PANTALOON RETAIL (INDIA) LIMITED

(Originally incorporated as Manz Wear Private Limited on October 12, 1987.
The Company's name was changed to Manz Wear Limited on September 20,1991, further to Pantaloon Fashions (India) Limited on September 25, 1992 and to Pantaloon Retail (India) Limited on July 7 1999)

Registered and Corporate Office: Pantaloon Knowledge House, Shyam Nagar, Off. Jogeshwari Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060. The Registered Office of the Company was shifted from Venkatesh Bhavan, 4th Floor 86 Mirza Street, Mumbai 400003 to Pantaloon House , G 11 , M.I.D.C. Cross Road A, Andheri East, Mumbai 400 093)
Tel: (+91 22) 56442200 **Fax:** (+91 22) 56442201
E-mail: compliance.officer@pantaloon.com **Website:** www.pantaloon.com
Contact Person: Mr. Pradeep Jain

For private circulation to the Equity Shareholders of the Company only

DRAFT LETTER OF OFFER

ISSUE OF 4,481,180 EQUITY SHARES OF Rs. 10 EACH AT A PREMIUM OF RS. 490 PER EQUITY SHARE AGGREGATING RS. 2,240.59 MILLION TO THE EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF ONE EQUITY SHARE FOR EVERY FIVE EQUITY SHARES HELD ON THE RECORD DATE [•] ("ISSUE"). THE ISSUE PRICE IS 50 TIMES OF THE FACE VALUE OF THE EQUITY SHARE

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and Investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, Investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. **Investors are advised to refer to "Risk Factors" on page 5 of this Draft Letter of Offer before making an investment in this Issue.**

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Draft Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of the Company are listed on Bombay Stock Exchange Limited-Designated Stock Exchange ("BSE"), The National Stock Exchange of India Limited ("NSE"), The Delhi Stock Exchange Association Limited ("DSE") and the Stock Exchange of Ahmedabad ("ASE"). The Company has received "in-principle" approvals from BSE, NSE, DSE and the ASE for listing the Equity Shares arising from this Issue vide letters dated **[•]**,**[•]**,**[•]** and **[•]**, 2005, respectively.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
ENAM	INTIME SPECTRUM REGISTRY LIMITED

Enam Financial Consultants Private Limited 801/802, Dalamal Towers, Nariman Point, Mumbai 400 021. Tel: (+91 22) 5638 1800. Fax: (+91 22) 2284 6824. Email:prilrights@enam.com Contact Person : Ms. Lakha Nair **Website: www.enam.com**	**Intime Spectrum Registry Limited** C – 13, Pannalal Silk Mills Compound L.B.S. Marg, Bhandup (West), Mumbai 400 078 Tel: +91 22 5555 5491. Fax: +91 22 5555 5499 Contact Person : Mr. Vishwas Attawar Email:pantaloon@intimespectrum.com

ISSUE PROGRAMME		
ISSUE OPENS ON	**LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS**	**ISSUE CLOSES ON**
[•]	**[•]**	**[•]**

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ABBREVIATIONS & TECHNICAL TERMS

In this Draft Letter of Offer, the terms "we", "us", "our", "the Company" or "PRIL", unless the context otherwise implies, refer to Pantaloon Retail (India) Limited. All references to "Rs."or "INR" refer to Rupees, the lawful currency of India, "USD" or "US$" refer to the United States Dollar, the lawful currency of the United States of America, references to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable, and the words "Lakh" or "Lac" means"100 thousand" and the word "million" or "mn" means "10 lakh" and the word "crore" means "10 million" or "100 lakhs" and the word "billion" means "1,000 million" or "100 crores". Any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

General Terms and Abbreviations

Act	The Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
Articles	Articles of Association of the Company
AS	Accounting Standard
ASE	The Stock Exchange of Ahmedabad
Auditor	Refers to NGS & COMPANY, unless otherwise specified
Board or Board of Directors	Board of Directors of Pantaloon Retail (India) Limited
BSE	The Bombay Stock Exchange Limited
Capital or Share Capital	Share Capital of the Company
CDSL	Central Depository Services (India) Limited
DP	Depository Participant
DSE	The Delhi Stock Exchange Association Limited
Equity Share(s) or Share(s)	means the Equity Share of the Company having a face value of Rs. 10 unless otherwise specified in the context thereof
Equity Shareholder	Means a holder of Equity Shares
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FERA	Foreign Exchange Regulation Act, 1973
FI	Financial Institutions
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
FY / Fiscal	Financial Year ending March 31 or December 31, as the case maybe
GOI	Government of India
HUF	Hindu Undivided Family
Issuer	Pantaloon Retail (India) Limited, a company incorporated under the Indian Companies Act, 1956 having its registered office at Pantaloon Knowledge House, Shyam Nagar, Off. Jogeshwari Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060
IT Act	The Income Tax Act, 1961 and amendments thereto
ITAT	Income Tax Appellate Tribunal
Memorandum	Memorandum of Association of the Company
MoU	Memorandum of Understanding
NIC	National Industry Classification
NR	Non Resident
NRI(s)	Non Resident Indian(s)
NSE	National Stock Exchange of India Limited
NSDL	National Securities Depository Limited
OCB	Overseas Corporate Bodies
RBI	The Reserve Bank of India

ROC	Registrar of Companies at Mumbai, Maharashtra located at Hakoba Mill Compound, Kalachowki, Mumbai 400 033.
SEBI	Securities and Exchange Board of India
SEBI Act, 1992	Securities and Exchange Board of India Act, 1992 and amendments thereto
SEBI DIP Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 read with amendments issued subsequent to that date
Takeover Code	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended to date

Issue Related Terms and Abbreviations

Bankers to the Issue	[•]
CAF	Composite Application Form
Consolidated Certificate	In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio
Designated Stock Exchange	The designated Stock Exchange for the Issue shall be BSE
Draft Letter of Offer	Draft Letter of Offer dated [•], 2005 filed with SEBI for its comments
Enam or Lead Manager	Enam Financial Consultants Private Limited
Issue	Issue of 4,481,180 Equity Shares of Rs. 10 each for cash at a premium of Rs. 490 per share on rights basis to existing Equity Shareholders of the Company in the ratio of one Equity Share for every five Equity Shares held on the Record Date [•] aggregating Rs. 2,240.59 million
Issue Closing Date	[•]
Issue Opening Date	[•]
Issue Price	Rs. 500 per Equity Share
Investor(s)	Means the holder(s) of Equity Shares of the Company as on the Record Date, i.e. [•] and Renouncees
KMCC or Lead Manager	Kotak Mahindra Capital Company Limited
Letter of Offer	Letter of Offer dated [•] as filed with the Stock Exchanges after incorporating SEBI comments on the Draft Letter of Offer
Promoter	Kishore Biyani
Record Date	[•]
Registrar to the Issue or Registrar	Intime Spectrum Registry Limited
Renouncees	Shall mean the persons who have acquired Rights Entitlements from Equity Shareholders
Rights Entitlement	The number of Equity Shares that a shareholder is entitled to in proportion to his/her shareholding in the Company as on the Record Date
Stock Exchange(s)	Shall refer to the BSE, NSE , DSE and ASE where the Shares of the Company are presently listed

Technical and Industry Terms and Abbreviations

Anchor Tenant	A commercial retail business such as a national chain store or regional department store, placed in a shopping centre which usually enjoys privileged commercial terms
Aspirational Products	Good quality and high priced lifestyle products
Catchment Studies	Systematic study of consumption and spending habits of an individual or family in target area based on parameters such as age group, sex,

	preference, purchase category
Category Killers	Dominant retailers in terms of profitability and growth of market shares.
Department Store	A retail organization that normally employs approximately 25 or more people and sells merchandise in the following categories: home furnishings, apparel for men, women, and children, and home linens and dry goods.
Distribution Centres	A warehouse which processes, moves and stores goods A storage facility that takes orders and delivers products.
FMCG	Fast moving consumer goods
Format	It is a type of retail store to sell a specific nature of goods to a particular segment of customers
High Street	A place or locality in a major city or principal street of a small town; which would be the main point of purchase from well known shops stocking high quality, apparels and non-apparels
Hypermarkets	A large retail operation which combines the features of a Supermarket and a discount house
IT	Information Technology
ITES/BPO	Information technology enabled Services and Business Process Outsourcing
Lifestyle Products/ Lifestyle Merchandise	Products that meet way of living centered around certain activities
Lifestyle Retailing	The stores under this category primarily retail non-food items such as apparel, footwear, accessories, cosmetics and household products.
Private Label	Brands that are developed in house by the retailer
REITs	Real Estate Investment Trusts
SKUs	Stock keeping units, is the smallest unit available for keeping inventory control.
Shrinkage	Loss in inventory on account of a combination of employee theft, shoplifting, vendor fraud and administrative error
Supermarkets	A self service store that satisfies regular shopping needs of consumers, including food and non food items
Square feet	Sq. ft.
Value Retailing	The stores under this category retail mainly food and household items. These are primarily large stores with volume based discounted prices

RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this Draft Letter of Offer, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the price of our Equity Shares could decline, and you may lose all or part of your investment. The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However there are a few risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors.

This Draft Letter of Offer also includes statistical and other data regarding the Indian Retail Industry. This data was obtained from industry publications, reports and other sources that we and the Lead Manager believe to be reliable. Neither we nor the Lead Manager have independently verified such data.

Internal Risk Factors

We have certain criminal litigation cases filed against the Company and our directors.

- The Local Health Authority, Ahmedabad Municipal Corporation has filed a criminal case against the Company, its then responsible assistant manager Mr. Alok Dave, Mr. Kishore Biyani and Mr. Sandip Modi and others in respect of a product sold at the Company's retail outlet at Ahmedabad for the alleged sale of an adulterated product and the alleged misbranding of the product.

- The Inspector of Legal Metrology had filed 14 cases against the Company and its directors Mr. Kishore Biyani, Mr. Rakesh Biyani, Mr. Gopikishan Biyani, Mr. Shailesh Haribhakti, Mr. Darlie Koshy, Mr. S Doraiswamy, Ms. Anju Poddar, Ms. Bala Deshpande and Mr. Ved Prakash Arya for the alleged violation of Rule 23(1) of the Standards of Weights and Measures (Packaged Commodities) Rules, 1977 in the Big Bazaar premises in Lower Parel. These cases have been compounded by the Company by paying compounding fees aggregating Rs. 0.11 million.

For more details please refer to section titled 'Outstanding Litigations' on page 192 of this Draft Letter of Offer

Our products include a range of lifestyle merchandise, services and Aspirational Products which may be seasonal due to the bunching of festivals like Durga Puja, Diwali, Christmas and Id in the second quarter of our financial year and hence our ability to forecast and correctly understand fashion cycles and customer preference is critical for our continued operations

We retail products and services that our customers require including Lifestyle and Aspirational Products. Our success is dependent on our ability to meet our customers' requirements. We plan our products based on forecasts of customers buying patterns as well as on forecasts of fashion and trends for forthcoming seasons. Any mismatch between our forecasts, our planning and the actual purchase by customers can impact us adversely, leading to excess inventory and requiring us to resort to higher markdown and thus lower margins in order to clear such inventory. Customer preferences are susceptible to change with change in fashion and trends, and their service level expectations too can change from time to time.

Our success depends partly upon our ability to forecast, anticipate and respond to such changing consumer preferences and fashion trends in a timely manner. Any failure by us to identify and respond to such emerging trends in consumer preferences could have a material adverse effect on our business.

Further, the success of our Private Label strategy depends on our ability to understand fashion trends, introduce new designs/apparels and explore new business opportunities on a regular basis. Our inability to identify and recognize international and domestic fashion trends and the risk of obsolescence could adversely affect our business. We could be adversely affected if consumers lose confidence in the safety and quality of certain food products sold as Private Labels and are discouraged from buying our products.

The success of our business is dependent on supply chain management

We strive to keep optimum inventory at our stores and distribution centre to control our working capital requirements. Inefficient supply chain management may lead to unavailability of merchandise. Ensuring shelf availability for our products warrants quick turnaround time and high level of coordination with suppliers. Food and grocery items require efficient supply chain management as this involves items which are perishable or have limited shelf life. For some of our perishable goods we outsource our supply chain management to third party sources. Inefficient supply chain management could adversely affect the results from operations**.**

Failure to manage the integration of the businesses or facilities we acquire may cause our profitability to suffer.

We have pursued acquisitions and strategic partnerships as part of our growth strategy. We intend to continue entering into acquisitions and strategic alliances. Our acquisitions may not contribute to our profitability, and we may be required to incur or assume debt, or assume contingent liabilities, as part of any acquisition. Our acquisitions may give rise to unforeseen contingent risks or latent liabilities relating to these businesses that may only become apparent after the merger or the acquisition is finalised. We could have difficulty in assimilating and retaining the personnel, operations and assets of the acquired company. The loss of any available tax exemptions pursuant to an acquisition could adversely impact our results of operations. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses and materially affect our profits. Further, we may not be able to accurately identify or forge an alliance with appropriate companies in line with our growth strategy. In the event that the alliance does not perform as estimated, our operations may be materially adversely affected.

Further, larger number of stores will increase our fixed operating costs, and there can be no assurance that we will experience a commensurate increase in revenue or derive operational synergies to offset these higher costs. Our inability to manage our growth could have a material adverse effect on our business, financial condition and results of operations.

We have significant planned capital expenditures; Our capital expenditure plans may not yield the benefits intended. The capital expenditure mentioned in the Objects of the Issue have not been appraised by any bank or financial institution.

Our operations require significant capital expenditure to be utilized for the purpose of setting up new retail outlets, modernization / renovation of the existing retail outlets, promoting new retail formats and to make inroads into new markets. The capital expenditure plan for the objects mentioned above is Rs. 464.30 million. For more details on our planned capital expenditure, please refer to the section entitled "Objects of the Issue" beginning on page 31 of this Draft Letter of Offer. The figures in our capital expenditure plans are based on management estimates and have not been appraised by any bank, financial institution or other independent organisation. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of governmental approvals; availability of financing on acceptable terms; and changes in management's views of the desirability of current plans, among others. The actual amount and timing of our future capital requirements may differ from our estimates as a result of, among other things, unforeseen delays or cost overruns, unanticipated expenses, regulatory changes, weather-related delays. There can be no assurance that the proposed retail outlets will be completed as planned or on schedule or that we will achieve our planned capacity, operational efficiency or product base, or our targeted return on investment. In view of the reasons stated above, we cannot assure you that we will be able to execute our capital expenditure plans as contemplated. If we experience significant delays or mishaps in the implementation of our capital expenditure plans or if there are significant cost overruns, then the overall benefit of such plans to our revenues and profitability may decline. To the extent that completed capital expenditure does not produce anticipated or desired revenue or cost-reduction outcomes, our profitability and financial condition will be adversely affected.

We have not entered into definitive agreements to utilise the proceeds of the Issue. Further, our management will have significant flexibility in applying the proceeds of the Issue.

We intend to use the proceeds of the Issue for capital expenditure described in the section "Objects of the Issue" of this Draft Letter of Offer. Except for entering into joint venture agreements with Liberty Shoes Limited, equity investments in Galaxy Entertainment Corporation Limited and Pantaloon Food Product and preliminary contractual agreements for the proposed 14 stores to be opened, we have not entered into any definitive agreements to utilise such net proceeds. Pending any use of the proceeds of the Issue, we intend to invest the proceeds of this issue in high quality, interest/dividend bearing short term/long term liquid instruments including deposits with banks for the necessary duration. We may also deploy the proceeds of this issue in temporarily reducing our exposure to working capital borrowings from banks and financial institutions.

We cannot provide a definitive long-term estimate of the use of a certain portion of proceeds from the Issue and the priorities or contingencies affecting them due to dynamic nature of our industry. We intend to use part of the proceeds of the Issue for our general corporate purposes including initiatives like setting up new subsidiaries. We also propose to use part of our proceeds to fund joint ventures and other strategic acquisitions, as and when the opportunities arise. Apart from the above, we have not yet identified any potential targets for the above. We may also spend a portion of the proceeds of the Issue on expansion of our business instead of financing acquisitions or joint ventures with strategic partners. Accordingly, the management will have significant flexibility in applying the proceeds from the Issue.

We intend to rely on our internal systems and controls to monitor the use of such proceeds. There can be no assurance that any capacity addition or improvement at our facilities will be completed as planned or on schedule or that we will achieve our planned capacity, operational efficiency or product base, or our targeted return on investment.

Our business plans may need substantial capital and additional financing in the form of debt and/or equity to meet our requirements.

Our proposed business plans are being substantially funded through this Issue and partly by our internal cash accruals. However the actual amount and timing of future capital requirements may differ from estimates including but not limited to unforeseen delays or cost overruns, unanticipated expenses, market developments or new opportunities in the industry. We may also not be able to generate internal cash in our Company as estimated and may have to resort to alternate sources of funds. Sources of additional financing may include commercial borrowings, vendor financing, or issue of equity or debt instruments. If we decide to raise additional funds through the debt route, the interest obligations would increase and we may be subject to additional covenants, which could limit our ability to access cash flows from the operations. If we decide to raise additional funds through the equity route, your shareholding in the Company could get diluted.

Any inability to manage our rapid growth could disrupt our business

We have experienced high growth in recent periods. Our sales have grown at a CAGR of 56.04 % from FY2002 to FY2005. However, our future growth plans can place significant demands on our management and other resources. There can be no assurance that we will be able to execute our strategy on time and within the stipulated budget or that we will meet the expectations of the customers and achieve our planned growth.

Losses on account of shrinkage can negatively impact our profitability

Shrinkage in the retail buisness is defined as the loss in inventory on account of a combination of employee theft, shoplifting, vendor fraud and administrative error. The retail industry the world over is affected by shrinkage. Any increase in shrinkage levels at our existing and future stores can adversely impact results from operations.

We face growing and new competition from domestic and potential international players that may adversely affect our competitive position and our profitability.

Significant additional competition in the retail industry may result in reduced prices and thereby negatively affect our revenues and profitability. Further, the introduction of foreign participation in the retail sector will result in the entry of multinational retail companies into the Indian market. We cannot assure you that we will be able to compete with large multinational players.

International competitors may enjoy many of the same advantages that we do and may even have lower cost structures, enabling them to compete vigorously vis-à-vis pricing. Competition from these competitors may adversely impact our revenues. Global companies are significantly larger than us and have significantly stronger international market positions, production capacities and greater financial resources than we do. We also face significant competition from Indian players. These market participants include other small, limited-service providers and a number of full-service global companies. The larger competitors have a much broader portfolio of business, greater resources and more experience than smaller companies.

Competition may impede our ability to renew leases or licences entered into by us. Further, we may not be able to attract concessionaires, which may affect our concessionaire income.

We face competition from other large retailers who compete for scarce real estate resources. We may not be able to renew our leases or licenses on terms acceptable to us. Our competitors may also provide attractive terms to concessionaires who currently operate from our stores which may reduce our ability to attract concessionaires. In the event that any of our leases or licenses are not renewed, and we are required to vacate our stores, we may be required to identify alternative real estate and enter into fresh lease or leave and licence agreements which could result in loss of business and may adversely affect our operations and profitability.

Any adverse impact on the title or ownership rights or development rights of our landlords from whose premises we operate may impede our effective operations of our stores, offices or distribution centres in the future

Some of the premises from which we operate our stores / offices / distribution centres are taken by us on long term lease or sub-lease or leave and licence or on conducting basis and/or on the basis of other contractual agreements with third parties. We may continue to enter into such transactions with third parties. Any adverse impact on the title / ownership rights / development rights of our landlords from whose premises we operate our stores may impede our business, our operations and our profitability. The financial impact of such aforesaid risk cannot be quantified.

Additionally, some of our lease agreements prescribe a lock-in period. These lock in periods prevent us from moving our stores in the event that there are events or circumstances that impede our profitability. Any such event and such restrictive covenants in our lease agreements affects our ability to move the location of our stores and may adversely affect our business, financial condition and results of operations.

We face the risk of potential liabilities from lawsuits or claims by consumers

We may face the risk of legal proceedings and claims being brought against us by our customers / consumers for any defective product sold or any deficiency in our services to them. We could face liabilities should our customers / consumers face any loss or damage due to any unforeseen incident such as fire or accidents in our stores, which could cause financial or other damage to our customers / consumers. Any commencement of lawsuits as envisaged above against us could reduce our sales.

Changes in safety and health laws and regulations may adversely affect our results of operations and our financial condition.

