis. Future Lease Rental obligations in respect of these assets is Rs. 41.86 Lacs (2004: Rs. 68.84 Lacs).The Lease Rent payable not later than one year is Rs. 26.98 Lacs (2004: Rs. 31.79 Lacs) and that repayable later than one year but not later than 5 years is Rs. 10.07 Lacs (2004:Rs.37.05 Lacs).
- 14 The Company has entered into operating lease arrangements for the fixed assets of its stores. The future lease rental obligation in respect of such these assets is 2333.40 (2004: NIL). The Lease Rent payable not later than one year is Rs. 363.76 Lacs (2004: NIL), repayable later than one year but not later than 5 years is Rs. 1966.92 Lacs (2004:Rs.NIL) and that repayable later than 5 years is Rs. 2.72 Lacs (2004:Rs.NIL).
15. Company has during the year allotted 9,53,653 (Nine Lac Fifty Three Thousand Six Hundred and Fifty Three) fully paid up Equity Shares of the face value of Rs.10 each at a premium of Rs. 724.02 (Rupees Seven Twenty Four and Paise Two only).
16. The company has received approval from the Members of the company to allot 4,08,165 (Four Lac Eight Thousand One Hundred and Sixty Five) warrants with an option to the warrant holder to acquire, for every warrant, one fully paid up Equity Shares of the face value of Rs.10/- each at a price of Rs. 735/- (Rupees Seven Thirty Five only) per warrant on preferential allotment basis.

17. The company has during the year allotted 19,06,670 (Nineteen Lac Six Thousand Six Hundred Seventy) fully paid up Equity Shares of the face value of Rs.10/- (Rupees Ten only) each at a premium of Rs. 102 (Rupees One Hundred Two only) on conversion of 2,13,547 (Two Lac Thirteen Thousand Five Hundred Forty Seven) 10% Unsecured Fully Convertible Debentures of the face value of Rs. 1,000/- (Rupees One Thousand only) in two equal tranches of 9,53,335 (Nine Lac Fifty three Thousand Three Hundred Thirty Five) equity Shares of the face value of Rs.10 each (Rupees ten only).

18. (A) Particulars of Remuneration and other benefits provided to Directors for the year ended June 2005 and 2004, are set out below :

	SALARY	PERQUISITES	SITTING FEES	COMMISSION
Wholetime Directors	216.37	4.13	-	-
	(134.84)	(1.15)	-	-
Non Wholetime Directors	-	-	12.12	10.00
	-	-	(6.95)	(1.75)

(B) Computation of net profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to non-wholetime directors.

	YEAR ENDED 30/06/2005	
	AMOUNT (Rupees in lacs)	AMOUNT (Rupees in lacs)
PROFIT BEFORE TAX FOR THE YEAR ENDED 30/06/2005	-	5312.08
Add:		
a) Loss on sale of assets	5.26	
b) Provision for doubtful debts	13.51	
c) Directors sitting fees	12.12	
d) Remuneration paid to Executive Directors	220.50	
e) Remuneration paid/payable to Non-Executive Directors	10.00	
f) Depreciation	1333.33	1594.72
Less:		
a) Profit on sale of Investments	117.11	
b) Depreciation under Section 350 of the Companies Act, 1956	1333.33	1450.44
Profit under section 349/350 for computing Managerial Remuneration		5456.37
Maximum approved by the Shareholders (1%)		54.02
Commission approved by the Board		10.00

- 19 a. The identification of suppliers as Small Scale Industrial undertakings (SSI's) has been done on the basis of information provided by the suppliers
- b. There are no specific claims from the suppliers for interest on the delayed payments as defined under the Small Scale and Ancillary Industrial Undertaking Act, 1993.
- c. The small scale and ancillary undertakings to whom outstanding for more than 30 days : Rs. 57.70 Lacs.