We are subject to a broad range of safety and health laws and regulations in the areas in which we operate such as the Consumer Protection Act, 1986, the Standards of Weights and Measures Act, 1976, Sale of Goods Act, 1930 and similar state regulatory enactments like the Shop and Establishments Acts. These laws and regulations impose controls on our fire safety standards, and other aspects of our operations. We have incurred, and expect to continue to incur, operating costs to comply with such laws and regulations. In addition, we have made and expect to continue to make capital expenditures on an ongoing basis to comply with safety and health laws and regulations. While we believe we are in compliance in all material respects with all applicable safety, health and environmental laws and regulations, we may nevertheless be liable to the Government of India or the State Governments or Union Territories with respect to our failures to comply with applicable laws and regulations.

Further, the adoption of new safety and health laws and regulations, new interpretations of existing laws, increased governmental enforcement of laws or other developments in the future may require that we make additional capital expenditures or incur additional operating expenses in order to maintain our current operations or take other actions that could have a material adverse effect on our financial condition, results of operations and cash flow. Safety, health and environmental laws and regulations in India, in particular, have been increasing in stringency and it is possible that they will become significantly more stringent in the future.

The costs of complying with these requirements could be significant. The measures we implement in order to comply with these new laws and regulations may not be deemed sufficient by governmental authorities and our compliance costs may significantly exceed current estimates. If we fail to meet safety and health requirements, we may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by our consumers / customers and other individuals, which could result in substantial fines and penalties against us as well as orders that could limit our operations.

There can be no assurance that we will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety and health matters in the future, the costs of which could be material. Remediation costs of our stores and outlets and related litigation could adversely affect our cash flow, results of operations and financial condition.

We have applied for certain registrations required in the ordinary course of business and the failure to obtain them in a timely manner or at all may adversely affect our operations.

We require certain approvals, licenses, registrations and permissions for operating our business, some of which have expired and for which we have either made or are in the process of making an application for obtaining the approval or its renewal. For more information, see the section titled "Government Approvals" on page 192 of this Draft Letter of Offer. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected.

Negative publicity if any, would adversely affect the value of our brand, and our sales.

Our business is dependent on the trust our customers have in the quality of our merchandise as well as on our ability to protect our trademarks and copyrights and our intellectual property to maintain our brand value. If we fail to adequately protect our intellectual property, competitors may market products similar to ours. Any negative publicity regarding the Company, brands, or products, including those arising from a drop in quality of merchandise from our vendors, disputes concerning the ownership of intellectual property, mishaps at our stores, or any other unforeseen events could adversely affect our reputation our brand value, our operations and our results from operations.

We continue to launch new formats as divisions, subsidiaries or through joint ventures with partners. A lower than anticipated customer response to such formats, or the inability of our joint venture to successfully meet customer requirements can adversely impact us.

We operate different formats like Pantaloons, Big Bazaar, Food Bazaar etc and continue to launch new formats like aLL, Fashion Station, MeLa. The success of these formats depends upon the customer response. A lower than anticipated customer response can impact business. We have also entered into joint venture agreements to expand the scope of our products and services. Any inability of our joint venture partner to successfully attract and meet with customer requirements may adversely affect our operations and profitability.

We are undertaking the implementation of our new information system software and any disruptions in the implementation or functioning thereafter could adversely affect our business operations.

We are implementing a suite of applications that includes SAP Advanced Planning Tool for Merchandise Planning, SAP Apparel and Footwear Solutions etc. Any disruptions in their functioning could disrupt our ability to track, record and analyze the merchandise that we sell and cause disruptions of operations, including, among others, an inability to process shipments of goods, process financial information or credit card transactions, deliver products or engage in similar normal business activities which may materially adverse affect our operations, our business and profitability.

The success of our business is substantially dependent on our management team, our inability to retain them could adversely affect our businesses

We have a strong team of professionals to oversee the operations and growth of our businesses. Our ability to sustain our growth depends, in large part, on our ability to attract, train, motivate and retain highly skilled personnel. We believe that there is significant demand for personnel who possess the skills needed to perform the services we offer. Our inability to hire and retain additional qualified personnel will impair our ability to continue to expand our business. An increase in the rate of attrition for our experienced employees, would adversely affect our growth strategy. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of personnel with the requisite skills to replace those personnel who leave. Further, we cannot assure you that we will be able to re-deploy and re-train our personnel to keep pace with continuing changes in our business.. The loss of the services of such personnel and our inability to hire and retain additional qualified personnel may have an adverse effect on our business, financial condition and results of operations.

Our Promoter and promoter group will control us as long as they own a substantial portion of our Equity Shares, and our other shareholders may not be able to affect the outcome of shareholder voting during such time.

After completion of the Issue, the Promoter and promoter group will continue to own approximately 44.09 % of our issued Equity Share Capital. So long as the Promoter and promoter group own a substantial portion of our Equity Shares, they may be able to elect a substantial number of our board of directors and remove any director, by way of a resolution approved by a simple majority of shareholders in a general meeting. The Promoter and promoter group will be able to control most matters affecting us, including the appointment and removal of our officers; our business strategy and policies; any determinations with respect to mergers, business combinations and acquisitions or dispositions of assets; our dividend payout; and our capital structure and financing. Further, the extent of Promoter and promoter group shareholding in us may result in delay or prevention of a change of management or control of our Company, even if such a transaction may be beneficial to our other shareholders.

Renunciation by any shareholder in favour of a non-resident or FII may require prior approval of the RBI

Renunciation of rights entitlement in the Company by any shareholder in favour of a non-resident or a FII may require prior approval of the RBI. There can be no certainty as to the conditions subject to which the approval will be granted or if the approval will be granted at all. For more details on the restrictions applicable to non residents or FIIs please refer to the section titled "Terms of the Issue" at page 218 of this Draft Letter of Offer.

Our indebtedness could adversely affect our financial condition and results of operations

We have entered into agreements with certain banks and financial institutions for long term borrowings. Some of these agreements contain restrictive covenants that require us to obtain the prior consent of our lenders to take certain actions, including declaration of dividends, alteration of our capital structure, formulation of any scheme of amalgamation or reconstruction, expenditure in new projects, entering into borrowing arrangements, investing by way of share capital or lending or advancing funds or placing deposits with other concerns, undertaking guarantee obligations, creating charge, lien, or its undertakings or any part thereof, entering into any contractual obligation of a long term nature or significantly affecting the Company financially, changing Company practice with respect to the remuneration of directors, undertaking any other trading activity other than the sale of products arising out of the sale of its manufacturing operations, disposing off assets and compromising with any of its creditors, changing its name or trade name, creating any subsidiary or permitting any company to become a subsidiary and making changes to the management, set up and key personnel. In addition, certain of these agreements require us to maintain various financial ratios, and may provide certain lenders with the right to appoint a nominee director on our Board. For example, pursuant to the terms of our loan agreement with the Bank of Bahrain and Kuwait dated November 16, 2004, the Bank of Bahrain and Kuwait has the right to nominate one or more member(s) of our Board. Similarly, pursuant to the terms of our loan agreements with the State Bank of Travancore dated November 16, 2004 and the Small Industries Development Bank of India ("**SIDBI**") dated March 24, 2004, the State Bank of Travancore and SIDBI each have the right to nominate one member of our Board.

In addition, certain of these agreements require us to obtain the prior consent of our lenders for any variation of the shareholding of directors, promoters and principal shareholders, including by issue of new shares or the transfer of shares. Pursuant to the terms of the corporate loan facility agreement with ICICI Bank (Singapore Branch) dated March 4, 2004 we are required to ensure that so long as any amount is outstanding, at least 26 per cent of the shares of the Company are required to be owned directly by the Promoter and the Promoter shall retain management control of the Company.

In the past we have made promises but we were unable to perform as per the promises

We had undertaken an initial public offering in 1992 where we had made certain promises in relation to our objects. The objects were implemented with a delay of nine months. We were able to open two retail stores as opposed to our promise of setting up seven. The Company could not achieve the financial projections for the year 1992-93 as estimated in the prospectus. Against estimated turnover of Rs. 116.00 million the company achieved a turnover of 48.08 million. For more details, see the sub-section titled 'Promise versus Performance' under section "Statutory and Other Information"on page 206 of this Draft Letter of Offer.

We are involved in certain legal proceedings and claims against us

There are outstanding litigations against us, our directors, our Promoter and group companies. We are defendants in legal proceedings incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. Furthermore, if significant claims are determined against us and we are required to pay all or a portion of the disputed amounts, it could have a material adverse effect on our business and profitability.

Material Litigations relating to the Company, the Promoter, the Directors, group companies and joint venture companies

A) Against the Company

- A claim has been filed for restraint against the use of trademark "RAYMEN" and for damages aggregating to Rs. 0.5 million.
- A claim has been filed for restraint against the use of trademark "BEAUTYCALE" and for damages aggregating to Rs. 50.0 million.
- A claim has been filed seeking to restrain us from entering into or opening any retail outlet at a premises in Borivli, Mumbai.
- Four consumer disputes have been filed against where the aggregate amount is Rs. 1.005 million.
- Three orders have been passed against the Company by the Income Tax authorities aggregating to Rs. 2.25 million. The Company has appealed against all the orders that were passed by the Income Tax authorities.
- A claim has been filed by a former employee claiming wrongful termination of services and seeking reinstatement and back wages.

B) Against our Promoter

- A criminal complaint has been filed against Kishore Biyani in his capacity as Chairman and Managing Director of the Company for our Pantaloon factory outlet in Pune for allegedly trading in eatables without a license.

C) Against our Directors

- A complaint has been filed against Gopikishan Biyani before the Motor Accident Claims Tribunal at Mumbai for compensation of Rs. 0.1 million.
- A criminal complaint has been filed in which Anil Harish has been named as an accused, alleging that an amount of Rs. 10 million that was due to him was not paid by the other named accused persons and Anil Harish connived with them and induced him to deliver possession of a particular premises.

D) Against group companies

Please refer to the "Outstanding Litigation and Defaults" on page 192 of this Draft Letter of Offer.

E) Against joint venture companies

There are no outstanding litigations against our joint venture companies as on date of filing this Draft letter of Offer.

We have a number of contingent liabilities, and our profitability could be adversely affected if any of these contingent liabilities materialize.

Our contingent liabilities as of June 30, 2005 include unexpired guarantees and letters of credit, bills discounted with banks and claims against us not acknowledged as debt amounting to Rs. 177.33 million. If any of these contingent liabilities materialize, our profitability may be adversely affected. For more detailed descriptions of our contingent liabilities for the fiscal year ended June 30, 2001,2002,2003,2004 and 2005 see the section titled "Financial Information" on page 120 of this Draft Letter of Offer**.**

Possible conflict of interest with the entities forming part of Promoter Group

The object clauses as contained in the memorandum of association of some of the companies forming part of the promoter group, enable them to carry on the business of establishing/operating/managing retail outlets. Incase these companies decided to venture into the similar line of businesses, it may result in our Promoters having a conflict of interest with our line of business.

Certain of our Promoter Group companies have incurred losses or have negative networth, which may adversely affect our results of operations

Certain of our Promoter Group Companies have incurred losses/have negative networth (as per their standalone financial statements) in recent years, as set forth in the table below:

Companies having losses in the past three years

(Rs. In million)

Name	**Year ended March 31,**		
	2003	**2004**	**2005**
Indus League Clothing Ltd.	(0.8)	(13.1)	(47.4)
PFH Entertainment Ltd.	(60.0)	16.4	1.8
Manz Retail Private Ltd	(0.1)	37.1	1.7
KB Mall Management Company Ltd.	N.A	N.A	(0.9)
Bartraya Mall Development Co Pvt Ltd	N.A	N.A	(0.02)
Acute Realty Pvt. Ltd	N.A	N.A	(0.01)
Home Solutions Retail (India) Limited	N.A	N.A	(0.3)
SoftBPO Global Services Limited	0.2	(1.6)	(0.2)

Companies having negative networth in the past three years (Rs. In million)

Name	Year ended March 31,		
	2003	2004	2005
Dhruv Synthetics Private Limited	(5.3)	(5.0)	(4.7)

External Risk Factors

Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, results of operations and financial condition.

Terrorist attacks and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

The success of our business is highly dependent on the number of customers that visit our stores.

Various factors affect the customer footfalls, including choice of location and nature of floor layout. Factors such as the regional economy, weather conditions, natural disasters, social unrest as well as government regulations specific to the states in which we operate also affect our result from operations

Force majeure events, particularly those affecting the states of where our facilities are located, could adversely affect our business.

We are headquartered in the state of Maharashtra and our facilities are located across India. It is possible that earthquakes, cyclones, floods or other natural disasters in India, particularly those that directly affect the areas in which our facilities and other operations are located, could result in substantial damage to our manufacturing facilities and other assets and adversely affect our operations and financial results.

Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.

South Asia has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, such as between India and Pakistan. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel and transportation more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares and on the market for our products and services.

We are subject to adverse impact of economic and political conditions

Global economic and political factors that are beyond our control influence the forecasts and directly affect performance. These factors include interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends, terrorist threats and activities, worldwide military and domestic disturbances and conflicts, and other matters that influence consumer confidence, spending and tourism. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. The taxation system within the country still remains complex. Multi-point octroi and tax evasion by smaller stores are some of the concerns faced by organized retailers. Changes in these local taxes and levies can impact the performance of retailers adversely. The government stand on Foreign Direct Investment (FDI) in the sector is still unclear. The absence of FDI may impact growth and exposure to some best practices. Retailers also have apprehensions about the co-existence of Value Added Tax (VAT) and Maximum Retail Price (MRP).

We may experience fluctuations in our stock price, which may affect the trading price of the equity shares issued in this Offering.

The stock market in general and the market for shares of retail companies in particular, has from time to time experienced considerable price fluctuations. Often, these changes may have been unrelated to the operating performance of the affected companies. In addition, factors such as competition, new store openings, general regional and national economic conditions, bulk deal in our stocks, consumer trends and preferences, new product introductions and changes in our product mix, timing and effectiveness of promotional events and lack of new product introductions to spur growth in sales and weather may have an adverse effect on the market price of our shares. The prices of our Equity Shares on the stock exchanges may fluctuate as a result of several factors, including:

- volatility in the Indian and global securities market;
- our results of operations and performance;
- announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- Significant developments in India's liberalization, deregulation, fiscal, environmental and any other policies and regulations.

The prices of our Equity Shares may fluctuate after this Issue. There can be no assurance that the Issue Price will correspond to the prices at which our Equity Shares will trade in the market subsequent to this offering.

Notes to risk factors:

1. Net worth of the Company as restated on June 30, 2005 is Rs. 2,212.49 million. The size of the Issue is Rs. 2,240.59 million. The net asset value per share (book value) as on June 30, 2005 for Rs. 10 face value is Rs. 100.58.

2. This Issue of 4,481,180 Equity Shares of Rs. 10 each for cash at a premium of Rs. 490 per Equity Share on rights basis to the existing Equity Shareholders of the Company in the ratio of one Equity Share for every five Equity Shares held on the Record Date i.e [•] aggregating Rs. 2,240.59 million.

3. We had entered into certain related party transactions for fiscals 2003, 2004 and 2005 disclosed in the section titles "Related Party Transaction" of this Draft Letter of Offer.

4. Before making an investment decision in respect of this Offer, you are advised to refer to the section entitled 'Basis for Issue Price' on page 37 of this Draft Letter of Offer.

5. Please refer to the sub section entitled 'Basis of Allotment' under section 'Terms of the Issue' on page 218 of this Draft Letter of Offer for details on basis of allotment.

6. Average cost of acquisition of Equity Shares of our Company by our Promoter is Rs. 460.66 per Equity Share.

7. The Promoter, relatives and directors have not directly or indirectly transacted in the securities of the Company during the last six months from the date of filing the document with the ROC / stock exchanges. For the transactions between the promoter group in the last six months, please refer to the section entitled 'Capital Structure' on page 25 of this Draft Letter of Offer.

8. We and the Lead Managers are obliged to keep this Draft Letter of Offer updated and inform the public of any material change/development.

You may contact the Lead Managers for any complaints pertaining to the Issue including any clarification or information relating to the Issue. The Lead Managers are obliged to provide the same to you.

SUMMARY

Overview

The Indian Retail Sector

The Indian Retail Sector is at an inflexion point, with changing demographics driving growth of organized retailing and driving growth in consumption.

With changing demographic and economic profile of the Indian population, we believe that India is expected to experience accelerated consumption over the next few years.

Further, we believe that increase in consumer spending would be driven by nuclearisation of families, increasing population of working women and new job opportunities in emerging service sectors such as IT Enabled Services. With declining interest rates an average Indian is not averse to taking loans. Not only are the demographic factors becoming more favorable but also the growing media penetration is leading to a convergence of aspirations of various classes of consumers.

We believe a larger number of households are adding to the consuming class with growth in income levels. The number of households with income of over Rs 45,000 per annum is expected to grow from 58 million in 1999-2000 to 81 million by 2005-06 (source: The Marketing Whitebook 2003-04, brought out by Businessworld). Of this, 56% (44.8 million households) is expected to be concentrated in Urban India. This large base of households with growing disposable income is expected to drive demand for organized retail.

The changes in demographics are changing consumption pattern in the country. Central Statistical Organisation (CSO) estimated private final consumption of consumers in India at about Rs.17,600 billion in FY04. Of the total private consumption, retail sector accounted for approximately 60% at Rs 8570 bn (source: Images Retail). Of this, food and beverages, apparel and consumer durables are the top three categories of consumer spend and form 87% of the total retail sales in India.

Growth in organized retail

In sharp contrast to the global retail sector, retailing in India – though large in terms of size – is highly fragmented and unorganised. With close to 12 million retail outlets India has the largest retail density in the world. (Source: CII Mc Kinsey Report titled 'Retailing in India, the Emerging Revolution') However, most of these retail outlets belong to the unorganised sector. The inability of the unorganuised sector to offer a wide range of products along with artificially inflated costs due to various factors have presented opportunities for growth in the organised retail sector

Migration from unorganized to organized retail has been visible with economic development in most economies. The Indian retail industry is evolving in line with changing customer aspirations across product groups, with modern formats of retailing emerging. Organized retail derives its advantages in generating operational efficiencies while simultaneously catering to rising consumer aspirations. Size drives economies on procurement, and lowers logistics and marketing costs while delivering better value to customers in terms of lower price, better quality, greater selection, improved service and in-store ambience.

Drivers for retail transformation in India

A number of factors that drive transformation in retail – such as income growth, changing demographic profiles and socio-economic environment – are already in place in India. However, organised retail has to overcome significant challenges in terms of regulations and infrastructural barriers in order to realise its full potential. Availability of quality retail space has been one of the main constraints for development of organized formats in India. In the past, negative yield spread on leased property and lack of bank funding due to unorganized property market resulted in a dearth of quality retail space in the country. The spread between yield on property and its financing cost has turned positive with the fall in interest rates. Attractive yields on investments have resulted in sharp increase in property development.

Consumerism and brand proliferation has been another enabler for organised retailing in India. Most of the world's leading brands are now present in India.

Challenges for organized retail

There exist differential sales tax rates across states in India .This adds to cost and complexity of distribution as this necessitates multiple warehouses and does not allow for centralization of certain procurements given the incidence of local levies. At the same time, there is large-scale sales tax evasion by smaller stores who derive significant cost advantage through such evasion.

The retail sector has not been granted industry status, limiting funding from banks and financial institutions. The capital requirements for a retailer are in real estate (which banks have historically restricted lending to) and for working capital requirements. While some of the leading retailers are still able to get bank funding, the smaller ones are constrained for growth funding. Similarly, equity options are also restricted with Foreign Direct Investment not being permitted in the retail sector. FDI restrictions have also restricted entry of international majors in retailing in India, which could have otherwise helped the industry develop with funding as well as bringing in of best practices and systems.

The availability of trained manpower poses a key risk for the retail sector. With growing opportunities in the emerging service sectors such as ITES, the ability of the retail business to hire and retain quality people is under pressure.

Supply chain management efficiencies are essential to retailers to maintain and improve margins. In India, both vendor management and logistics management are still undeveloped. However, with growing size of operations, supply chain efficiencies will become a key differentiator of profitability in retail.

Value Retailing

These stores primarily retail primarily food and house hold items. These are primarily large stores with volume based discounted prices. The share of expenditure on food and grocery in a consumer’s wallet, availability of a vide variety of products at a reasonable price are the main factors which has contributed to the growth of this segment. The larger chain of supermarkets and hypermarkets (namely Big Bazaar, Star India, Nilgiris, Food world) have presence in metros and mini metros.

Lifestyle retailing

These stores retail primarily non-food items such as apparel, footwear, accessories, cosmetics and household products. They stock multiple brands across product categories, though some of them focus on their in house store label (on the lines of Marks & Spencer’s and St. Michael). These stores are found on high streets and as Anchor Tenants of shopping malls.

Several local department store chains have opened shop in India in the past five years. The convenience factor coupled with the aspirational perception of shopping in a department store has contributed to their growth. The larger chains of department stores (Namely Pantaloons’, Shoppers’ Stop, Westside, and Lifestyle) have presence in the metros and mini metros.

Company Overview

We are one of India’s largest organised modern-format retailer and have been promoted by Kishore Biyani.

From our beginning in 1987, we have today evolved as one of the leading manufacturer-retailer and are one among the pioneers in setting up a nation-wide chain of large format stores in India. We believe that the various initiatives taken by us have played a key role in enhancing the standards of retail in the country. We are an entrepreneur driven, professionally managed retailer focused on meeting the customer requirements for a large component of their spend across fashion, food, general merchandise, home in both value and lifestyle segments.We have also entered into partnerships/joint ventures to expand our offerings from home to apparel to household products to durables. We believe our focus on customers supported by systems and processes and a committed work force are the key factors that have contributed to our success and will help us scale up as we embark on our strategic growth plan.

Our business has grown from one store in Kolkota in 1997 occupying an area of 8,000 Sq. ft. to 72 stores, apart from our 22 factory outlets located in multiple cities occupying an aggregate area of 21,07,608 Sq. ft. We focus on the Lifestyle segment through 14 Pantaloon stores, 3 Central Malls, 2 aLL stores, 2 Fashion Station and 1 MeLa store. In the Value segment, we have 21 Big Bazaar and 30 Food Bazaar outlets.

We believe that managing customer expectation by offering them all the requirements for their entire family under one roof is the key to being a successful retailer, and hence have built our business model around ‘Family focus’ rather than ‘individual focus’. We believe addressing the family attracts more customers into the store.

We retail a range of branded and Private Label apparel, footwear, perfumes, cosmetics, jewellery, leather products and accessories, home products, books, music and toys in our stores. To complete the idea of a family store, besides garments, we also retail household items, consumer durables, home furnishings, apart form food and personal care products. This is complemented by cafes, food stalls, entertainment, personal care and various beauty related services. Promotions and events are an integral part of our service offering to our customer, which helps us create a unique shopping experience.

Our exclusive formats include;

1. Pantaloons : Lifestyle products under Private Labels and third party brands
2. Central: Seamless mall providing the customer with a wide range of lifestyle products across multiple national and international brands
3. Big Bazaar: Value retailing with a range of products from apparel, toys, accessories, consumer durables to household products and furnishing
4. Food Bazaar: Food and personal care products including dry groceries and FMCG products

We believe our offerings to our customers provides them a unique shopping experience, comprising of a vast range of lifestyle and value retail products, mix of retailing formats coupled with the facility of entertainment and leisure.

Our loyalty program, called ‘Green Card’ in our format Pantaloons, currently has 2,19,989 members as on August 31,2005. The Green Card programme accounted for about 31% of our sales in Pantaloon for the year ended June 30, 2005. We offer our Green Card holders rewards points on their purchases, special offers and discounts, and invitations to exclusive events and promotions.

We have four subsidiaries and have two joint venture entities supplementing our business. For more details please refer to section ‘Subsidiaries and Associates’ on page 109 of this Draft Letter of Offer.

Our Success Factors

We believe the following factors have helped us emerge as a leading domestic retailer:

- Brand equity and early mover advantage;
- Entrepreneur led, professionally managed and experienced team;
- Strong projects and operations capabilities;
- Vast range of lifestyle and value retailing products and services;
- Strong focus on systems and processes;
- Strong distribution and logistics network and supply chain; and
- Large base of loyal customers.

THE ISSUE

Equity Shares issued by the Company	4,481,180 Equity Shares
Rights Entitlement	One Equity Share for every five Equity Shares held on the Record Date
Record Date	[●]
Issue Price per Equity Share	Rs. 500
Equity Shares outstanding prior to the Issue	22,405,901Equity Shares
Equity Shares outstanding after the Issue	26,887,081Equity Shares
Terms of the Issue	For more information, see "Terms of Issue" on page 218 of this Draft Letter of Offer.

SELECTED FINANCIAL INFORMATION

ANNEXURE 1: SUMMARY STATEMENT OF ASSETS AND LIABILITIES AS RESTATED

		Financial Year ended 30th June				(Rs.in millions)
		2005	**2004**	**2003**	**2002**	**2001**
A	**Fixed Assets**					
	Gross Block	2,511.04	1,847.08	2,406.76	1,954.23	1,589.35
	Less: Depreciation	373.63	243.20	156.67	94.35	52.22
	Net Block	2,137.42	1,603.88	2,250.10	1,859.88	1,537.13
	Less: Revaluation Reserve	-	-	-	-	-
	Net Block After Revaluation Reserve	2,137.42	1,603.88	2,250.10	1,859.88	1,537.13
	Capital Work in Progress	157.92	144.41	33.24	62.81	78.59
	Total	**2,295.33**	**1,748.29**	**2,283.34**	**1,922.69**	**1,615.71**
B	**Investment**	**319.16**	**52.62**	**52.61**	**50.66**	**50.65**
C	**Current Assets, Loans And Advances**					
	Inventories	2,759.26	1,575.97	1,143.81	874.10	563.28
	Sundry Debtors	123.07	175.84	223.23	176.86	129.80
	Cash & Bank Balances	215.00	138.48	80.72	40.34	23.76
	Other Current Assets	4.61	-	-	-	-
	Loans & Advances	936.80	409.54	214.27	233.32	110.97
	Total	**4,038.73**	**2,299.84**	**1,662.03**	**1,324.62**	**827.80**
D	**Preference Share Capital**					
E	**Liabilities And Provisions**					
	Loan Funds					
	Secured	2,561.70	2,147.61	1,409.35	1,095.27	682.23
	10% Unsecured Fully convertible Deb.	-	213.55	-	-	-
	Unsecured	300.38	0.08	42.33	2.98	14.17
	Total	**2,862.08**	**2,361.24**	**1,451.68**	**1,098.25**	**696.40**
F	**Deferred Tax (net)**	**130.44**	**60.30**	**29.21**	**17.95**	**-**
G	**Current Liabilities & Provisions**					
	Current Liabilities	1,264.74	664.82	631.49	461.14	257.89
	Provisions	183.47	69.49	43.97	12.35	9.77
	Total	**1,448.21**	**734.31**	**675.46**	**473.49**	**267.66**
H	**Total Net Worth (A+B+C-D-E-F-G)**	**2,212.49**	**944.90**	**1,841.62**	**1,708.49**	**1,530.11**
I	**Net Worth**					
	Represented By:					
J	Share Holder's Funds					
	Share Capital	219.98	191.37	181.84	173.19	133.19
	Warrant Application money	30.00	-	-	-	-
	Reserves & Surplus	1,965.28	757.53	1,665.1	1,541.39	1,404.50
	Less: Revaluation Reserve	-	-	-	-	-
		2,215.25	**948.90**	**1,846.94**	**1,714.58**	**1,537.70**
K	Miscellaneous Expenditure (To the extent not written off or Adjusted)	2.76	4.00	5.32	6.29	7.58
	Net Worth	**2,212.49**	**944.90**	**1,841.62**	**1,708.29**	**1,530.12**

ANNEXURE-II STATEMENT OF PROFITS AND LOSSES AS RESTATED					
	Financial Year ended 30th June (Rs.in millions)				
	2005	**2004**	**2003**	**2002**	**2001**
Sales & Other Operating Income	10,840.13	6,583.12	4,448.34	2,852.89	1,805.79
Less: Excise duty	2.81	33.56	33.97	45.81	4.26
Net Sales	**10,837.33**	**6,549.56**	**4,414.37**	**2,807.09**	**1,801.53**
Other income	42.74	13.28	7.91	6.72	4.38
Total Income	**10,880.07**	**6,562.84**	**4,422.27**	**2,813.81**	**1,805.91**
Expenditure					
Raw Material Consumed	7,008.37	4,380.10	3,025.56	1,901.79	1,177.01
Employee Costs	506.54	275.25	191.32	135.94	68.14
Other Manufacturing Expenses	2,462.01	1,343.97	818.84	575.64	403.11
Interest/Finance charges	243.90	231.47	181.44	123.68	72.40
Depreciation	133.33	87.93	63.53	42.17	16.32
Expenses Before Adjustments	**10,354.15**	**6,318.72**	**4,280.68**	**2,779.22**	**1,736.97**
Net Profit Before tax & Exceptional items	**525.92**	**244.12**	**141.59**	**34.59**	**68.94**
Exceptional items/income/expenses	5.29	-	(5.32)	40.67	0.61
Total of Extra-ordinary items	**5.29**	**-**	**(5.32)**	**40.67**	**0.61**
Net Profits after Extra ordinary items before tax	**531.21**	**244.12**	**136.28**	**75.26**	**69.55**
Provision for taxation-current	72.84	14.50	8.50	3.90	4.50
Provision for taxation- deferred	70.14	31.09	11.27	1.01	-
Provision for Fringe Benefit Tax	2.40	-	-	-	-
Total Provision for Taxation	**145.38**	**45.59**	**19.77**	**4.91**	**4.50**
Income tax paid for Earlier Years	0.32	0.75	2.44	0.07	1.02
Net Profit after Tax before adjustment	**385.51**	**197.79**	**114.07**	**70.28**	**64.03**
ADJUSTMENTS					
Other adjustments					
Prior period items	-	6.90	(4.44)	(2.46)	-
Total Impact of Adjustments	**-**	**6.90**	**(4.44)**	**(2.46)**	**-**
Net Profit as restated	**385.51**	**204.68**	**109.63**	**67.83**	**64.03**
	-	-	-	-	-
Profit and Loss accounts at the beginning of the year	**514.88**	**352.54**	**263.43**	**195.61**	**131.57**
Balance available for appropriation, as restated	**900.39**	**557.23**	**373.06**	**263.43**	**195.61**
Appropriations					
Interim Dividend on Equity shares					
Proposed Dividend on Equity Shares	54.99	28.71	18.18	-	-
Tax on Dividend	7.71	3.75	2.33	-	-
Transfer to General Reserve	38.55	9.89	-	-	-
Balance carried forward, as restated	**799.13**	**514.88**	**352.54**	**263.43**	**195.61**

GENERAL INFORMATION

Dear Shareholder(s),

Pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on held on August 25, 2005 it has been decided to make the following offer to the Equity Shareholders of the Company, with a right to renounce:

ISSUE OF 4,481,180 EQUITY SHARES OF Rs. 10 EACH AT A PREMIUM OF RS. 490 PER EQUITY SHARE AGGREGATING RS. 2,240.59 MILLION TO THE EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF ONE EQUITY SHARES FOR EVERY FIVE EQUITY SHARES HELD ON THE RECORD DATE i.e. (“ISSUE”). **THE ISSUE PRICE IS 50 TIMES OF THE FACE VALUE OF THE EQUITY SHARE.**

Registered Office of the Company:
Pantaloon Retail (India) Limited
Pantaloon Knowledge House,
Shyam Nagar, Off. Jogeshwari Vikhroli Link Road, Jogeshwari (East),
Mumbai 400 060
Registration No. 44954/1987
Registrar of Companies at Mumbai, Maharashtra located at Hakoba Mill Compound, Kalachowki, Mumbai 400 033.

Board of Directors

Name and Designation	Age	Address
Kishore Biyani *Managing Director*	45	*406, Jeevan Vihar, Manav Mandir road Mumbai – 400 006*
Gopikishan Biyani *Wholetime Director*	60	*309, Jeevan Vihar, Manav mandir road Mumbai – 400 006*
Rakesh Biyani *Wholetime Director*	33	*308, Jeevan Vihar, Manav Mandir road Mumbai – 400 006*
Shailesh Haribhakti *Director*	49	*7, Firpos, 4th floor, Bulabhai Desai road, Behind Benzer, Mumbai 400 026*
Darlie Koshy *Independent Non-Executive Director*	50	*NID Directors Bungalow, Paldi, Ahmedabad 380 007*
S. Doreswamy *Independent Non-Executive Director*	68	*33, 3rd floor, Juhu Shalimar Bldg, 10, JVPD Scheme Mumbai 400 049*
Anju Poddar *Independent Non-Executive Director*	55	*Plot 104, Prashasan N, Agar Road, No.72 Jubilee Hills, Hyderabad 500 033*
Bala Deshpande *Nominee Director*	39	*Cozy Dell, 91 St. Andrews Road, Bandra West Mumbai 400 050*
Ved Prakash Arya *Whole Time Director Chief Operating Officer*	35	*701, Wing A Gladioli Yari road, Versova, Andheri (West) Mumbai 400 061*
Anil Harish *Independent Non-Executive Director*	51	*13, CCI Chambers, 1st floor, Dinshaw Wacha Road, Churchgate, Mumbai-20*

For more details regarding our Directors please refer to “Management” on page 78 of this Draft Letter of Offer.

Company Secretary
Mr. Shiraj Dej
Pantaloon Retail (India) Limited
Pantaloon Knowledge House,
Shyam Nagar, Off. Jogeshwari Vikhroli Link Road, Jogeshwari (East),
Mumbai 400 060
Tel: (91 22) 5644 2200
Fax: (91 22) 5644 2201
Email: company.secretary@pantaloon.com
Website: www.pantaloon.com

Compliance Officer

Mr. Pradeep Jain
Pantaloon Retail (India) Limited
Pantaloon Knowledge House,
Shyam Nagar, Off. Jogeshwari Vikhroli Link Road, Jogeshwari (East),
Mumbai 400 060
Tel: (91 22) 5644 2200
Fax: (91 22) 5644 2201
Email: compliance.officer@pantaloon.com
Website: www.pantaloon.com

Investors may contact the Compliance Officer for any pre-Issue / post-Issue related matter.

Legal Advisor for the Issue
Amarchand & Mangaldas & Suresh A. Shroff & Co.
Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013.
Tel: (91 22) 5660 4455
Fax: (91 22) 2496 3666

Auditors of the Company

NGS & COMPANY
B/8, Rear Entrance, Pravasi Industrial Estate
Goregaon (East)
Vishweshar Nagar Road
Mumbai - 400 063
Tel: (91 22) 2876 6446/4157
Fax: (91 22) 2876 0882

Bankers of the Company

Bank of India
Mumbai Corporate Banking Branch,
70-80, M.G.Road, Fort,
Mumbai – 400023
Tel: +91 22 2265 9623
Fax: +91 22 2267 1718

Syndicate Bank,
Industrial Finance Branch,
10, Homji Street,
Fort,
Mumbai 400 023
Tel: +91 22 2266 2654
Fax: +91 22 2266 4328

Oriental Bank of Commerce
Corporate Group Finance Branch,
181 Maker Tower E, Cuffe Parade
Mumbai – 400 005
Tel: +91 22 2215 4656
Fax: +91 22 2215 3533

Andhra Bank
Homi Modi Street, Fort,
Mumbai 400 023.
Tel: +91 22 2202 6088
Fax: +91 22 2204 4535

UTI Bank Ltd
Central Office
Maker Tower F,
13th Floor, Cuffe Parade
Mumbai – 400 005
Tel: +91 22 2218 9106
Fax: +91 22 2218 6944

UCO Bank
Mafatlal Centre,
1st floor, Nariman Point,
Mumbai 400 021.
Tel: +91 22 2202 6449
Fax: +91 22 2202 6585

Bankers to the Issue

[•]

Registrar to the Issue
Intime Spectrum Registry Limited
C – 13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West), Mumbai 400 078
Tel: +91 22 5555 5491
Fax: +91 22 5555 5499
Email: pantaloon@intimespectrum.com

Issue Management Team

Lead Managers to the Issue
Enam Financial Consultants Private Limited
801/802, Dalamal Towers
Nariman Point
Mumbai 400 021
Tel: (91 22) 5638 1800
Fax: (91 22) 2284 6824
Email: prilrights@enam.com

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar
229 Nariman Point
Mumbai 400 021
India
Tel: (91) 22 5634 1100
Fax: (91 22) 2284 0492
Email:rights.pantaloon@kotak.com

The statement of inter se allocation of responsibilities for this Issue between Enam Financial Consultants Private Limited ("Enam") and Kotak Mahindra Capital Company Limited ("KMCC") is as follows:

No	Activities	Responsibility	Coordinator
1.	Capital structuring with relative components and formalities such as type of instruments, etc.	ENAM	ENAM
2.	Drafting and Design of the Letter of Offer document and of advertisement / publicity material including newspaper advertisements and brochure / memorandum containing salient features of the Letter of Offer document. The designated Lead Merchant Banker shall ensure compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with Stock Exchange, and SEBI.	ENAM	ENAM
3	Marketing of the Issue, which will cover, inter alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media and (ii) bankers to the issue	ENAM KMCC	ENAM
4	Selection of various agencies connected with the issue, namely Registrars to the Issue, printers, bankers and advertisement agencies.	ENAM	ENAM
5	The post-issue activities will involve essential follow-up steps, which must include finalisation of basis of allotment / weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as registrars to the issue, bankers to the issue, and bank handling refund business. Even if many of these post-issue activities would be handled by other intermediaries, the designated Lead Merchant Banker shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	ENAM KMCC	ENAM

Credit rating

This being an issue of Equity Shares, no credit rating is required. The details of the ratings received by the Company for other securities/ instruments in the last three years are as follows:

Borrowing Programs	**Amount (In Rs. Million)**	**Rating Agency**	**Rating**	**Date of Rating Letter**
Commercial Paper	350*	Fitch Ratings	F1 (ind)	July 5, 2005
Commercial Paper	150	Fitch Ratings	F1 (ind)	December 17,2003

Note: *Commercial paper programme of Rs.150 million enhanced to Rs. 350 million

CAPITAL STRUCTURE

		Aggregate nominal value (in Rs. Million)	Aggregate Value at Issue Price (in Rs. million)
Authorized share capital			
35,000,000	Equity Shares of Rs. 10 each	350.00	
Issued, subscribed and paid-up capital			
22,405,901	Equity Shares of Rs.10 each	224.06	
Present Issue being offered to the Equity Shareholders through the Draft Letter of Offer			
4,481,180	Equity Shares of Rs. 10 each at a premium of Rs. 490 i.e. at a price of Rs. 500	44.81	2,240.59
Paid up capital after the Issue			
26,887,081	Equity Shares of Rs.10 each	268.87	
Share premium Account			
	Existing share premium account	1,547.15	
	Share premium account after the Issue	3,742.93	

Notes to the Capital Structure

1. ***Build up of Equity Share Capital***

Date of allotment	No. of Equity Shares Allotted	Face Value (Rs.)	Issue Price (Rs.)	Cumulative paid-up capital (Rs.)	Consideration	Remarks
October 12,1987	300	10	10	3,000	Cash	Initial subscribers to the Memorandum of Association
March 25, 1988	9,700	10	10	100,000	Cash	Issued to Promoter and Associates
June15, 1989	60,000	10	10	700,000	Cash	Issued to Promoter and Associates
September 30,1991	504,200	10	10	5,742,000	Cash	Issued to Promoter and Associates
November 8, 1991	495,700	10	10	10,699,000	Cash	Issued to Promoter and Associates
July 27,1992	3,657,100	10	10	47,270,000	Cash	Allotment pursuant to Initial Public Offering
March 31,1998	2,259,250	10	10	69,862,500	Cash	Rights Issue in the ratio of 1:2
April 8,1998	104,250	10	10	70,905,000	Cash	Unsubscribed portion of Rights Issue subscribed by Pantaloon Industries Limited
April 26,1998	2,173,913	10	13.8	92,644,130	Conversion	30,00,000 Preference shares converted into equity shares
October 29, 1999	1,370,000	10	43	106,344,130	Cash	Preferntial Allotment to Stock Holding Corporation of India Ltd

Date of allotment	No. of Equity Shares Allotted	Face Value (Rs.)	Issue Price (Rs.)	Cumulative paid-up capital (Rs.)	Consideration	Remarks
November 16,1999	500,000	10	43	111,344,130	Cash	Preferntial Allotment to FII [a]
December 7, 1999	385,000	10	43	115,194,130	Cash	Preferntial Allotment to Bodies Corporates [b]
January 8,2000	1,000,000	10	43	125,194,130	Cash	Preferntial Allotment to Financial Investor [c]
April 27, 2001	800,000	10	51	133,194,130	Cash	Issued to Warrant holders on exercise of option
April 29, 2002	4,000,000	10	31.5	173,194,130	Cash	Issued to Promoter & Associates on Preferential Basis
January 31, 2003	865,000	10	50	181,844,130	Cash	Issued to Promoter & Associates on Preferential Basis
November 11, 2003	953,000	10	112	191,374,130	Cash	Issued to Promoter & Associates on Preferential Basis
October 26,2004	953,335	10	112	200,907,480	Cash	Issued to Promoter against conversion of first tranche of 10% 213,547 unsecured Fully Convertible Debenture issued on November 11, 2003 on Preferential Basis
February 11, 2005	953,653	10	734.02	210,444,010	Cash	Alloted to Bennett Coleman & Company on preferential basis
April 15, 2005	953,335	10	112	219,977,360	Cash	Issued to Promoters against conversion of second tranche of 10% 213,547 unsecured Fully Convertible Debenture issued on November 11, 2003 on Preferential Basis
October 28, 2005	408,165*	10	735	224,059,010	Cash	Issued to promoter against conversion of 4,08,165 warrants allotted on October 11, 2005.