20 Related Party Disclosure :

Disclosures as required by the Accounting Standard 18 "Related Party Disclosure" are given below :

A) List of Related Parties

Associate Companies / Firm

1. Pantaloon Industries Limited;
2. Indus League Clothing Limited;
3. KB Mall Management Company Limited;
4. PFH Entertainment Limited;
5. Mark Middle East, L.L.C., Dubai; (For part of the year)
6. Manz Retail Private Limited;
7. Idiom Design & Consulting Limited;
8. Nishta Mall Management Company Private Limited;
9. Niyaman Mall Management Company Private Limited;
10. Acute Realty Private Limited;
11. Dhruv Synthetics Pvt. Ltd.;
12. Anchor Malls Private Limited;
13. Varnish Trading Private Limited;
14. Bansi Silk Mills

Subsidiary

1. Home Solutions Retail (India) Limited;
2. Pantaloon Food Product (India) Limited;
3. Pan India Restaurants Limited;
4. PFH Investment Advisory Company Limited
5. Pantaloon Retail Technologies Limited. (For part of the year)

Key Management Personnel and Relatives

Key Management Personnel

1. Mr. Kishore Biyani - Managing Director;
2. Mr. Gopikishan Biyani - Whole time Director;
3. Mr. Rakesh Biyani - Whole time Director;
4. Mr. Ved Prakash Arya - Director Operations & Chief Operating Officer;

B) Transaction with related Parties

(Rupees in Lacs)			
NATURE & TRANSACTIONS	ASSOCIATE COMPANIES/JOINT VENTURE	SUBSIDIARY	KEY MANAGEMENT PERSONNEL & RELATIVES
Sales and other Income	135.80	-	-
Purchase of raw material and stores	5156.66	-	-
Expenditure on services and Others	539.12	-	-
Managerial remuneration	-	-	242.62
Capital Purchases / Expenses	47.07	141.24	-
Interest on FCDs	-	-	31.92
Advances/ Deposits	1059.96	36.47	-
Investment	1420.44	884.33	-
Outstanding balances as on 30/06/05			
Receivable	1115.06	36.47	-
Payable	148.92	-	-

C) Joint Venture Information:

Joint Venture, as required by AS-27 "Financial Reporting of Interest in Joint Venture" are given below:

(i) Details of Joint Venture Interest

NAME	DESCRIPTION OF INTEREST	COUNTRY OF INCORPORATION	PERCENTAGE OF INTEREST AS ON 30.06.05	PERCENTAGE OF INTEREST AS ON 30.06.04
Planet Sports Private Ltd.	Equity Shareholding	India	49.00%	0.00%

(ii) Corporation's Interest in the Joint Venture

NAME	AS ON	ASSETS (Rs. in Lacs)	LIABILITIES (Rs. in Lacs)	FOR THE YEAR ENDED	INCOME (Rs. in Lacs)	EXPENDITURE (Rs. in Lacs)
Planet Sports Private Ltd.	31.03.05	2,391.68	1,108.21	31.03.2005	2,757.33	2,707.91

The Above figure are based on latest available audited accounts.

21. Segment Report :

		(Rupees in Lacs)	
SR. NO.	PARTICULARS	YEAR ENDED 30-06-05	YEAR ENDED 30-06-04
1.	SEGMENT REVENUE		
	Value Retailing	61,666.04	31,993.25
	Lifestyle Retailing	37,637.97	21,306.04
	Others	10,922.33	12,882.46
		1,10,226.34	66,181.75
	Less: Inter Segment Revenue	1,825.01	350.57
	Net Sales/Income from Operation	1,08,401.33	65,831.18
2.	SEGMENT PROFIT		
	Profit Before Tax & Interest		
	Value Retailing	4,600.29	2,376.14
	Lifestyle Retailing	5,982.12	3,850.57
		10,582.41	6,226.71
	Less: Interest	2,438.97	2,394.00
	Other unallocable expenses net of unallocable income	2,831.34	1,391.53
	Total Profit Before Tax	5,312.09	2,441.18
3.	CAPITAL EMPLOYED		
	Value Retailing	27,301.11	14,560.59
	Lifestyle Retailing	20,771.14	17,254.07
	unallocated	4,604.90	1,339.27
	Total Capital Employed	52,677.15	33,153.93

Notes:

- (1) Segments have been identified in line with the Accounting Standards on Segment Reporting (As 17), taking into account the company's organisation structure as well as the differential risk and return of these segments.
- (2) Segment Revenue, Results, and Capital Employed figures include the respective amounts identified to each of the segments. Other unallocable figures includes expenses incurred at corporate level which relates to the company as a whole. Unallocated assets mainly relates to long term investments.