*- pending listing permission from Stock Exchanges

Notes:

[a]-Issued to Advantage Advisers Inc. A/c. The India Fund Fund Inc.

[b]- Issued to NH Securities Limited, Panther Fincap & Management Services Limited, Prime Broking Company (India) Limited, DSP Merrill Lynch Trustee Company Private Limited

[c]- ICICI Limited A/c Structured Products Fund

We have not issued any shares out of revaluation reserves.

2. ***Current shareholding pattern of the Company (As on October 28, 2005)***

Shareholders	No. of Equity Shares held pre-Issue	% of pre-Issue capital	No. of Equity Shares post Issue	% of post Issue capital assuming allotment of all Equity Shares offered

Promoter	697,215	3.11	836,658	3.11
Promoter Group	9,182,569	40.98	11,019,081	40.98
Total Promoter and promoter group shareholding	**9,879,784**	**44.09**	**11,855,739**	**44.09**
Public				
Other Director and their Relatives	500	-	600	-
Banks & Insurance Cos.	34,818	0.16	41,782	0.16
UTI and Mutual Funds	579,874	2.59	695,849	2.59
FII	6,674,475	29.79	8,009,370	29.79
Foreign Bodies	Nil	-	-	-
OCBs	Nil	-	-	-
NRIs	112,500	0.50	135,000	0.50
Public	5,108,682	22.80	6,130,419	22.80
Others – Clearing members	15,268	0.07	18,322	0.07
Total public shareholding	**12,526,117**	**55.91**	**15,031,342**	**55.91**
Total	**22,405,901**	**100.00**	**26,887,081**	**100.00**

* Assuming all shareholders apply for and are allotted Equity Shares.
*** 408,165 equity shares were allotted by the Company to Mr.Kishore Biyani on October 28, 2005 on exercise of option attached to 408,165 warrants alloted to him on October 11, 2005.Accordingly the Promoter and total Promoter and promoter group shareholding shareholding would be 3.11% and 44.09% respectively.*

3. The Promoter has confirmed that he along with his relatives and the companies controlled by him (together hereinafter referred to as "Promoter" in this clause) intend to subscribe to the full extent of their entitlement in the Issue. The Promoter reserves his right to subscribe to his entitlement in the Issue either by himself, his relatives or a combination of entities controlled by him, including by subscribing for renunciation if any made within the promoter group to another person forming part of the promoter group. The Promoter shall apply for additional Equity Shares in the Issue, such that at least 90% of the Issue is subscribed. As a result of this subscription and consequent allotment, the Promoter may acquire shares over and above his entitlement in the Issue, which may result in an increase of the shareholding being above the current shareholding with the entitlement of Equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoter, if any, will not result in change of control of the management of the Company and shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the Takeover Code. As such, other than meeting the requirements indicated in the section on "Objects of the Issue" of this Draft Letter of Offer), there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoter, in this Issue, the Promoter shareholding in the Company exceeds his current shareholding. The Promoter shall subscribe to such unsubscribed portion as per the relevant provisions of the law. Allotment to the Promoter of any unsubscribed portion, over and above their entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

   Our Promoter has provided the following undertaking, in terms of the SEBI (Delisting of Securities) Guidelines, 2003:

   > "I hereby undertake that, in case the Rights Issue of Pantaloon Retail (India) Limited is completed with the Promoter subscribing to equity shares over and above their entitlement and as a result, if the public shareholding in the Company after the Rights Issue falls below the "permissible minimum level" as specified in the listing condition or listing agreement, I will either individually or jointly with the promoter group make an offer for sale of my holdings so that the public shareholding is raised to the "permissible minimum level" within a period of three months from the date of allotment in the proposed Issue, as per the requirements of Clause 17.1 and 17.2 of

SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto or any other period as may be directed by SEBI or any appropriate authority."

3. ***Details of the shareholding of the Promoter, relatives of the promoter group in the Company as on October 28, 2005 is as follows:***

Name of entities	**No. of Shares**	**% of pre issue capital**
Promoter		
Kishore Biyani	697,215	3.11%
Promoter Group		
Relatives of Promoter		
Laxminarayan Biyani	191,982	0.86%
Godavaridevi Biyani	46,000	0.21%
Sangeeta Biyani	5,100	0.02%
Ashni Biyani	4700	0.02%
Anil Biyani	194,815	0.87%
Lata Biyani	100	0.00%
Vivek Biyani	69,970	0.31%
Vijay Biyani	116,440	0.52%
Santosh Biyani	200	0.00%
Gopikishan Biyani	170,415	0.76%
Sampat Biyani	33,600	0.15%
Rakesh Biyani	193,375	0.86%
Sunil Biyani	173,855	0.78%
Gopikishan Biyani HUF	128,355	0.57%
Rakesh Biyani HUF	120,000	0.54%
Sunil Biyani HUF	120,000	0.54%
Kishore Biyani – HUF	261,528	1.17%
Laxminarayan Biyani – HUF	128,355	0.57%
Vijay Biyani – HUF	136,565	0.61%
Anil Biyani – HUF	136,565	0.61%
Gopikishan Biyani HUF *	790,300	3.53%
Laxminarayan Biyani – HUF*	566,494	2.53%
Anil Biyani*	669,900	2.99%
Kishore Biyani*	63,000	0.28%
Laxminarayan Biyani – HUF**	90,000	0.40%
Gopikishan Biyani HUF **	138,400	0.62%
Companies forming part of the Promoter Group		
Pantaloon Industries Limited	1,684,250	7.52%
PFH Entertainment Limited	1,254,405	5.60%
Varnish Trading Private Limited	858,900	3.83%
Manz Retail Private Limited	735,000	3.28%
Dhruv Synthetics Private Limited	100,000	0.45%
Total Promoter Group shareholding	**9,879,784**	**44.09%**

* Held on behalf of Bansi Silk Mills
** Held on behalf of Messers Kishore Kumar Biyani

5. ***Details of the transactions in Equity Shares by the Promoter and the promoter group during the last six months***

There were no transactions in Equity Shares by the Promoter and the promoter group during the last six months.

6. *Top ten shareholders*

a. Top ten shareholders as on October 28, 2005 (face value of Rs. 10 per Equity Share)

Sr.No.	Category	No. of Shares	% on total paid-up capital
1	Pantaloon Industries Ltd.	1,684,250	7.66
2	PFH Entertainment Ltd.	1,254,405	5.70
3	American Funds Insurance Series	991,869	4.51
4	Bennett, Coleman & Co. Ltd.	953,653	4.34
5	Lloyd George Investment Management(Bermuda)	914,078	4.16
6	Varnish Trading Pvt. Ltd.	858,900	3.90
7	Gopikishan Biyani (On behalf of M/s Bansi Silk Mills, Firm)	790,300	3.59
8	Manz Retail Pvt. Ltd.	735,000	3.34
9	Kishore Biyani	697,215	3.17
10	Anil Biyani (On behalf of M/s. Bansi Silk Mills, Firm)	669,900	3.05
	Total	**9,549,570**	**43.41**

b. Top ten shareholders as on October 21, 2005 (face value of Rs 10 per Equity Share)

Sr.No.	Category	No. of Shares	% on total paid-up capital
1	Pantaloon Industries Ltd.	1,684,250	7.66
2	PFH Entertainment Ltd.	1,254,405	5.70
3	American Funds Insurance Series	1,032,300	4.69
4	Bennett, Coleman & Co. Ltd.	953,653	4.34
5	Lloyd George Investment Management(Bermuda)	914,078	4.16
6	Varnish Trading Pvt. Ltd.	858,900	3.90
7	Gopikishan Biyani (On behalf of M/s Bansi Silk Mills, Firm)	790,300	3.59
8	Manz Retail Pvt. Ltd.	735,000	3.34
9	Anil Biyani (On behalf of M/s. Bansi Silk Mills, Firm)	669,900	3.05
10	Morgan Stanley & Co. international Ltd.	625,639	2.84
	Total	**9,518,425**	**43.27**

c. Top ten shareholders as on September 30, 2003 (face value of Rs. 10 per Equity Share)

Name of the shareholders	Total Shares	Percentage of pre issue capital
PFH Entertainment Ltd.	1,254,405	6.90
Goldman Sachs Investments(Mauritius)	900,000	4.95
Varnish Trading Pvt. Ltd.	858,900	4.72
Pantaloon Industries Ltd.	804,250	4.42
Laxminarayan Biyani (On behalf of M/s Bansi Silk Mills, Firm)	756,494	4.16
ICICI Trusteeship Services Ltd.(ICICI Equity Fund)	723,917	3.98
Alliance Capital Mutual Fund	712,800	3.92
Gopikishan Biyani (On behalf of M/s Bansil Silk Mills, Firm)	535,300	2.94

Name of the shareholders	Total Shares	Percentage of pre issue capital
Manz Retail Pvt. Ltd.	492,400	2.71
Anil Biyani (On behalf of Bansi Silk Mills, Firm)	414,900	2.28
TOTAL	**7,453,366**	**40.99**

8. The total number of members of the Company as on October 21, 2005 is 15,128

9. The present Issue being a rights Issue, as per extant SEBI guidelines, the requirement of promoters' contribution and lock-in are not applicable.

10. The Company has not availed of "bridge loans" to be repaid from the proceeds of the Issue for incurring expenditure on the Objects of the Issue.

11. The Promoter and the promoter group have been acquiring Equity Shares over the last 18 years. They have acquired Equity Shares, by various means including: (a) by way of acquisition through preferential allotment; (b) by corporate actions such as rights issue; and (c) by way of conversion of unsecured fully convertible debentures.

12. The Promoter and Directors of the Company and Lead Managers of the Issue have not entered into any buy-back, standby or similar arrangements for any of the securities being issued through this Draft Letter of Offer.

13. The terms of issue to Non-Resident Equity Shareholders/Applicants have been presented under the section "Terms of the Issue" on page 218 of this Draft Letter of Offer.

14. At any given time, there shall be only one denomination of the Equity Shares of the Company. The Equity Shareholders of the Company do not hold any warrant, option or convertible loan or debenture, which would entitle them to acquire further shares in the Company.

15. Currently, foreign direct investment ("FDI") in the retail trading sector is prohibited. However, a registered foreign institutional investor ("FII") is permitted to purchase the shares of an Indian company under the portfolio investment scheme under FEMA so long as the total holding by each FII or sub account of an FII does not exceed 10% of the total paid up equity capital of an Indian company and the aggregate holding of all FIIs and sub accounts of FIIs does not exceed 24% of the paid up equity capital of the Company.

    Currently non residents and FIIs hold approximately 30.29% of the paid up equity capital of the Company.

    - Renunciation in favour of non-residents or FIIs may require RBI permission by the renouncee.
    - In case of application for additional Equity Shares by non-resident equity shareholders including FIIs, the allotment of additional securities will be subject to the permission/approval of the RBI. Non-resident equity shareholders including FIIs need to enclose the copy of the approval/permission from RBI alongwith the application for the additional shares.

16 No further issue of capital by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner which will affect the equity capital of the Company, shall be made during the period commencing from the filing of the Draft Letter of Offer with the SEBI and the date on which the Equity Shares issued under the Draft Letter of Offer are listed or application moneys are refunded on account of the failure of the Issue. Further, presently the Company does not have any intention to alter the equity capital structure by way of split/ consolidation of the denomination of the shares on a preferential basis or issue of bonus or rights or pubic issue of shares or any other securities within a period of six months from the date of opening of the Issue.

17. The Issue will remain open for 30 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 60 days from the Issue Opening Date.

OBJECTS OF THE ISSUE

The company intends to use the proceeds of this issue for the following purposes.

- Setting up of new stores/retail outlets, upgrading / modernization of the existing stores
- Expansion / upgradation of warehouses and information technology/ supply chain infrastructure; setting up of new offices, training centre
- Strategic Investments
- General Corporate Purposes
- Meeting the expenses of the issue.

The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association of our company enables us to undertake our existing activities and the activities for which the funds are being raised through this issue. The following table sets out the summary of our proposed expenditure expected to be incurred up to June 2007.

	Fund requirement	**June 2006**	**June 2007**	**Total**
Sn	**Particulars**			**Rs. Million**
1	Setting up of new stores/retail outlets, upgrading / modernization of the existing stores	175.00	289.30	464.30
2	Expansion / upgradation of warehouses and information technology/ supply chain infrastructure; setting up of new office and training centre	325.00	-	325.00
3	Strategic Investments	462.50	200.00	662.50
4	General Corporate purposes			750.00
5	Rights Issue Expenses			38.70
	TOTAL			**2,240.50**

The above requirements of funds are proposed to be met by the proceeds of the Issue.

The above fund requirement is based on the current business plan of the company. In view of the competitive and dynamic nature of the industry in which the company operates, the company may have to revise its business plan from time to time and consequently its fund requirement may also change. This may include rescheduling of capital expenditure programs, starting non-planned new projects and increase or decrease in the capital expenditure for a particular business unit vis-à-vis current plans at the discretion of the Board. Also the above fund requirement and deployment are based on internal management estimates and approved by board of directors and are not appraised by any bank or financial institutions.

Also in case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with unutilized funds, if any available from other activities.

As on October 25, 2005, we have already incurred Rs. 62.38 million as certified by our auditors, NGS & Company, vide their certificate dated October 26, 2005 expenses including advances for the above purposes. This expenditure was presently funded through our internal accruals. We intend to utilise the proceeds for replenishing the internal accruals to the extent of expenditure already incurred on the above purposes.

Details of Use of proceeds

1) Setting up of new stores/retail outlets, upgrading / modernization of the existing stores

a) CAPEX for setting up new stores/retail outlets

We plan to use the funds raised for setting up the following number of stores

Format	Area (Sq.ft.)	Proposed Location	Estimated Cost (in Rs. Million)	Proposed set up date
Pantaloons	30,000	Noida	30.00	FY 2005-2006
	20,000	Thane	22.00	FY 2005-2006
	15,670	Pune	17.24	FY 2006-2007
Big Bazaar	35,000	Delhi	29.03	FY 2006-2007
	65,000	Pune	58.50	FY 2006-2007
	52,300	Kolkata	47.07	FY 2006-2007
	40,000	Vijaywada	36.00	FY 2006-2007
	57,500	Ranchi	51.75	FY 2006-2007
Food Bazaar	10,000	Delhi	10.55	FY 2006-2007
	10,000	Pune	10.54	FY 2006-2007
	10,000	Kolkata	10.54	FY 2006-2007
	10,000	Vijaywada	10.54	FY 2006-2007
	10,000	Ranchi	10.54	FY 2006-2007
		Total	344.30	
Store Deposits			60.00	
		Total Store Capex and deposits	***404.30***	

We intend to enter into long term lease, leave and license, conducting or other arrangement with the developers/property owners for all the planned new stores. We have entered into preliminary contractual arrangements with the developers/property owners for the above mentioned 14 stores.

We estimate the total fund requirement including store deposits for setting our proposed 14 stores at Rs. 404.30 million. Store capital expenditure includes escalators, elevators, electricals, lighting, airconditioning, interiors, furniture, fixtures, security systems, information systems, visual merchandising systems and other establishment related expenses. We enter into contracts with the supply of the same a few months before we expect the property to be handed over to us to operate our stores. Since these are standard equipment available from various vendors in India and overseas, we foresee no difficulty in sourcing the same even at a short notice.

Setting up additional stores will help us expand our reach and serve additional customers in existing and new locations and help us with our growth plans.

b) Normal Capital Expenditure on upgradation of existing stores

We continuously upgrade our stores which help us enhance customer interest by providing them a new look and enhanced shopping experience and also help us enhance our range of offerings by providing additional space. We intend to upgrade some of our existing stores which were opened on or prior to 2001.The management will identify these stores based on potential of the stores. This would include expenses on replacement and renovation of electricals, lighting, airconditioning, interiors, furniture, fixtures and other establishment related expenses. Since these are standard equipment available from various vendors in India and overseas, we foresee no difficulty in sourcing the same even at a short notice. We estimate Rs. 60.00 million as the fund requirement for the above purpose.

We have a wide network of Pantaloons stores spread across the country. Our stores as on October 24, 2005 are located at:

Sr. no	City	Location	Area(Sq. ft)
1	Kolkata	Gariahat	16,000
2	Hyderabad	Begumpeth	16,000
3	Hyderabad	Himayat Nagar	9,000
4	Chennai	Spencer Plaza	22,000
5	Ahmedabad	AhmedabadL	27,500
6	Kolkata	Camac street	41,000
7	Kanpur	Kanpur	30,000
8	Pune	Inox	8,000
9	Mumbai	Phoenix ,Lower Parel	50,000
10	Gurgaon	Sahara Mall	17,000
11	Mumbai	Center One,Vashi	22,000
12	Baroda	Inox	20,000
13	Ahmedabad	10 Acre, Kankaria	20,000
14	Bangalore	Sigma Mall	20,000
Total			**318,500**

The number of Big Bazaar stores as on October 24, 2005 is 21:

Sr. no	City	Location	Area(Sq. ft)
1	Kolkata	Vip Road, Kolkata	25,000
2	Hyderabad	Maheshwari Palace Mall,Abids	43,500
3	Bangalore	Koramangla	36,000
4	Mumbai	Phoenix, Lower Parel	40,000
5	Mumbai	Mulund	56,000
6	Gurgaon	Sahara Mall, Gurgaon	45,000
7	Nagpur	Landmark,Dhantoli Wadi Road	48,600
8	Ahmedabad	Rudra Point, Ahmedabad	55,000
9	Bhubaneshwar	Forum Bhubaneshwar	40,000
10	Nasik	The Zone, College Road	26,000
11	Kolkata	Hi-land Park	22,500
12	Ahmedabad	Kankaria	66,300
13	Ghaziabad	East Delhi Mall	50,000
14	Durgapur	Dreamplex, Durgapur	26,000
15	Mumbai	Lake City- Thane	42,000
16	Mumbai	Growel Plaza,Kandivli	65,000
17	Bangalore	Banshankari	98,300
18	Sangli	New Pride Multiplex	24,100
19	Delhi	Parsvnath Metro Mall,DMRC Inderlok	32,500
20	Delhi	DMRC, Wazirpur	35,000
21	Vishakhapatnam	G V Manor Dwarka Nagar	47,200
Total			**924,000**

We have estimated expenses of Rs.60 million towards the upgardtion of the aforesaid stores as follows:

Sr. no	Particulars	Amount (Rs. Million)
1	Building improvements	5.00
2	Airconditioners	20.00

3	Furnitures and fixtures	20.00
4	Electrical installments	10.00
5	Visual merchandising	5.00
Total		60.00

2) Expansion / upgradation of warehouses and information technology/ supply chain infrastructure; setting up of new offices and training centre

We presently have four regional offices at Kolkata,Delhi, Chennai and Bangalore. We have one central warehouse and 12 regional warehouses. These warehouses are located in Pune, Delhi, Ghaziabad, Nasik, Ahmedabad, Bangalore, Hyderabad, Gurgaon, Mumbai, Nagpur and Kolkata. In view of the increased operations in last two years, existing warehouses at these places are inadequate to service the present and future requirement; hence it is proposed to upgrade the existing warehouses.

We propose to set up new offices at Mumbai and Bangalore. We have entered into a memorandum of understanding dated October 27, 2005 with M/s. M G Dattathreya & Brothers, Bangalore for 51,931 sq.ft. of area and memorandum of understanding dated July 30, 2005 with M/s. Global e-Services Pvt. Ltd., Mumbai for 42,750 sq.ft. of area; subject to which we will enter into lease agreements.

Inorder to cater to the training and development needs of the employees we propose to set up a training centre. We are in the process of identifying the location to develop the training centre.

The details of the expenditure proposed to be incurred upto FY2006 are;

Particulars	Rs. Million
New offices at	
• Mumbai	30.00
• Bangalore	50.00
Training Centre	90.00
Upgradation of warehouses	35.00
Total	**205.00**

Information Technology

We are investing into upgrading of our information technology set up. This includes implementation of:

- mySAP Business Suite- mySAP Business Suite is business solution package providing functionality, integration, scalability and collaboration. It will help us manage our business processes.

- SAP Tool for Merchandise and Assortment Planning – it's an integrated retail planning solution which covers four key areas –strategic, location, merchandise and assortment planning to link to markdown planning, shelf optimization, style management, purchasing and allocation capabilities.

- SAP Apparel and Footwear Solutions-it provides functionality targeted directly at apparel, footwear, and home furnishings, including style, color, size, and width, product allocation, and contract manufacturing. It integrates this functionality within a comprehensive, solution that accommodates the entire scope of corporate business processes – from order through cash settlement – to enable a more effective operation.

Summary of expenditure on technology

	Rs. Million
Software Licensing agreement with SAP	42.00
Servers, computers, networking at head office, regional and warehouses	46.60

Disaster recovery mechanism	18.90
Networking equipment installation	12.50
Total	**120.00**

We have entered into a software license agreement dated April 19, 2005 with SAP India, Systems Applications and Products in Data Processing Private Limited, to implement the SAP package. Till date, we have incurred an expenditure of Rs. 52.61 million.

3) Strategic Investments

a) Proposed *Joint Venture with Liberty Shoes Limited*

A memorandum of understanding has been signed with Liberty Shoes Limited on August 29, 2005 to enter into a Joint Venture (JV) for setting up a chain of stores for retailing of footwear and other accessories. In terms of the memorandum of understanding, we will hold 51% equity stake in a new company to be incorporated, with an authorized share capital of Rs. 250 million with Liberty Shoes holding the balance 49%. Our proposed outlay will be Rs 127.50 million.

The new company will set up a chain of large format footwear stores across the country, with each store covering 5,000-15,000 Sq. ft. The proposed joint venture will combine the retail expertise of Pantaloon and design sourcing and merchandising expertise of Liberty Shoes Limited with day to day operations being managed by Liberty Shoes. This will help us increase our presence in the footwear category and help us provide a focused attention to it.

b) *Home Solutions Retail (India) Limited:*

We have set up a 66.67% subsidiary, Home Solutions Retail (India) Limited and the balance 33.33% stake is presently held by Unitech Group. This subsidiary has been set up to offer solutions in home products including furnishings, furniture, consumer durables.

Home Solutions proposes to set up large format stores retailing furnishings, home furniture, consumer durables and appliances, building materials such as tiles and paints. Home Solutions proposes to offer home services and home improvement services such as plumbing, carpentry, painting and interior designing. The company also plans to set up stand-alone exclusive stores for home textiles, furnishings, furniture, electrical and durables in addition to the large format Home stores.

The estimated investment in the next two years would be in tune of Rs. 2,250 million which would be funded by way of equity to the extent of Rs. 750 million and balance through debt. Our contribution would be Rs. 500.00 million towards equity. This amount has been estimated based on management's estimates of future business opportunities.

We have invested an amount of Rs.0.33 million in the subsidiary by way of subscribing to 33,329 equity shares of Rs. 10 each at par.

c) *Investment in Pantaloon Food Product (India) Limited:*

We have set up a 100% subsidiary, Pantaloon Food Product (India) Limited, to develop a supply chain for food products such as dry groceries and spices for our Food Bazaar outlets.

Pantaloon Food Product (India) Limited would leverage our scale in dry groceries and spices to buy directly at source, process and warehouse these products to protect against quality and value deteriorations in the conventional supply chain.

We intend investing Rs.35.00 million in the equity capital of the company to augment its long term working capital requirements. As of now, we have invested Rs 0.50 million in the paid up equity capital of the company. For details please refer to section titled "Subsidiaries" in this draft Letter of Offer

4) General Corporate Purposes

Our growth strategy includes growth through acquisitions and strategic partnerships. These initiatives will be governed by our long term goals and other business objectives.

Accordingly, we intend to use a part of the proceeds received by us from the Issue for investment in setting up of new subsidiaries, joint ventures and other strategic investments and acquisitions apart from general corporate purposes. We have in the past, grown our business and operations through both organic and inorganic routes. In FY 2005, we had invested Rs. 232.20 million in making strategic investments/acquisitions in Galaxy Entertainment Corporation Limited and Planet Sports Private Limited. We intend to earmark Rs. 750.00 million towards general corporate purposes including strategic investmens/acquisitions in FY 2006 and FY 2007. Going forward, we believe that strategic investments and acquisitions may act as an enabler to growing our business. While this would be a component of our strategy, presently we do not have any legally binding commitments at present to enter into any such arrangements.

5) Right Issue Expenses

The expense for this issue includes issue management fees, registrar fees, printing and distribution expenses, legal fees, advertisement expenses, stamp duty, depository charges and listing fees to the Stock Exchanges among others. The total expenses for this issue are estimated not to exceed Rs. 38.70 million.

Working Capital

The proceeds of the Issue will not be used to meet our working capital requirements as we expect our existing working capital facilities and internal cash accruals to meet our incremental working capital requirements.

Sources of Funds

The above expenditure will be financed from the proceeds of rights issue. As per our current business plans, we intend to utilise proceeds for the purposes as specified above. However, we cannot provide a definitive long-term estimate of the use of proceeds from the Issue and the priorities or contingencies affecting them due to the rapidly shifting developments in our industry. For example, we may wish to spend a portion of the proceeds on expansion instead of acquisitions/ strategic partners if our business outgrows our current expansion plans. Alternatively, we may wish to spend some of the proceeds currently budgeted for expansion on strategic acquisitions and partnerships if opportunities arise. Accordingly, management will have significant flexibility in applying the proceeds received by us from the Issue.

The net proceeds of the Issue would be used to meet all or any of the uses of funds described above. In case the funds raised in the Issue are lower than our total budgeted requirements, we intend to use internal accruals to finance the shortfall. As on June 30 2005 we had internal accruals of Rs. 520.09 million.

Interim Use of Proceeds

Pending any use as described above, proceeds of the Issue shall be used by the Company for reduction of cash credit limits and invest the funds high quality, interest/dividend bearing short term/long term liquid instruments including deposits with banks for the necessary duration. We may also deploy the proceeds of this issue in temporarily reducing our exposure to working capital borrowings from banks and financial institutions. Such investments would be in accordance with the directives of the Board of Directors

No part of the issue proceeds will be paid by us as consideration to promoter, directors, key management personnel, associate or group companies except in the course of normal business, such as deposit/lease rentals/conducting fees for premised owned by any of the companies promoted by our promoters as per terms of the commercial contractual arrangements from which they may operate any of our proposed stores or for expanding our existing stores.

BASIS FOR ISSUE PRICE

Investors should also refer to the section "Risk Factors" and "Auditors' Report" to get a more informed view before making the investment decision.

Qualitative Factors

- Brand equity and early mover advantage
- Entrepreneur led, professionally managed by experienced team
- Projects execution and operations capabilities
- Vast range of lifestyle and value retailing products and services.
- Focus on systems and processes
- Distribution and logistics network and supply chain.
- Large base of loyal customers

Please refer to the section on "Business of the Company" for further details.

Quantitative Factors

Information presented in this section is derived from our restated financial statements prepared in accordance with Indian GAAP.

1. Adjusted earning per share (EPS)

	Basic EPS (Rs.)	**Weight**
Year ended June 30, 2003	6.20	1
Year ended June 30, 2004	10.89	2
Year ended June 30, 2005	18.89	3
Weighted Average EPS	14.11	

(1) The earning per share has been computed on the basis of adjusted profits and losses for the respective years/ periods after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years as per the Auditors' Report.

2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. 500

a. Based on year ended June 30, 2005 EPS is Rs. 18.89

b. P/E based on 12 months ended June 30, 2005 is Rs. 26.50

c. P/E based on weighted average EPS is Rs. 35.44

d. Industry P/E
As there is no separate classification of Retail sector as an Industry, benchmark comparable industry P/E is not available.

3. Average Return on Net Worth ("RONW")

	RONW (%)	**Weight**
Year ended June 30, 2003	5.93	1
Year ended June 30, 2004	21.66	2
Year ended June 30, 2005	17.42	3
Weighted Average RONW	**16.92**	

(1) *The average RONW has been computed on the basis of adjusted profits & losses for the respective year/ period after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years as per Auditors' Report.*

4. Minimum RONW after the Issue needed to maintain pre-Issue EPS is 13.4 %

5. Net Asset Value

Net Asset Value per Equity Share represents shareholders' equity less miscellaneous expenses as divided by weighted average number of Equity Shares.

Net Asset Value per Equity Share as at June 30, 2005 is Rs. 100.58 (as per restated audited financials)

The Net Asset Value per Equity Share after the Issue is Rs. 165.62

Issue Price per Equity Share: Rs. 500

6. Comparison of Accounting Ratios [1]

As there is no separate classification of Retail sector as an Industry, benchmark comparable industry P/E is not available. However, comparable ratios for the companies which are to some extent similar in business are given below;

	Year ended	Face Value per share (Rs.)	Basic EPS (Rs.)	P/E	RONW (%)	Book Value/ Share (Rs.)
Pantaloon Retail (India) Limited	June 2005	10	17.5	106.7	14.1	102.2
Peer Group:						
Trent	March 2005	10	9.7	74.1	7.1	186.8
Provogue (India)	March 2005	10	4.4	28.2	27.1	64.5
Shoppers Stop	March 2005	10	5.5	66.7	18.3	75.7

(1) *Compiled from "Capital Market" (October, 2005)*

(2) *Financial ratios given in the table above is as per data provided as per the source document and does not reflect the position as on the date of this Draft Letter of Offer.*

7. Issue Price

In view of the reasons mentioned above, our Company and the Lead Managers to the Issue, in consultation with whom the premium has been decided, are of the opinion that the premium is reasonable and justified.

The face value of each Equity Share is Rs. 10 per Equity Share and the Issue Price of Rs. 500 per Equity Share is 50 times of the face value.

STATEMENT OF TAX BENEFITS

The information provided below sets out the possible tax benefits available to the Company and it's shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill. The benefits discussed below are not exhaustive. This statement has been prepared based on a certificate dated October 19, 2005 received from **NGS & Company, chartered accountants**. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue.

Benefits to the Company under Income Tax Act, 1961 ('the Act')

1) Deduction under section 35D of the Act

Under section 35D of the Act the Company is eligible to claim amortisation of preliminary expenses as per the limits specified in sub-section (3) of the said section.

2) Dividends exempt under section 10(34) and 10(35) of the Act

Dividend (whether interim of final) received by the Company from its investment in shares of another domestic company would be exempted as per the provisions of section 10(34) read with section 115-O of the Act. Further income received from units of a Mutual fund specified under section 10 (23D) of the Act would also be exempt as per the provisions of section 10(35) of the Act.

3) Computation of capital gains

Capital assets are to be categorized into short term capital assets and long-term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of Unit Trust of India (UTI) or Mutual Fund units or Zero Coupon Bonds) are considered to be long-term capital assets if they are held for a period exceeding thirty six months. Shares held in a Company, any other listed securities, units of UTI, Units of Mutual Fund and Zero Coupon Bonds are considered as long-term capital assets if these are held for a period exceeding twelve months.

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvements and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long-term capital gains for resident shareholders, a benefit is permitted to substitute the cost of acquisition/improvement, with the indexed cost of acquisition/improvement. The indexed cost of acquisition/improvements, adjusts the cost of acquisition/improvements by a cost inflation index, as prescribed from time to time.

As per the provisions of section 112 of the Act long-term capital gains are subject to tax at a rate of 20% (plus applicable surcharge and cess). However, proviso to section 112(1) specifies that if the long-term capital gains arising on transfer of listed securities or units calculated at the rate of 20% with indexation benefit exceeds the capital gains computed at the rate of 10% without indexation benefit, then such capital gains are chargeable to tax at the rate of 10% without indexation benefit (plus applicable surcharge.)

Effective October 1,2004, long-term capital gains arising on sale of equity share and units of equity oriented mutual fund (as defined under section 10(23D)) are exempt from tax under section 10(38) of the Act subject to Securities Transaction Tax being levied under Chapter VII of the Finance (No.2) Act, 2004.

Effective October 1, 2004, as per the provisions of section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D)] are subject to tax at the rate of 10% (plus applicable surcharge and cess), provided the transaction is subject to Securities Transaction Tax being levied under Chapter VII of the finance (No.2) Act, 2004.

4) Exemption of capital gain from income-tax

As per section 54EC of the Act and subject to the conditions specified therein capital gains arising to the Company on transfer of a long-term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the Company transfer or converts the notified bonds into money (as stipulated therein) within a period of three years form the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year. The bonds specified for this section are bonds issued by National Bank for Agriculture and Rural Development ('NABARD'), the National Highways Authority of India ('NHAI'), the National Housing Bank ('NHB'), the Rural Electrification Corporation Ltd. ('REC') and Small Industries Development Bank of India ('SIDBI').

As per section 54ED of the Act and subject to the conditions specified therein, long-term capital gains arising on listed securities or units shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an eligible issue of share capital. The investment is required to be made within six months from the relevant date of transfer. 'Eligible issue of capital' means an issue of equity shares, which satisfies the following conditions:

a. The issue is made by a public company formed and registered in India; and
b. The shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty as to whether the benefits under this section can be extended to shares forming part of the offer for sale by the existing shareholders. It may be relevant to note that the Central Board of Direct Taxes ('CBDT') has clarified vide its Circular No. 7/2003 dated September 5, 2003, that the term 'public issue' in the context of section 10(36) of the Act shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the Company.

(B) Benefits to the Resident shareholders

1. Dividends under section 10(34) of the Act

Dividends (whether interim or final) received by a shareholder from investment in share of a domestic company would be exempt in the hands of the shareholder as per the provisions of section 10(34) read with section 115-O of the Act.

2. Computation of capital gains

Capital assets are to be categorized into short-term capital assets and long-tem capital assets based on the period of holding. All capital assets (except for shares held in a Company or any other listed securities or units or UTI or units of Mutual Fund or Zero Coupon Bonds) are considered to be long-term capital assets if these are held for period exceeding twelve months. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for resident shareholders a benefit permitted to substitute the cost of acquisition/improvements. The indexed cost of acquisition/improvements, adjusts the cost of acquisition/improvements, by a cost inflation index, as prescribed from time to time.

As per the provisions of section 112 of the Act, long-term capital gains are subject to tax at a rate of 20% (plus applicable surcharge and cess). However, proviso to section 112(1) specifies that if the long-term capital gains arising on transfer of listed securities or units calculated at the rate of 20% with indexation benefit exceeds the capital gains computed at the rate of 10% without indexation benefit, then such capital gains are chargeable to tax at the rate of 10% without indexation benefit plus applicable surcharge.

Effective October 1, 2004, long-term capital gains arising on sale of equity share and units of equity oriented mutual fund (as defined under section 10(23D) are exempt from tax under section 10(38) of the Act subject to Securities Transaction Tax being levied under Chapter VII of the Finance (No.2) Act, 2004.

(3) Exemption of capital gains arising from income-tax

As per section 54EC of the Act and subject to the conditions specified therein capital gains arising to the Company on transfer of a long-term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the Company transfer or converts the notified bonds into money (as stipulated therein) within a period of three years form the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year. The bonds specified for this section are bonds issued by National Bank for Agriculture and Rural Development ('NABARD'), the National Highways Authority of India ('NHAI'), the National Housing Bank ('NHB'), the Rural Electrification Corporation Ltd. ('REC') and Small Industries Development Bank of India ('SIDBI').

As per section 54ED of the Act and subject to the conditions specified therein, long-term capital gains arising on listed securities or units shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an eligible issue of share capital. The investment is required to be made within six months from the relevant date of transfer. 'Eligible issue of capital' means an issue of equity shares, which satisfies the following conditions:

a. The issue is made by a public company formed and registered in India; and
b. The shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty as to whether the benefits under this section fan be extended to shares forming part of the offer for sale by the existing shareholders. It may be relevant to note that the Central Board of direct Taxes ('CBDT') has clarified vide its Circular No. 7/2003 dated September 5, 2003, that the term 'public issue' in the context of section 10(36) of the Act shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the Company.

Further as per the provisions of section 54F of the Act and subject to conditions specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to Individual or Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempted from capital gains tax, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer, provided that the Individual/HUF should not own more than one residential house other than the new residential house on the date of transfer .

If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which the additional residential house is acquired.

Similarly, if the shareholder purchase within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, than the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

(4) As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the securities transaction tax paid on such transaction. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.

(D) Benefits to the Non-Resident Shareholders

(1) **Dividends exempt under section 10(34) of the Act**

Dividends (whether interim or final) received by a shareholder from investment in share of a domestic company would be exempt in the hands of the shareholder as per the provisions of section 10(34) read with section 115-O of the Act.

(2) **Computation of capital gains**

Capital assets are to be categorized into short-term capital assets and long-tem capital assets based on the period of holding. All capital assets (except for shares held in a Company or any other listed securities or units or UTI or units of Mutual Fund or Zero Coupon Bonds) are considered to be long-term capital assets if these are held for period exceeding twelve months. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvements and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. Under first proviso to section 48 of the Act the taxable capital gains arising on transfer of capital assets being shares or debentures of an India company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be done at the prescribed rates prevailing on dates stipulated. Hence, in computing such gains, the benefit of indexation is not available to non-resident shareholders.

As per the provisions of section 112 of the Act, long-term gains are subject to tax at the rate of 20% (plus applicable surcharge and cess).

Effective October 1, 2004, long-term capital gains arising on sale of equity share and units of equity oriented mutual fund (as defined under section 10(23D)) are exempt from tax under section 10(38) of the Act subject to Securities Transaction Tax being levied under Chapter VII of the Finance (No.2) Act, 2004.

Effective October 1, 2004, as per the provisions of section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10 (23D)) are subject to tax at the rate of 10 percent (plus applicable surcharge and cess), provided the transaction is chargeable to Securities Transaction Tax being levied under Chapter VII of the Finance (No.2) Act of 2004.

(3) **Exemption of capital gain from income-tax**

As per section 54EC of the Act and subject to the conditions specified therein capital gains arising to the non-resident individual on transfer of a long-term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money (as stipulated therein) within a period of three years form the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year. The bonds specified for this section are bonds issued by NABARD, NHAI, NHB, REC and SIDBI.

As per section 54ED of the Act and subject to the conditions specified therein, long-term capital gains arising on listed securities or units shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an ‘eligible issue of share capital’. The investment needs to be made within six months from the relevant date of transfer. ‘Eligible issue of capital’ means and an issue of equity shares, which satisfies the following conditions:

a. The issue is made by a public company formed and registered in India; and
b. The shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty as to whether the benefits under this section can be extended to shares forming part of the offer for sale by the existing shareholders. It may be relevant to note that the Central Board of Direct Taxes (‘CBDT’) has clarified vide its Circular No. 7/2003 dated September 5, 2003, that the term 'public issue' in the context of section 10(36) of the Act shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

Further as per the provisions of section 54F of the Act and subject to conditions specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to Individual or Hindu Undivided Family ('HUF') on transfer of shares of the company will be exempted from capital gains tax, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer, provided that the individual/HUF should not own more than one residential house other than the new residential the new residential house on the date of transfer .

If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which the additional residential house is acquired.

Similarly, if the shareholder purchase within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, than the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

(4) **Tax Treaty Benefits:**

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident. Thus, a non-resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

(E) Benefits to the Non-Resident Indian Shareholders

(1) **Dividends exempt under section 10(34) of the Act**

Dividend (whether interim or final) received by a non-resident shareholder form investment in share of a domestic company would be exempt in the hands of the non-resident shareholder as per the provisions of section 10(34) read with section 115O of the Act.

(2) **Computation of capital gains**

As per the provisions of section 115I of the Act, a Non-resident Indian ('NRI') as defined therein has the option to be governed by the normal provision of Chapter XII-A of the Act through appropriate declaration in the return of income. The said Chapter *inter alia* entitles an NRI to the benefits stated hereunder in respect of income from shares of an Indian company acquired, purchase or subscribed in convertible foreign exchange.

As per the provisions of section 115D read with section 115E of the Act and subject to the conditions specified therein taxable long-term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10% (plus applicable surcharge and cess).

As per the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long-term capital asset being shares in an Indian company would not be chargeable to tax. To avail this benefit the entire net consideration received on such transfer needs to be invested within the prescribed period of six months in any specified asset or saving certificates referred to in section 10(4B) of the Act.

If whole or part of such net consideration is invested within the prescribed period of six months in any specified asset or saving certificates referred to in section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

The specified asset or saving certificates in which the investment has been made are restricted from being transferred within a period of three years from the date of investment. In the event of such a transfer the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such specified asset or saving certificates are transferred.