22. Earning Per Share

The calculation of Earning Per Share (EPS) as disclosed in the Balance Sheet Abstract has been made in accordance with Accounting Standard (AS)- 20 on Earning Per Share issued by the Institute of Chartered Accountants of India. A statement on calculation of diluted EPS is as under:

		UNITS	2004-2005	2003-2004
Profit after tax	A	Rs. In Lacs	3855.11	1,977.86
Add: Increased earning on account of interest savings on dilutive potential equity shares (net of taxes)		Rs. In Lacs	72.03	82.90
	B	Rs. In Lacs	3,927.14	2,060.76
Weighted average number of equity shares	C	No.in lacs	204.07	187.91
Add: Dilutive Potential Equity Shares		No.in lacs	-	19.07
Number of equity shares for dilutive EPS	D		219.98	206.98
Earning per share				
Basic (A/C)		Rs.	18.89	10.53
Dilutive(B/D)		Rs.	17.85	9.96

23. Deferred Tax Liability :

As per accounting Standard (AS 22) on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India (ICAI), the deferred tax liability (DTL) comprises of the following :

		(Rupees in Lacs)
	2004-2005	2003-2004
Deferred Tax Liability		
Related to Fixed Assets	1433.82	1053.95
Deferred Tax Asset		
Disallowance under the Income Tax Act,1961/Unabsorbed		
Depreciation	129.46	450.93
Provision for Deferred Tax (net)	1304.36	603.01

24. Interest on Fully Convertible Debentures includes an amount of Rs. 5.91 Lacs (2004: 7.10 Lacs) paid to Managing Director.
25. During the year there was a fire at Company's Big Bazaar store at Mulund, Mumbai. Consequently, the company suffered a loss of Rs. 52.86 lacs on account of stock and Rs. 12.51 lacs on account of repair/renovation of Fixed Assets. Claim of Rs. 65.37 lacs has been filed and company has received Rs. 25 lacs as interim claim payment.
26. A) During the year, the company has sold 49,99,930 shares of Pantaloon Retail Technologies Limited and consequently Pantaloon Retail Technologies Limited has ceased to be subsidiary company and the management has not considered consolidation of accounts of the subsidiary with that of the Company as the estimated impact on the accounts attributable to the operation of the subsidiary upto the period is not significant

B) During the year following companies have become subsidiaries of the Company.

SR. NO.	NAME OF SUBSIDIARY COMPANY	% OF HOLDINGS AS ON 30/06/2005
1.	Home Solutions Retail (India) Limited	66.66%
2.	Pantaloon Food Product (India) Limited	100.00%
3.	Pan India Restaurants Limited	98.46%
4.	PFH Investment Advisory Company Limited	76.00%

These subsidiary companies are in the start up stage of business cycle and since there are no material business transactions, accounts of these companies have not been consolidated.

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

28. Licensed / Installed Annual Capacities And Production :

	LICENSED CAPACITY		INSTALLED CAPACITY		ACTUAL PRODUCTION	
	AS AT 30-06-2005	AS AT 30-06-2004	AS AT 30-06-2005	AS AT 30-06-2004	AS AT 30-06-2005	AS AT 30-06-2004
			Stiching Machines (Nos.)		Nos. In Lakhs (Pcs)	
Apparels	N.A	N.A	300	275	28.65	13.31

The Company is not required to obtain License under Industries (Development and Regulation) Act, and therefore licensed capacity is not applicable.

The Company having dealt in a large number of products in several locations, the information required in terms of Schedule VI of the Companies Act in respect of value of the products sold has been drawn up in respect of major items namely Apparels and Household Items. The other items have been grouped together as sales value in respect of each product is not practical to ascertain.

Note: Value of consumption has not been adjusted in respect of Profit /Loss (if any) made on sale of Raw Materials.

The Company having dealt in a large number of products, the quantitative information has been furnished only in respect of major items namely Apparels and Household Items. Other items are grouped together, as quantitative information in respect of each product is not practical to ascertain in view of nature of retailing operation of the Company.