As per the provision of section 115G of the Act, NRIs are not obliged to file a return of income under section 139(1) of the Act, if:

- Their only source of income is income from investments or long-term capital gains earned on transfer of such investments or both; and
- The tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

As per the provision of section 115H of the Act, when a NRI becomes assessable as a resident in India, the provisions of the Chapter XVII-A can continue to apply in relation to investment made when he was a NRI. Towards this, the NRI needs to furnish a declaration in writing to the Assessing Officer along with his return of income.

3. **Tax Treaty Benefits**

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident. Thus, a non-resident (including NRIs) can opt to be governed by the provisions of the Act or the applicable tax treaty whichever is more beneficial.

(F) Benefits to the Foreign Institutional Investor ('FII')

Dividends exempt under section 10(34) of the Act

1. Dividend income: Dividend (whether interim or final) received by the FII from its investment in shares of a domestic company would be exempt in the hands of the FII as per the provisions of section 10(34) read with section 115-O of the Act.

2. **Capital gains**

As per the provisions of section 115AD of the Act, FIIs are taxed on the capital at the following rates:

Nature of Income	Rate of tax (%)*
Long-term capital gains	10
Short-term capital gains	30

*Plus applicable surcharge and cess

The benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not available to a FII.

Effective October 1, 2004, long-term capital gains arising on sale of equity share and units of equity oriented mutual fund (as defined under section 10(23D)) are exempt from tax under section 10(38) of the Act subject to Securities Transaction Tax being levied under Chapter VII of the Finance (No.2) Act, 2004.

(3) From October 1, 2004, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D) of the Act) are subject to tax at the rate of 10% (plus applicable surcharge and cess), provided the transaction is subject to Securities Transaction Tax being levied under Chapter VII of the Finance (No.2) Act, 2004.

(4) **Tax Treaty Benefits**

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the FII. Thus, an FII can opt to be governed by the provisions of the Act or the applicable tax treaty whichever is more beneficial

(G) Benefits to the Mutual funds

Dividends exempt under section 10(34) of the Act

Dividends (whether interim or final) received by the Mutual Funds from its investment in shares of a domestic company would be exempt in the hands of the Mutual Fund as per the provisions of section 10(34) read with section 115-O of the Act.

As per the provisions of section 10(23D) of the Act any income of Mutual Funds registered under the Securities and Exchange Board of India Act,1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India ,would be exempt from income tax, subject to the prescribed conditions .

(H) Benefits to the Venture Capital Companies/ Funds

Dividends exempt under section 10(34) of the Act

Dividends (whether interim or final) received from investment in shares of another domestic company would be exempt in the hands of the Venture Capital Company/Fund as per the provisions of section 10(34) read with section 115-O of the Act.

Income exempt under section 10(23FB) of the Act,

As per the provisions of section 10(23FB) of the Act, any income of Venture Capital Companies/Funds registered with the Securities and Exchange Board of India would be exempt from income tax, subject to the conditions specified.

(I) Benefits available under the Wealth tax Act 1957

Asset as defined under section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence shares are not liable to Wealth Tax.

(J) Benefits available under the Gift tax Act

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998.Therefore, any gift of shares will not attract gift tax.

INDIAN RETAIL INDUSTRY

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government, its various ministries various research agencies and has not been prepared or independently verified by the Issuer or the Lead Managers

Industry Overview

Retailing is the world's largest private industry

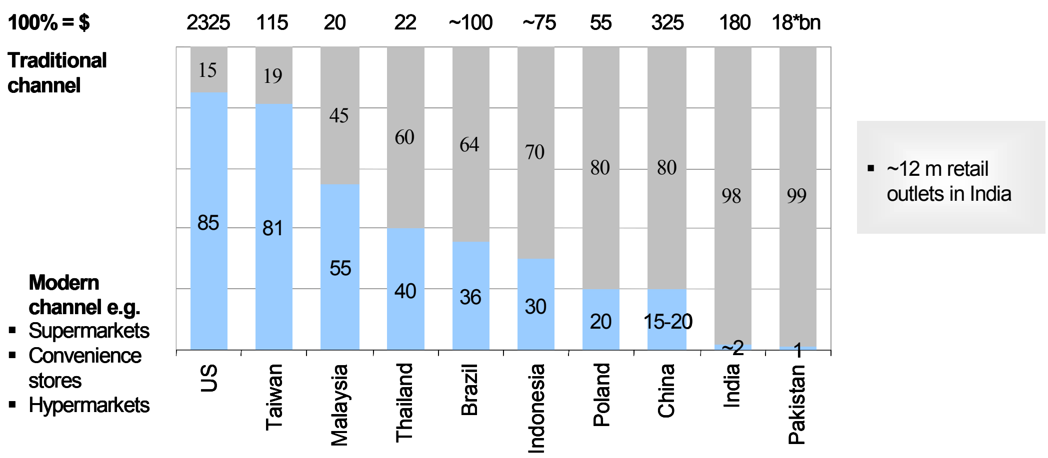
Retail is the world's largest private industry with global retail sales of roughly USD 8 trillion. Retailing is also one of the biggest contributors to the Gross Domestic Product (GDP) of most countries and also one of the biggest employers. (Source CII McKinsey Report titled "Retailing in India, the Emerging Revolution")

In India, however, the retail sector has seen a high level of fragmentation with a large share held by unorganised players.

Indian Retail Industry

India has a large number of retail enterprises. With close to 12 million retail outlets India has one of the highest retail densities in the world. In terms of the structure, the industry is fragmented and predominantly consists of independent, owner-managed shops. The retail businesses include a variety of traditional retail formats, such as "kirana" stores which stock basic household necessities (including food products), street markets-regular markets held at fixed centres retailing food and general merchandise items, street vendors-mobile retailers essentially selling perishable food items-fruits, vegetables etc and small non specialized retailers.

Fragmented nature of Indian retail



Source: CII McKinsey Report titled "Retailing in India, the Emerging Revolution"

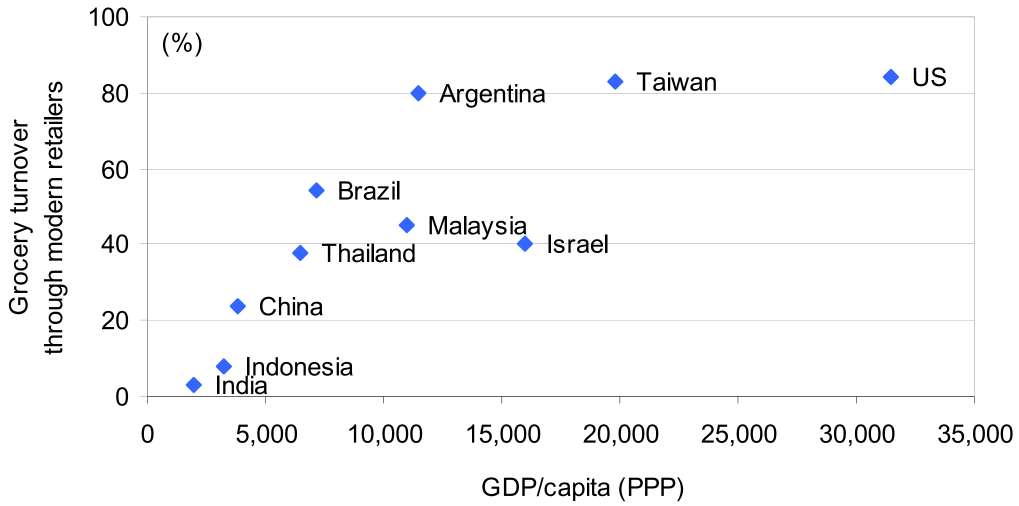
Traditional retail formats

Format	Definition	Value position	India examples
Counter stores	Food: Family run stores, selling essentially food items	High service, Low price	*Kirana* stores
Kiosks	Pavement stalls selling limited variety of food and beverages	High service	*Paan* shops
Street markets	Regular markets held at fixed centre retailing food and general merchandise items	Large selection, Low price	Village *haats*
Street vendors	Mobile retailers essentially selling perishable food items - fruits,	High service	Vegetable vendors

	vegetables, milk, eggs, etc.

Migration from unorganized to organized retail has been visible with economic development, in most economies.

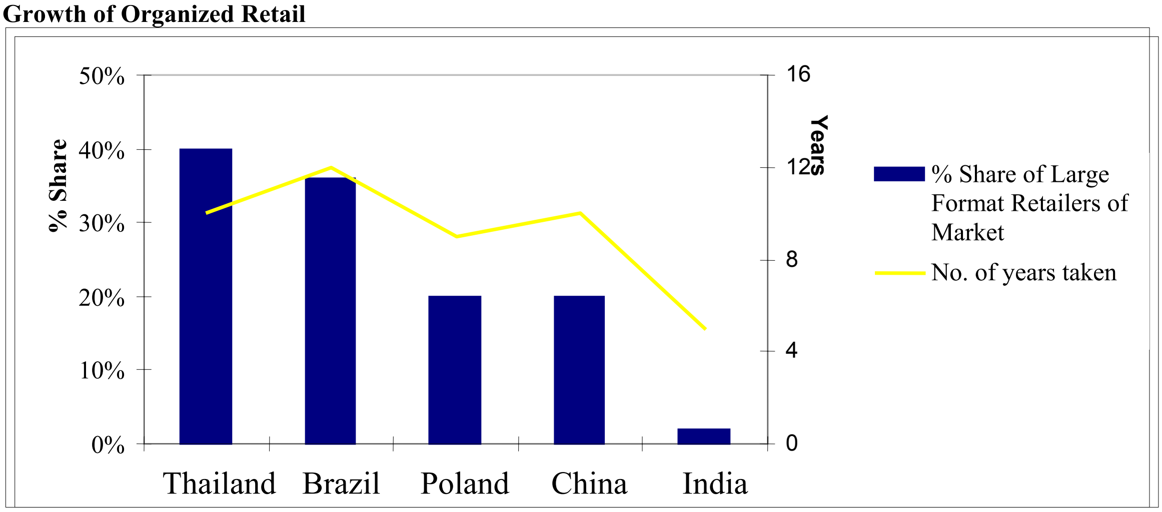
Economic development drives channel modernisation



Source: CII McKinsey Report titled "Retailing in India, the Emerging Revolution'

In Thailand, there has been an explosion in the growth of organized retail, with over 40 % of the trade moving to modern formats within 10 years. The easy entry of foreign retailers and the geographic concentration of the retail industry facilitated this growth. In Poland, where modern retail has captured 20% of the market in the last 9 years, ease of real estate access, a level playing field between modern and traditional retailers, and ease of entry for foreign retailers contributed to the growth. (***Source: CII McKinsey Report titled "Retailing in India, the Emerging Revolution')***

Growth of Organized Retail



Source: KSA Technopak

Growth of Organized Retail in India

India is expected to show similar trends as Indian consumers in the past have shown an ability to leapfrog evolution cycles as has happened in the case of various consumer products such as mobile phones.

KSA Technopak estimates organised retail in India to reach 12% to 13% of the total retail market by 2010 with sales of Rs. 1700-1800 bn, aided by improved real estate infrastructure and easier access to capital.

Rs.bn	2002	2010
Estimated size of retail in India	10,700	14,000
Share of organised retail in India(%)	2	12-13
Size of organised retail in India	225	1700-1800

Source: KSA Technopak

The Indian retail industry is evolving in line with the changing customer aspirations across product groups, with modern formats of retailing emerging.

Drivers of Growth in Organized Retailing

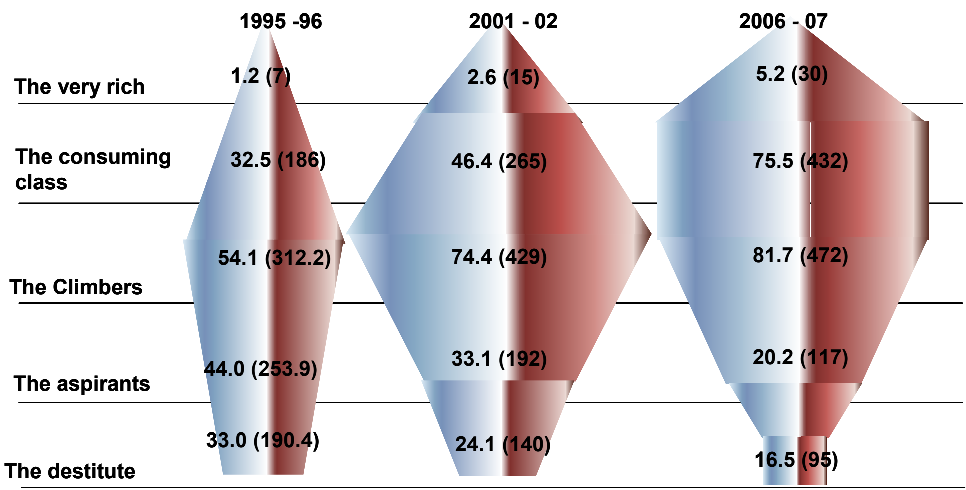
We believe that India is experiencing certain socio-demographic changes which are furthering the growth in organized retail while enablers such as availability of quality real estate are hastening the pace of this transformation.

Rising income levels

We believe increasing household income has led to a substantial change in the profile of the Indian consumer. A larger number of households are getting added to the consuming class with growth in income levels. In the chart provided below the profile of the 'Climbers', 'Consuming' and 'Very Rich' consumers class is biased towards self indulgent consumption patterns.

All India – Distribution of households by income (Rs per annum)

Figures in million: Households (population)



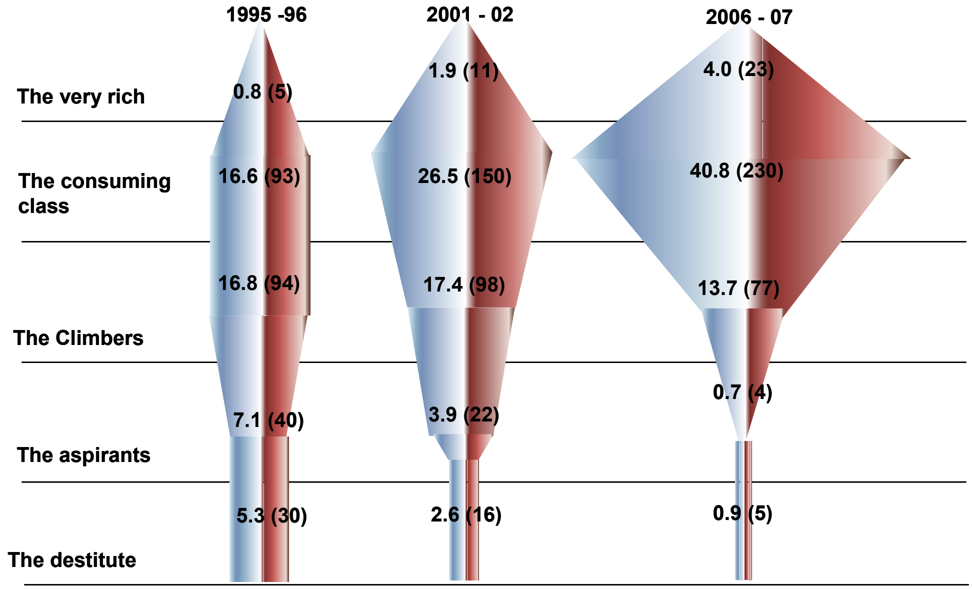
Rich (Above Rs. 215,000)
Consuming (Rs 45,000-215,000)
Climbers (Rs. 22,000-45,000)
Aspirants (Rs. 16,000-22,000)
Destitutes (Less than Rs.16,000)

Source: The Marketing Whitebook 2003-04, brought out by Businessworld

"The consuming class" and "the climbers" are expected to increase from 120.8 million households in 2001-02 to 157.2 million households in 2006-07 (source: The Marketing Whitebook 2003-04, brought out by Businessworld) This large base of households with growing disposable income is expected to drive demand for organized retail.

Of this, 56% (44.8 million households) is expected to be concentrated in urban India (source: The Marketing Whitebook, brought out by Businessworld).

Urban India – Distribution of households by income



Rich (Above Rs215000) Consuming (Rs45000-215000)

Climbers (Rs22000-45000) Aspirants (Rs16000-22000)

Destitutes (Less than Rs16000)

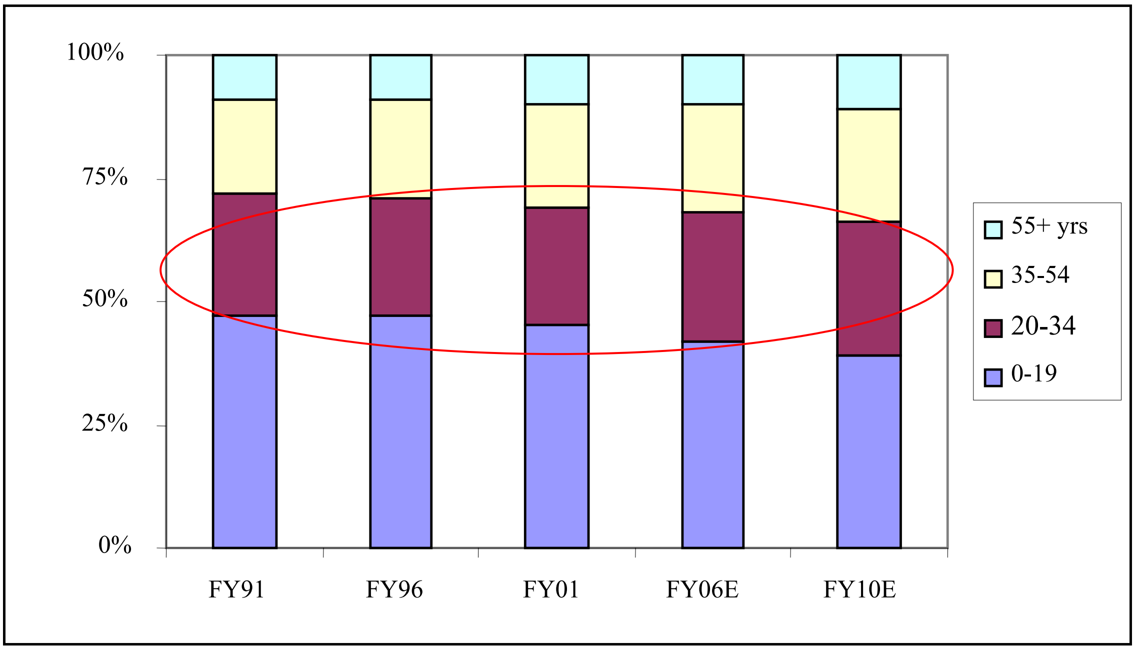
Source: The Marketing Whitebook, brought out by Businessworld

The proportion of the "consuming class" and "climbers" is expected to increase in the urban markets even more significantly which will drive demand for lifestyle products.

<u>Young population with high disposable income</u>
India has the lowest median age of 24, for its over 1,000 million strong population, among the other highly populous countries (Source: KSA Technopak) Thus India has the largest 'young' population in terms of sheer size and we believe this young segment is the major driver of consumption as they have the ability (disposable income) and willingness (consumer confidence) to spend. Most of such upwardly mobile consumers have little personal time and they seek greater variety and availability of items under a single roof and give highest preference to convenience, which is the basic proposition of modern retailing formats.

The brand-conscious young population forms the largest segment of demand for the majority of retailers.

Changing age demographics in India



Source: KSA Technopak

Availability of brands and merchandise
Consumerism and brand proliferation has been another enabler for organised retailing in India. Most of the world's leading brands are now present in India. Brands like L'Oreal, Espirit, Louis Vuitton, Marks & Spencer, Tommy Hilfiger, Louis Phillipe, Levis, Pepe, Lee, Arrow, Dockers, Red Tape, Clarence, Hugo Boss, Tiffany, Bulgari, Ecco, Chambor, Revlon, Philips, Corel, Magpie, Nike, Reebok, Parker, Ray Ban, Lego, Mattel are now present in India.

Media Proliferation
Another factor that accelerated the concept of organised retail is media proliferation. The resultant exposure to advertisements and brand promotions across product categories has led to a growing consumer spending across a wide range of product categories.

Availability of quality real estate
Availability of quality real estate has been one of the main constraints for development of organized retail in India. In the past, negative yield on leased property, lack of bank funding and the unorganized property market resulted in dearth of quality retail space in the country. The spread between yield on property and the financing cost has turned positive with the fall in interest rates. Attractive yields on investments have resulted in sharp increase in property development.

In addition, the various States governments have taken proactive steps to release large tracts of land for commercial development. Growth of property funds and permission for Real Estate Investment Trusts (REITs) to be set up will further help create a secondary market for real estate in the country.

Enchanced Funding Options
Supply side changes such as consumer finance help in shaping a markets buying power. Consumer credit, especially through credit cards, has been growing healthily year on year. Financial card usage in India has witnessed tremendous growth with volume transactions experiencing greatest growth at 3,009 % since 1998 to reach Rs.851.8 million in 2003. Value transactions grew 1,339 % to reach almost Rs 403.9 billion in 2003 (Source: Retailing in India – Euromonitor 2004 report).

Implementation of VAT to reduce cost and complexity
Differential sales tax rates across states and the incidence of multi point local levies added to costs and complexity, and has hampered aggregation of sourcing. The implementation of Value Added Tax (VAT) is also expected to narrow down the cost advantage that unorganized retailers enjoy over the organized ones.

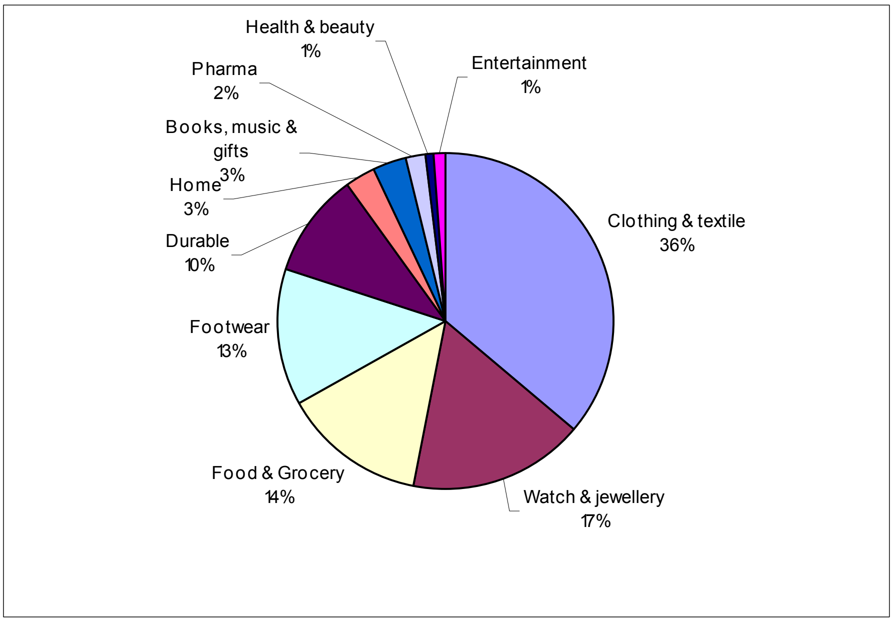
Inbound tourists, shopping
There is a large NRI population. Given that international lifestyle brands are readily available in their country of migration, this population shops for similar quality merchandise at lower prices in India on their

visits here. Additionally, inbound tourists visiting India and shopping here seek similar products at lower costs in a similar environment.

Impact of globalisation
Globalisation has removed trade barriers and promoted consumerism. Over the last decade, there has been an increase in branded goods – both domestic and international – in the Indian market across product categories. Both width and depth of product offering to the Indian consumers is increasing.

Composition of Organised Retail
A break-up of sales in organized retail shows Lifestyle (clothing and textile, footwear, home, watches and jewellery and health and beauty) as the largest segment accounting for 73% in value terms. This is followed by food and grocery accounting for 14% of the organized retail value.

Break-up of consumer's expenditure in organized retail



Source: The Marketing Whitebook, 2005, Businessworld

Rapid growth of organized retailing is expected in the food segment. We believe this can be attributed to the highly unorganized nature of the market currently, which thus presents an attractive potential, and the growing preference of consumers to shop at modern retail formats. Clothing is the other segment expected to show high growth potential.

Challenges for organised retail

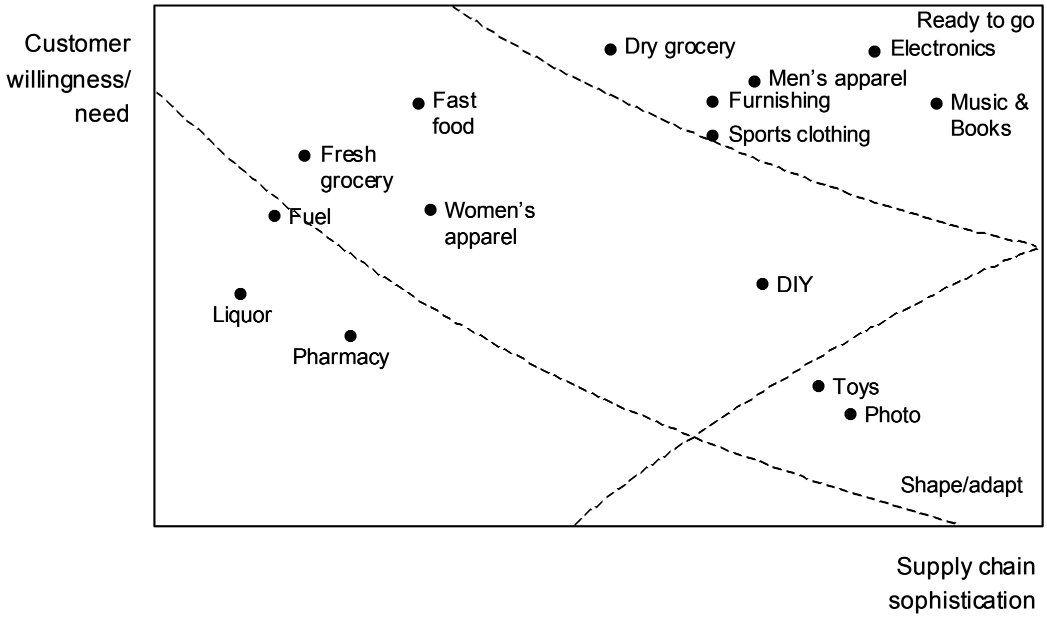
Availability of skilled manpower: The non availability of trained manpower, especially at the management level, poses a key risk for the retail sector. With growing opportunities in the emerging service sectors, the ability of the retail business to hire and retain quality people is under pressure.

Further, as organized retail grows rapidly, there will be pressure on existing players as new entrants look for trained manpower at various levels.

Supply chain issues: Supply Chain Management efficiencies are essential to retailers to maintain and improve margins. SCM includes vendor management and logistics management. Vendor selection is an important outcome of the sourcing process and a key to most efficient sourcing. Logistics management aims to get the goods from the vendor to the store in the shortest possible time thereby avoiding unnecessary stocking of goods. In India, both vendor management and logistics management are still underdeveloped. However, with growing size of operations, supply chain efficiencies will become a key differentiator of profitability in retail.

Similarly, supply chain tools and techniques are still developing in India with the increase in organised retailing and entry of international brands. Bar coding is now being implemented, driven by the retailers for whom it is an essential ingredient for supply chain management.

Category wise status of supply chain



Source: CII McKinsey Report titled "Retailing in India, the Emerging Revolution"

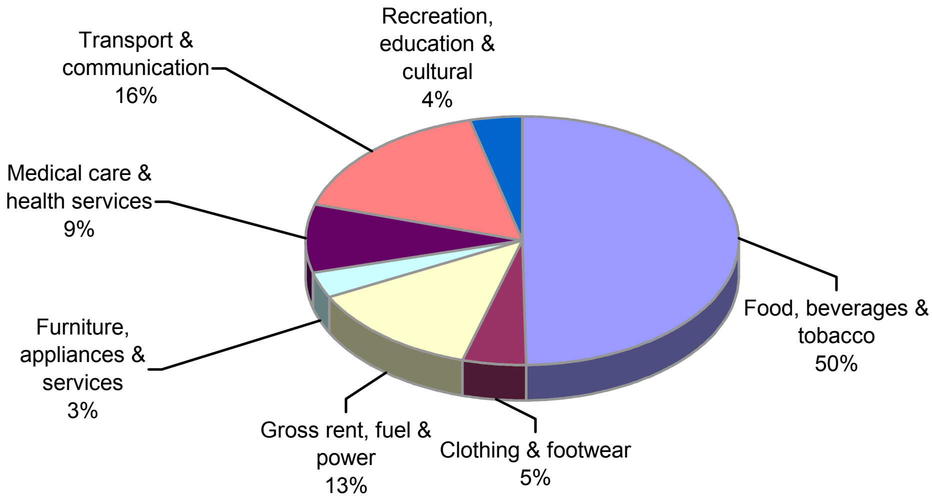
Consumption Growth now visible

We believe that nuclear family structure, a growing number of educated and employed women (which translates into increasing disposable incomes), media proliferation and growing consumerism have all contributed to the growth of organised retail.

Growth in consumption

The changes in demographics are driving changes in consumption pattern in the country. According to Central Statistical Organisation (CSO) private final consumption of consumers in India was over Rs.17,600 billion in FY04.

Private final consumption in India



Source: The Marketing Whitebook 2005, brought out by Businessworld

Urban consumer's shopping basket is changing

Within the overall private final consumption expenditure there are category shifts happening in urban consumption pattern. A study by KSA Technopak shows that urban consumers have increased their expenditure on eating out, movies and theatre, books and music, clothing and personal care items even as they have reduced savings and investments. Consumption has been given a further boost by a significant increase in offtake of personal credit from an estimated Rs. 500 bn in 2000 to about Rs 1,600 billion in 2003 (source: KSA Technopak).

Consumer Shopping Basket (%)

Categories	1999	2000	2001	2002	2003
Home textile	1.0	1.0	1.5	1.4	1.6
Saving & Investment	14.0	6.1	6.4	5.2	4.1
Clothing	5.0	6.5	4.6	6.6	7.0
Home appliances and Consumer durables	9.0	5.5	7.5	5.0	6.6
Vacation	4.0	3.3	3.1	3.4	3.9
Eating out	8.0	7.9	8.8	12.2	10.8
Footwear	1.0	2.0	2.2	2.5	2.3
Movies & Theatre	1.0	2.7	2.6	3.8	4.6
Entertainment	3.0	3.0	3.0	3.0	2.1
Books & Music	5.0	7.8	6.5	6.7	7.6
Grocery	43.0	47.8	48.0	42.1	41.1
Personal care items	6.0	7.5	7.1	8.8	7.6

Source: KSA Technopak

Historically, cultural factors have kept Indians highly disposed towards savings. However, increasing media exposure and a large influx of consumer brands are driving consumer aspiration levels higher, and enabling a shift in consumer spending habits.

An analysis of private final consumption expenditure in India suggests that the food, beverages and tobacco segments constitute about 50% of total household expenditure, with clothing and footwear contributing just around 5%. However contribution of food and groceries to organized retailing is just 14%.

There are a large variety of retailers operating in the food retailing sector such as independent grocers, fair price shops, food specialists etc. These traditional types of retailers, who operate small single outlet businesses mainly using family labour, dominate this sector. This is because of the competitive strengths that traditional retailers possess. These include low operating costs and overheads, low margins, proximity to customers, long operating hours and additional services to customers such as home delivery. Food retailing in India also entails supply-chain complexities, given the country's lack of investment in cold storage, canalization of agricultural output, and the low level of participation of the organized private sector in agricultural production.

However we believe that a greater number of higher income Indians, prefer to shop at supermarkets because of convenience, range of merchandise, higher standards of hygiene and the attractive ambience. Among the segments of organized retail, food retail is expected to develop the fastest. Going forward, it is expected that supermarkets will be the fastest growing food retailers. Their sales are expected to grow by about 40% per year during 2003-2008 (Source: Retailing in India – Euromonitor 2004 report).

Like food and clothing, footwear retailing is also characterised by many traditional outlets that are small and cramped with little emphasis on alluring displays. They basically stock a limited range of cheap and popular items. We believe the traditional Indian consumer who is now becoming more fashion and brand conscious welcome more sophisticated outlets retailing footwear which is evident from the fact that the consumer spend on footwear has increased from 1% in 1999 to 2.3% in 2003.

With growth in incomes, Indians have been spending more on health and beauty products. As in the case of other retailing sectors, small single-outlet retailers also dominate sales of health and beauty products. However, in recent years, retail chains specializing in health and beauty products have gained importance as the share of consumer spending in this area is increasing substantially.

The home furniture and household goods retailing sector in India is dominated by small retailers. Despite the large size of this market, very few modern and large retailers have established specialized stores for these products. This offers a considerable potential for the entry or expansion of specialised retail chains.

Another interesting trend that is emerging is the increasing spend on leisure and entertainement. Indian consumers who were traditionally averse to spending money on entertainment have started spending on eating out, movies and theatre. There are specialised retailers for each category of products in this sector. A few retail chains also emerged particularly in the retailing of books and music products. Another key feature of this sector is the popularity of franchising arrangements between established manufacturers and retailers.

The entry of a large number of foreign consumer durable companies into the Indian market during the 1990s after the government liberalised its foreign investment and import policies transformed the consumer durable sector dramatically. A much larger variety of consumer electronic items and household appliances became available to the Indian customer. Competition among companies to sell their brands provided a strong impetus to the growth for retailers operating in this sector.

We believe all these factors have compelled the retailers to evolve new retail formats which can offer customers a vide variety of products across various categories of their consupmtion basket to enhance their share in the consumer wallet.

Modern Retail Formats

Some of the modern retail formats and their value positions are given below.

Format	Definition	Value Position
Department Stores	Multiple product categories, usually lifestyle driven with apparel/ accessories dominating	Service and choice
Supermarket/Convenience stores	Food and household products	Convenience
Hypermarkets/Discount Stores	Large stores in big box format, with volume based discounted prices	Price and choice
Specialty Stores/Category Killers	Extensive range of products under a single category	Service
Seamless Mall	Apparel, Accessories, Lifestyle products, Entertainment	Convenience, service and choice

Department stores
These large stores retail primarily non-food items such as apparel, footwear, accessories, cosmetics and household products. They stock multiple brands across product categories, though some of them focus on their own store label (on the lines of Marks & Spencer's and St. Michael). These stores are found on high streets and as Anchors Tenants of shopping malls.

Several local department store chains have opened shop in India in the past five years. We believe the convenience factor coupled with the aspirational perception of shopping in a department store has contributed to their growth. The larger chains of department stores (Namely Pantaloons', Shoppers' Stop, Westside, and Lifestyle) have presence in the metros and mini metros.

Supermarkets
A supermarket is a store which is more of a large self-service grocery store selling groceries and dairy products and household goods that are consumed regularly. These are neighbourhood stores offering home and personal care products and food products that a typical household consumes on a day to day basis. These stores are often part of a chain that owns or controls (sometimes by franchise) other supermarkets located in the same or other towns; increasing the opportunities for economies of scale.

These stores offer convenience of shopping by making available a large variety of products at one place. Some of the well known supermarket chain includes Food Bazaar, Nilgiris, Food World, Apna Bazaar, Trinethra etc.

Hypermarkets/Discount stores
A hypermarket is a store which combines a supermarket and a department store. The result is a retail facility which carries an enormous range of products under one roof, including full lines of fresh groceries and apparel. It is a large format store that aims at retail consolidation by being a single point contact between the brand owners and customers. They are planned, constructed, and executed in a manner that a consumer can ideally satisfy all of their routine weekly shopping needs in one trip to the hypermarket. Large variety of products are available at reasonable prices with discounts built in for volume purchased. This is possible because of economies of large scale operations. Big Bazaar, Spencers, Star India Bazaar are examples of hypermarket formats.

Seamless Mall

Seamless mall is a format which is relatively new in India. In this format, various brands operate their retail areas without any wall between them, providing a seamless shopping experience. This makes it possible for shoppers to compare brands with ease while they shop. We believe this also means that the store can reallocate space more easily based on merchandise/brand performance and customer feedback. Besides offering apparels, accessories and lifestyle products these malls are also equipped with entertainment and leisure facilities. Central is an example of a seamless mall.

Speciality stores

Speciality stores as the name suggests are stores that specialises in a particular offering. A specialty store carries a deep assortment within a narrow line of goods. Furniture stores, florists, sporting-goods stores, and bookstores are all specialty stores. Examples of speciality stores in India would include Planet Sports, aLL, Vijay Sales, Planet M, Musicworld, Crossword etc.

BUSINESS

The financial information used in this section is derived from our audited, financial statements under Indian GAAP, as restated. Financial information providing the breakup of our sales of various business groups is on the basis of internal management reports and such information is not based on audited financial statements, other than as indicated in restated financial statements.

Overview

We are one of India's largest organised modern-format retailers and have been promoted by Kishore Biyani.

From our beginning in 1987, we have today evolved as one of the leading manufacturer-retailer and are among the pioneers in setting up a nation-wide chain of large format stores in India. We believe that the various initiatives taken by us have played a key role in enhancing the standards of retail in the country. We are an entrepreneur driven, professionally managed retailer focused on meeting the customer requirements for a large component of their spend across fashion, food, general merchandise, home in both value and lifestyle segments.We have also entered into partnerships/joint ventures to expand our offerings from home to apparel to household products to durables etc. We believe our focus on customers supported by systems and processes and a committed work force are the key factors that have contributed to our success and will help us scale up as we embark on our strategic growth plan.

Our business has grown from one store in Kolkota in 1997, occupying an area of 8,000 Sq. ft to 72 stores, apart from our 22 factory outlets located in multiple cities occupying an aggregate area of 21,07,608 Sq. ft. We focus on the Lifestyle segment through 14 Pantaloon stores, 3 Central Malls, 2 aLL stores, 2 Fashion Station and 1 MeLa store. In the Value segment, we cater to the masses through our 21 Big Bazaar and 30 Food Bazaar outlets.

We believe that managing customer expectation by offering them all the requirements for their entire family under one roof is the key to being a successful retailer, and hence have built our business model around 'Family focus' rather than 'individual focus'. We believe addressing the family attracts more customers into the store.

We retail a range of branded and Private Label apparel, footwear, perfumes, cosmetics, jewellery, leather products and accessories, home products, books, music and toys in our stores. To complete the idea of a family store, besides garments, we also retail household items, consumer durables, home furnishings, apart from food and personal care products. This is complemented by cafes, food stalls, entertainment, personal care and various beauty related services. Promotions and events are an integral part of our service offering to our customer, which helps us create a unique shopping experience.

Our exclusive formats include;

1. Pantaloons : Lifestyle products under Private Labels and third party brands
2. Central: Seamless mall providing the customer with a wide range of lifestyle products across multiple national and international brands
3. Big Bazaar: Value retailing with a range of products from apparel, toys, accessories, consumer durables to household products and furnishing
4. Food Bazaar: Food and personal care products including dry groceries and FMCG products

We believe our offerings provides to our customers is a unique shopping experience, comprising of a vast range of lifestyle and value retail products, mix of retailing formats coupled with the facility of entertainment and leisure.

Our loyalty program, called 'Green Card' in our format Pantaloons, currently has 2,19,989 members as on August 31, 2005. The Green Card programme accounted for about 31% of our sales in Pantaloon for the year ended June 30, 2005. We offer our Green Card holders rewards points on their purchases, special offers and discounts, and invitations to exclusive events and promotions.

We have four subsidiaries and have two joint venture entities supplementing our business. For more details please refer to section 'Subsidiaries and Associates' on page 109 of this Draft Letter of Offer.

Please see the section titled "Our History" on page 73 of this Draft Letter of Offer for a description of the history of our company.

Our Competitive Strengths

The following are our key strengths, which we believe, enable us to compete in our business:

Brand Equity and early mover advantage

We are one of India's leading retailers with presence across multiple formats and stores across large and medium cities across India. We successfully introduced our hypermarket format through Big Bazaar, introduced the concept of seamless malls through Central, launched Fashion Station to offer fashion apparel and accessories to mass market buyers in a theme based style, opened aLL an exclusive lifestyle store for plus size people and continue to invest in new concepts and formats to capture a greater share of the consumer wallet, either directly and through our strategic investments.

Entrepreneur led, professionally managed by an experienced team

We have an experienced professional management team led by our Promoter Mr. Kishore Biyani, who is one of the leading entrepreneurs in the retail sector in the country and has received various awards over the years, with the recent one being the Retail Face of the Year, 2005 (Images Retail Awards 2005). Several of our management team members have experience of managing other retail / consumer facing organisations. We have thus been able to complement rapid expansion with the ability to create adequate systems and processes.

The management team is complemented by a committed work force. Our Human Resources policies aim to create an engaged and motivated work force, which is essential for success in any service oriented industry such as ours.

Project execution and operations capabilities

We have created a project team which enables us to identify and roll out properties quickly and seamlessly. This has allowed us to grow from 5,61,000 Sq. ft. in 2003 to 21,07,608 Sq. ft

Our operations team facilitates new stores to be opened quickly and integrated into our system and provide our customers with the similar experience across all our stores, and also enables our stores to quickly scale up to meet growing customer requirements.

Vast range of lifestyle and value retail products and services

Our merchandise ranges across apparel, accessories, food products, home and kitchen products, dry and fresh groceries, consumer durables and non durables with over 2,70,000 SKUs, which are complemented by our services offerings. Presence in both Lifestyle and Value retailing enables us to cater to a large segment of the population, besides benefiting from the synergies which exists between the two segments.