29. Sales, Purchases, Opening And Closing Stock

	UNIT	SALES		PURCHASES		OPENING STOCK		CLOSING STOCK	
		QTY	AMOUNT	QTY	AMOUNT	QTY	AMOUNT	QTY	AMOUNT
Apparels/Household Items etc.	Lac Pcs	506.72	63100.67	532.63	41931.63	51.93	11650.74	106.49	22793.94
		(278.05)	(39473.16)	(291.11)	(26196.42)	(25.57)	(9176.49)	(51.93)	(12162.74)
Others		-	27565.49	-	27332.81	-	512.22	-	1902.26
		-	(11578.21)	-	(10643.81)	-	(169.62)	-	(512.22)
Total		506.72	90666.16	532.63	69264.44	51.93	12162.96	106.49	24696.20
		(278.05)	(51051.37)	(291.11)	(36840.23)	(25.57)	(9346.11)	(51.93)	(12162.96)

*Purchase is net of stock lost in fire/riot.

Raw Material :

		(Rupees in Lacs)							
	UNIT	SALES		PURCHASES		OPENING STOCK		CLOSING STOCK	
		QTY	AMOUNT	QTY	AMOUNT	QTY	AMOUNT	QTY	AMOUNT
Fabric	Lacs Mtrs	79.37	14282.10	116.82	11896.51	17.81	2933.28	12.66	1985.94
		(86.78)	(13681.43)	(113.08)	(10808.33)	(10.90)	(1650.87)	(17.81)	(2933.28)
Knits Fabric	Lacs Kgs	-	-	-	-	0.06	15.98	0.04	9.83
				(0.08)	(24.73)	(0.05)	(12.94)	(0.06)	(15.98)
Stitching Material		-	-	-	677.02	-	149.60	-	87.78
					(421.94)	-	(60.33)	-	(149.60)
Total		79.37	14282.10	116.82	12573.53	17.87	3098.86	12.70	2083.55
		(86.78)	(13681.43)	(113.16)	(11255.00)	(10.95)	(1724.14)	(17.87)	(3098.86)

Raw Material Consumption:

		(Rupees in Lacs)							
		2004-2005				2003-2004			
	UNIT	QTY	VALUE	PERCENTAGE	QTY	VALUE	PERCENTAGE		
FABRICS	Imported	Lacs Mtrs	1.95	213.90	5.21	0.60	79.75	3.83	
	Indigenous	Lacs Mtrs	40.65	3892.20	94.79	18.80	2002.04	96.17	
	Total		42.60	4106.11	100.00	19.40	2081.79	100.00	
KNITS FABRIC	Imported	Lacs Kgs	-	-	-	-	-	-	
	Indigenous	Lacs Kgs	0.02	6.15	100.00	0.07	21.69	100.00	
	Total		0.02	6.15	100.00	0.07	21.69	100.00	
STORES & SPARES	Imported			5.92	32.44	-	0.86	4.50	
	Indigenous			12.32	67.56	-	18.00	95.50	
	Total			18.24	100.00	-	18.86	100.00	
STITCHING MATERIAL	Imported			193.16	26.14	-	56.47	16.98	
	Indigenous			545.68	73.86	-	276.20	83.02	
	Total			738.84	100.00	-	332.67	100.00	

30.

		(Rupees in Lacs)	
VALUE OF IMPORTS (CIF BASIS)		2004-2005	2003-2004
Raw Material		173.07	107.03
Finished goods		491.67	49.80
Capital Goods		868.41	1040.09
Stores & spares		5.92	0.85
Stitching Material		159.94	101.76
Accessories & Others		145.47	19.93

31.		(Rupees in Lacs)
EXPENDITURE IN FOREIGN CURRENCY	2004-2005	2003-2004
Traveling Expense	57.72	62.54
Consulting Fees	50.23	-
License Fees & Royalty	12.54	13.87
Interest on FCNR Loan/Term Loan/FC Loan	640.23	299.22

32.		(Rupees in Lacs)
	2004-2005	2003-2004
Earning in foreign currency*	2604.40	1153.22

*Earning in foreign currency includes Rs. 1457.18 Lacs (2004: Rs. 939.06 Lacs) being indirect foreign exchange earnings during the year through credit cards, as certified by the bankers.

33. Figures in bracket pertain to previous year.

34. Previous year figures have been regrouped, recast, rearranged and reclassified wherever considered necessary.

As per our Report of even date attached

As per our Report of even date attached

For NGS & CO.,
Chartered Accountants

For PANTALOON RETAIL (INDIA) LIMITED

NAVIN T.GUPTA
Partner
Membership No.40334

KISHORE BIYANI
Managing Director

RAKESH BIYANI
Wholetime Director

Place : Mumbai
Date: 24th September ,2005.

SHIRAJ DEJ
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
:INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

I Registration Details :			
Registration No.	44954/1987	State Code	11
Balance Sheet date	30/06/2005		
II Capital raised during the year			(Amount Rs. In Thousand)
Public Issue	Nil	Bonus Issue	Nil
Rights Issue	Nil	Private Placement	28603
III Position of Mobilisation and Deployment of Funds			(Amount Rs.inThousands)
TOTAL LIABILITIES	5207767	TOTAL ASSETS	5207767
Sources of funds :			
Paid up Capital	219977	Reserves & Surplus	1965275
Warrant Application Money Received	30000	Unsecured Loans	300379
Secured Loans	2561700		
Deffered Tax	130436		
Application of Funds :			
Net Fixed Assets	2295332	Investments	319155
Net Current Assets	2590520	Misc.Expenditure	2760
Accumulated Losses	NIL		
IV Performance of Company			(Amount in Rs. In Thousands)
Turnover	10882875	Total Expenditure	10351668
Profit before Tax			
*Including Other Income	531207	Profit after Tax	385511
Earnings per Share Rs.	18.89	Dividend rate %	25%
V. Generic Names of three principal Products / Services of Company			(As per Monetary Terms)
	Item Code No.(ITC Code)	Product Description	
	620343	Trousers of Synthetic Fibers	
	520530	Shirts of Man-made Fibers	
	521211	Woven Fabrics of Synthetic Staple Fibers	

For PANTALOON RETAIL (INDIA) LIMITED

KISHORE BIYANI
Managing Director

RAKESH BIYANI
Wholetime Director

SHIRAJ DEJ
Company Secretary

Place : Mumbai
Date: 24th September ,2005.

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES**

NAME OF SUBSIDIARY COMPANY	HOME SOLUTIONS RETAIL (INDIA) LIMITED	PANTALOON FOOD PRODUCT (INDIA) LIMITED	PAN INDIA RESTAURANTS LIMITED	PFH INVESTMENT ADVISORY COMPANY LIMITED
1. The Financial period of the Subsidiary Company ended on	Refer Note No: 1	Refer Note No: 1	Refer Note No: 1	Refer Note No: 1
2 Date from which they became Subsidiary Company	04.10.2004	13.04.2005	07.02.2005	31.12.2004
3. a) Number of shares held by . Pantaloan Retail (India) Ltd with its nominees in the subsidiary at the end of the financial year of the Subsidiary Company.	33329	50000	3200000	759994
b) Extent of interest of holding company at the end of the financial year of the subsidiary company.	66.66%	100.00%	98.46%	76.00%
4. The net aggregate amount of the Subsidiary Company				
Profit/Loss so far as if concerns the members of the Holding Company.	Refer Note No: 2	Refer Note No: 2	Refer Note No: 2	Refer Note No: 2
a) Not dealt with in the Holding Company's accounts.	NA	NA	NA	NA
i) For the Financial year ended 30.6.2005				
ii) For the previous financial years of the Subsidiary Company since they became the Holding Company's subsidiary				
b) Dealt with in Holding Company's accounts.	NA	NA	NA	NA
i) For the financial year ended 30.6.2005				
ii) For the previous financial years of the Subsidiary Company since they became the Holding Company's subsidiary				

Note

- 1) The subsidiaries have not completed the first financial year.
- 2) The subsidiaries are in the start up stage of business cycle and since there are no material business transactions, accounts of these companies have not been consolidated. (Refer Point No: 26 of Notes to Accounts)

For PANTALOON RETAIL (INDIA) LIMITED

KISHORE BIYANI
Managing Director

RAKESH BIYANI
Wholetime Director

SHIRAJ DEJ
Company Secretary

Place : Mumbai
Date: 24th September ,2005.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2005

(PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT)

(Rupees in Lacs)

	2004-05	2003-04
A		
Cash Flow from Operating Activities		
Net Profit Before Tax and Extraordinary items	5,312.08	2,441.19
Adjustments for :		
Depreciation	1,333.33	879.28
Preliminary & capital issue exp w/o	12.42	13.22
Interest (Net)	2,438.97	2,394.00
Dividend Income	(0.76)	(0.49)
(Profit) / Loss on sale of shares	(117.11)	(4.44)
(Profit) / Loss on sale of asset	5.26	2.29
Operating profit before working capital changes	8,984.19	5,725.06
Adjustments for :		
Trade and other receivable	527.76	473.83
Inventories	(11,832.82)	(4,321.63)
Loans & advances	(4,913.25)	(1,720.71)
Trade payables	5,999.22	387.86
Other payables	126.59	33.09
Cash generated from operations	(1,108.31)	577.51
Direct taxes paid	(410.64)	(274.33)
Cash flow before Extraordinary items	(1,518.95)	303.17
Extraordinary items	(3.20)	(7.46)
Net Cash from Operating Activities	(1,522.15)	295.72
B		
Cash Flow From Investing Activities		
Purchase of Fixed Assets	(6,685.71)	(6,190.92)
(Increase)/Decrease in capital work-in-progress	(135.02)	(1,111.76)
Sale of fixed assets	11.72	1.57
Sale of investments	640.03	(0.85)
Purchase of investments	(3,188.24)	5.17
Advances To Subsidiary Company	(36.47)	-
Dividend Income	0.76	0.49
Net Cash used in Investing Activities	(9,392.93)	(7,296.32)
C		
Cash Flow from Financing Activities		
Payment of Dividend and Dividend Tax	(324.58)	(205.14)
Working Capital from Banks/Institutions	(807.51)	906.72
Conversion of Debentures into Equity Shares	(2,135.47)	-

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2005
(PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT)

(Rupees in Lacs)

	2004-05	2003-04
Proceeds from Issue of Share Capital	9,135.47	1,067.36
Proceeds from Issue of Unsecured FCDs	-	2,135.47
Proceeds from Issue of Commercial Paper	175.00	1,325.00
Warrant Application money received	300.00	-
Proceeds from long term borrowing	4,816.02	5,120.84
Proceeds from Other Borrowings	2,960.40	(378.07)
Interest (Net)	(2,438.97)	(2,394.00)
Net Cash from financing activities	11,680.36	7,578.18
Net Cash used in Cash and Cash Equivalents (A+B+C)	765.28	577.57
Cash & Cash Equivalents (Opening balance)	1,384.76	807.19
Cash & Cash Equivalents (Closing balance)	2,150.04	1,384.76
Cash and Cash Equivalents include:		
Cash in Hand	215.82	165.13
Balance with Scheduled Banks :		
in Current Accounts (including in transit)	954.67	466.47
in Fixed Deposit Account	876.59	745.12
Fixed deposit with IDBI	91.47	-
Dividend Account	11.49	8.04
	2,150.04	1,384.76

Notes :

- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 :Cash Flow Statements" issued by the Institute of Chartered Accountants of India .
- Previous year's figures have been regrouped and rearranged wherever necessary.

For PANTALOON RETAIL (INDIA) LIMITED

KISHORE BIYANI
Managing Director

RAKESH BIYANI
Wholetime Director

SHIRAJ DEJ
Company Secretary

Place : Mumbai
Date: 24th September ,2005.



AUDITOR'S CERTIFICATE

We have examined the attached Cash Flow Statement of Pantaloon Retail (India) Limited for the year ended 30th June, 2005. This statement has been prepared by the Company in accordance with the requirements of the listing agreement (Clause 32) entered with the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the company covered by our report of 24th September, 2005 to the Members of the Company.

For NGS & CO.,
Chartered Accountants

NAVIN T.GUPTA

Partner
Membership No.40334

Place : Mumbai
Date : 24th September, 2005.