We offer our customers a variety of national and international brands as well as our Private Label brands under one roof.

Strong focus on systems and processes

We focus on systems and processes. We are in the process of revamping our current IT setup to implement more advanced applications. Automated core transaction systems have been developed in house and have evolved with our business. Existing business applications handle all store operations such as billing, customer loyalty programmes, store inventory, management. Back office processes are also computerised which support procurement, supply chain logistics, ware house management and inventory control. All the locations are connected through company-wide VPN (Virtual Private Network).

Business planing happens through a high end planning tool called "Cognos Planning". Oracle financials form the backbone of accounting functions and gives online realtime access to the Company's overall financial position at any given point in time.

We believe this will help us as we embark on our growth strategy and enhance our reach with our customers and help us provide them a consistent brand experience across our stores.

Strong distribution and logistics network and supply chain

We have created a strong distribution and logistics network, with our 13 Distribution Centres covering 2,60,000 Sq. ft, handling over 1,00,000 SKUs, and working 24 hours a day and 7 days a week.

The distribution and logistics set up is networked and are on line allowing us to deliver merchandise to the store within 24 hours of receipt / generation of auto replenishment order, which has helped us optimize in- store availability of merchandise. We believe our existing Distribution Centres, which have been designed to scale up, will be able to meet our growth requirements as we expand the number of our stores.

The above initiatives have helped us in improving the efficiencies of our supply chain, which we believe is critical for any retailer. These aim at meeting the conflicting requirements of reducing our inventory whilst ensuring availability of products at all stores as per customer needs, as well as reducing our operational costs.

Large base of loyal customers

We had 4,22,80,682 customer entries in our stores in the year ended June 30, 2005. We believe that the emotional connect that we have been able to create with our customers through our service offering and special promotions has helped us convert many of them into loyal customers.

We had over 2,19,989 members of our loyalty programme 'Green card' in our format Pantaloon as on August 31, 2005. The Green Card programme contributed to about 31% of our sales of Pantaloons in FY 2005.

Our Strategy

We intend to maintain and enhance our position as a leading retail entity through continued focus on the Indian market and investing further in our competitive strengths to grow our business. The key elements of our business strategy include:

Increasing our offerings to meet a higher portion of the consumer spend

We intend enhancing our share of the customers' monthly spend by launching new formats or adding categories to our existing product range. We intend to implement this by launching such formats directly or by way of strategic tie ups in areas where we have the opportunity to tie up with an appropriate partner. Examples of this are our recently launched offering for plus sized customers(aLL), our proposed launch of chain of stores retailing home products and our tie up for a proposed chain of footwear stores with Liberty Shoes Limited. We intend to set up a new retail division for communication products, to offer communication solutions via products and services.The division will offer products like mobile phones, landline instruments, computers, peripherals and services like mobile airtime, broadband, etc., to our customers. The new division will be represented through independent stores as well as a part of Centrals and Big Bazaars.

Increasing our penetration in existing cities and expanding our reach across the country

Increasing our penetration in existing cities with a larger number of stores, increasingly of larger size, will enable us to penetrate into new catchment areas within these cities and optimize our infrastructure.

Enhancing our reach to cover additional cities, will enable us to reach out to a larger population. This will help us provide a platform to domestic and international brands wanting to reach out to domestic consumers with the same profile as our customers.

Enhancing our merchandise width by adding product categories

Consumers tastes are shifting and the propensity to spend on new categories of merchandise is increasing along with needs for new services.

Our focus will be to add on such new categories in our stores along with developing existing categories to increase our share of the spend of not only existing customers, but also acquire new customers.

Introducing new brands and developing more Private Labels to offer a better depth in each category

We continuously focus on enhancing the depth and width of our merchandise. Our Private Label and private brands initiative is part of such focus and offers us a differentiating factor as compared to our competition at the same time helps us enhance margins.

We have a tie up with Popeye and Disney wherein we are their exclusive retail licensee for India. We continue to evaluate such opportunities for tie ups with national and international brands, which can be introduced in India through our stores.

Utilising economies of scale as we grow in size and expand our reach
We believe that our existing corporate infrastructure and software systems have been designed for a higher scale of operations than our current size, and can help us grow with out the need to significantly increase costs.

We have in place our distribution and logistics infrastructure, which can handle larger business volumes at marginal addition to costs. Higher business volumes will also improve our negotiating powers and help us get further economies of scale in our buying with opportunities of incremental margins.

Enhancing our operational efficiencies through systems and processes
We have a consistent focus on enhancing our operational efficiencies and monitor key operational parameters on an ongoing basis using concepts such as gross margin return on floor space, gross margin return on labour and gross margin return on inventory to improve our productivity on space, labour and inventory (For further details, please refer to Section titled "Management Discussion and Analysis on our Financial Statements" of this Draft Letter of Offer).

We benchmark our stores on performance parameters on a historical as well as on a comparable basis to seek areas for improvement to reduce our operating costs and enhance our productivity levels.

Enhancing our human capital
We aim at recruiting the best talent available in a cross section of industries, identifying fresh talent, grounding them in our value system and providing opportunities for growth.We follow a Balanced Score Card approach which deals with the individual aspirations/goals and links them to the overall company strategy.

Keeping in mind our needs and the industry's future requirement of professionals and given the lack of educational facilities plus a gap between demand and supply in the retail industry, we set up a two year Post Graduate Programme in Retail Management in collaboration with Wellingkar Institute of Management Development & Research, a Mumbai based management institute.

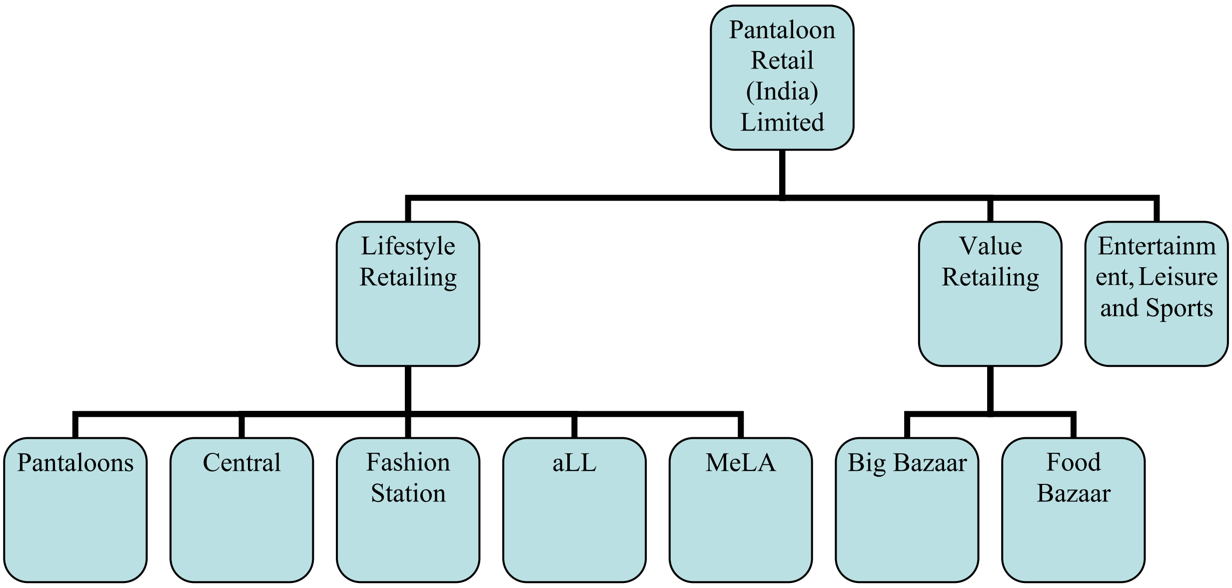
Our Business

Retailing

We are one of India's major retailers with presence in following two segments:

- Lifestyle Retailing - Pantaloons, Central, Fashion Station, aLL,MeLa
- Value retailing - Big Bazaar, Food Bazaar

Our entire operations can be summarized in the following diagram;



We started our operations with a trouser brand, Pantaloon. In our initial stages we had small format outlets branded Pantaloon Shoppe, which were franchise operations. Realising the problems associated with franchise model, we decided to have our own retail outlets. We launched our own retail store " Pantaloons" in 1997. We launched Big Bazaar- a hypermarket with over 1,70,000 products as our first offering in value retailing segment. Food is the largest basket in terms of household expenditure, as a logical extension we launched our new format Food Bazaar. We have introduced the concept of seamless malls in India through our new format 'Central'. Recently we have launched new retail formats; aLL, Fashion Station and MeLa.

Pantaloons-'Fresh Fashions'

Started in 1997 through one 8,000 square feet store in Kolkata, Pantaloons is our first organised departmental store format targeting the Indian middle class and upper class customers across age and gender. The focus is largely on apparels and accessories and covers the entire family. We offer a wide variety of product range including trousers, shirts, casual wear, western and ethinic wear for women, children's clothes, accessories, jewellery.We provide a combination of private label and third Party Label.

We have a wide network of Pantaloons stores spread across the country. Our stores as on October 24, 2005 are located at;

Sr. no	**City**	**Location**	**Area(Sq. ft)**	**Year of starting**
1	Kolkata	Gariahat	16,000	1997
2	Hyderabad	Begumpeth	16,000	1997
3	Hyderabad	Himayat Nagar	9,000	1998
4	Chennai	Spencer Plaza	22,000	2000
5	Ahmedabad	AhmedabadL	27,500	2000
6	Kolkata	Camac street	41,000	2001
7	Kanpur	Kanpur	30,000	2001
8	Pune	Inox	8,000	2002
9	Mumbai	Phoenix ,Lower Parel	50,000	2003
10	Gurgaon	Sahara Mall	17,000	2003
11	Mumbai	Center One,Vashi	22,000	2003
12	Baroda	Inox	20,000	2003
13	Ahmedabad	10 Acre, Kankaria	20,000	2005
14	Bangalore	Sigma Mall	20,000	2005
	Total		**318,500**	

Private Labels-"Pantaloons" is life style retailing format. The objective is to offer differentiated products not available elsewhere. The focus is on Private Label products and fashion at affordable prices. The antecedent of our Company lie in garment and fabric manufacturing and trading, this ability to understand the apparel business has translated into active and strong Private Label offering contributing to 77% of our total apparel revenues in Pantaloons in FY 2005.

Few of our initial Private Labels includes;

Private label	**Year of launch**	**Category**
Pantaloon trousers	1987	Mens Wear
Bare Jeans	1991	Jeans, shirts, knit wear, gaberdines, jackets and other accessories
John Miller	1995	Shirts
Shrishti	1998	Ladies wear
Scotsville	1999	Winter wear- sweaters, cardigans and blazers
Annabelle	1999	Ladies western wear
Ajile	2000	Sports wear

Our other Private Label in the apparel segment includes RIG, Euforia, JM Sport , Akkritti, Ghagroos, Arabesque, Honey, Chalk, F, Lombard.

An intensive Private Label offering requires a proactive and innovative design team. To fulfill this objective a Design Studio was created at Mumbai. We have a design team comprising of 35 members, all qualified graduates form National Institute of Fashion Technology (NIFT), National Institute of Design (NID), Nottingham Trent University,UK (NTU) and other institutes. The team has a combination of senior designers and new recruits providing a mix of experience and youth. In addition to conceptualising designs for apparels, the team also designs and develops logos, labels and tags. Presence of a dedicated design team has resulted in faster introduction of new Private Labels as well as ensures that all existing Private Labels undergo frequent refurbishment.

We have brought to India, Underground Music Movement (UMM) a brand licensed from Moda & Musica SEM of Italy. We have exclusive retail license for international brands like Popeye and Disney. We have acquired 49% of the equity share capital in Planet Sports Private Limited. Planet Sports, through its wholly owned subsidiary Supreme Trade Links Private Limited which is the sole franchisee of the UK-based Marks and Spencer in India. Planet Sports also holds exclusive distribution licensing rights for brands like Wilson, Speedo. It has six Mark and Spencer and 25 Planet Sports stores in India.

Big Bazaar- 'Isse Sasta aur accha kahin nahin'

On October 12, 2001, we launched 'Big Bazaar'as our offering in the value retailing segment. By removing inefficiencies from the distribution chain we are able to unleash attractive savings which are passed on to the consumer. Big Bazaar is India's first hypermarket in the discount store format. Big Bazaar provides more than 2,00,000 items- food, grocery, utensils, kitchen needs, home needs, bath needs, toys, stationery, electronics and white goods which are sold at a discount to the maximum retail price. Price is the principal value proposition at these stores.

A big driver at Big Bazaar is the product variety. This is achieved by selling a wide range of products and through the "Shop-in-Shop" format. As a result, a typical Big Bazaar comprises shops that stock medicines, optical accessories, camera rolls, bakery products, dry fruits, crockery, glassware, health and beauty products, ladies accessories, electronics, infant necessities, watches, clocks, computer accessories, food and beverages, stationery, readymade garments, household appliances, home furnishings, luggage.We believe this is a win- win situation as the customer is assured of product availability, the shop owner can benefit of the infrastructure and we enjoy assured income without needing to stock inventory. Also the Shop-in-Shop offering is able to increase the customer traffic into the stores. The Big Bazaar has been positioned to the customer as a place where the customer can shop for each and everything for which it goes to a market.

The number of Big Bazaar stores has increased from 4 in 2002 to 21 till October 24, 2005

Sr. no	City	Location	Area(Sq. ft)	Year of starting
1	Kolkata	Vip Road, Kolkata	25,000	2001
2	Hyderabad	Maheshwari Palace Mall,Abids	43,500	2001
3	Bangalore	Koramangla	36,000	2001
4	Mumbai	Phoenix, Lower Parel	40,000	2002
5	Mumbai	Mulund	56,000	2003
6	Gurgaon	Sahara Mall, Gurgaon	45,000	2003
7	Nagpur	Landmark,Dhantoli Wadi Road	48,600	2003
8	Ahmedabad	Rudra Point, Ahmedabad	55,000	2004
9	Bhubaneshwar	Forum Bhubaneshwar	40,000	2004
10	Nasik	The Zone, College Road	26,000	2004
11	Kolkata	Hi-land Park	22,500	2004
12	Ahmedabad	Kankaria	66,300	2004
13	Ghaziabad	East Delhi Mall	50,000	2004
14	Durgapur	Dreamplex, Durgapur	26,000	2005
15	Mumbai	Lake City- Thane	42,000	2005
16	Mumbai	Growel Plaza,Kandivli	65,000	2005
17	Bangalore	Banshankari	98,300	2005
18	Sangli	New Pride Multiplex	24,100	2005
19	Delhi	Parsvnath Metro Mall,DMRC Inderlok	32,500	2005
20	Delhi	DMRC, Wazirpur	35,000	2005
21	Vishakhapatnam	G V Manor Dwarka Nagar	47,200	2005
	Total		**924,000**	

We have also launched our Private Label initiative in Big Bazaar. Understanding of the apparel industry, decades of experience and a vertically intergrated structure provides us with more compelling reasons to expand the number of Private Labels. We have launched a full range of accessories to supplement our apparel business including imitation jewellery, sunglasses, watches, mobile phones etc.

Gold Bazaar- 'Sasta bhi shudh bhi'

We have opened 'Gold bazaar' within Big Bazaar in 2002, our foray into gold retailing. Gold Bazaar offers various advantages like no weight reduction on exchange, transparent and fixed making charges, purity check through Carat meter, certificate by World Gold Council, 100% free insurance against theft, burglary and loss by National Insurance Company with every product, no-questions asked 15 day return policy and free life time maintenance of the gold jewellery. Gold Bazaar operates as a part of Big Bazaar.

Food Bazaar- 'Wholesale prices'

We ventured into food retailing with Food Bazaar in April 2002. It began as a part of Big Bazaar and now operates as standalone outlets in addition to being part of Big Bazaar. Food Bazaar provides a wide product range from fresh fruits and vegetables to FMCG products and ready-to-cook products. It stocks about 8,000 to 12,000 SKUs per location. Food Bazaar's core concept is to create a blend of a typical Indian market and International supermarket atmosphere with the objective of giving the customer all the advantages of Quality, Range and Price associated with large format stores. Food Bazaar offers the Indian consumers convenience, cleanliness and hygiene through pre-packed commodities while retaining Indian's preference of "See- Touch- Feel" created by displaying products out in the open at competitive prices. Food Bazaar also provides home delivery services to the customers.

Processed food and non- processed food are the dominant category. This category includes products from various FMCG companies in India as well as a wide assortment of imported, health and speciality foods. In 2003-04, a series of initiatives were launched to bring convenience into the daily shopping habits of the consumers which included;

- Live dairy - providing fresh milk and milk products like paneer, lassi, ghee, and low fat milk
- Live chakki and masala(spices) grinding facilities - customers can buy wheat, spices and have it ground
- Live bakery-providing freshly made bread and bakery products
- Fresh juice corner
- Live kitchen. Customers have the option of buying vegetables and getting them chopped. They can also get the vegetables fully coooked or semi-cooked. Introduced sandwiches, salads and soups

These live services has been introduced keeping in mind the Indian consumer preference of having fresh food. Spurred by the popularity of the services offered by Food Bazaar we launched our Private Label programme covering various products such as tea, salt, ready mix masala(Food Bazaar Tea), basmati rice, dals and pulses (Premium Harvest), jams and sauces (Tasty Treat), handwash and shampoo(Caremate), cleansers (Cleanmate) etc. We have a dedicated team in place that researches, conceptualises and introduces new products.

Our network of Food Bazaars across the countryas on October 24, 2005 are as follows;

Sr. no	City	Location	Area(Sq. ft)	Year of starting
1	Mumbai	Phoenix, Lower Parel	10,000	2002
2	Kolkata	Vip Road, kolkata	5,000	2002
3	Hyderabad	Abids	6,500	2003
4	Mumbai	R Mall Mulund	14,000	2003
5	Bangalore	Kormangla	6,000	2003
6	Gurgaon	Sahara Mall, Gurgaon	11,000	2003
7	Nagpur	Land Mark,Nagpur	5,400	2003
8	Mumbai	Centre One, Vashi	9,000	2003
9	Ahmedabad	Kankaria	6,500	2003
10	Kolkata	Alipore	6,000	2004
11	Ahmedabad	Rudra Point	10,000	2004
12	Kolkata	Camac Streeet	5,000	2004
13	Bhubaneshwar	Forum-Bhubaneshwar	5,000	2004
14	Nasik	The Zone, College Road	5,000	2004
15	Bangalore	Hosur Road	9,600	2004
16	Mumbai	Goregaon	21,260	2004
17	Mumbai	Oshiwara,Andheri	19,980	2004
18	Kolkata	Hi-land Park	7,500	2004
19	Mumbai	Eastern Mall-Malad	7,500	2004
20	Ahmedabad	Kankaria	14,000	2004
21	Ghaziabad	East Delhi Mall	10,000	2004
22	Durgapur	Dreamplex, Durgapur	5,000	2005
23	Mumbai	Thane	10,000	2005
24	Mumbai	Kandivli	10,000	2005
25	Delhi	Shipra,Ghaziabad	18,868	2005
26	Bangalore	Promanade	15,000	2005
27	Sangli	New Pride Multiplex,Sangli	6,500	2005
28	Delhi	Parsvnath Metro Mall,DMRC Inderlok	10,000	2005

29	Delhi	DMRC, Wazirpur	10,000	2005
30	Vishakhapatnam	G V Manor Dwarka Nagar	10,000	2005
	Total		**289,608**	

Central- 'Shop, Eat, Celebrate. In the heart of the city'

Central is our second offering under the lifestyle format. Central is a seamless mall. The concept of seamless mall is relatively new to India and Central is a pioneer of this format. The design of the mall does away with in-between walls and Shop-in-Shops thus offering customers unobstructed shopping experience.

The first Central opened in Bangalore on May 14, 2004. Located in the heart of the city the mall is spread over 1,25,000 Sq. ft. across five floors and provides customers with a wide array of facilities ranging from shopping, eating, leisure and entertainment. The mall allows customers to choose from amongst a range of brands in apparel, toys, books, music, sports, lifestyle accessories and more under one roof. Central also has a Food Bazaar, food courts and restaurants. The second Central was launched in Hyderabad in November, 2004 covering an area of 2,16,000 Sq. ft. In April,2005 the third Central was launched in Bund Garden, Pune covering an area of 1,37,000 Sq. ft. Central provides a platform to showcase in house labels amidst other national and international brands thereby improving our brand visibility.

Fashion Station

A thematic store, Fashion Station is an attempt to offer current fashion products to the mass market. We believe 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. Fashion Station is positioned to meet the fashion requirements of this growing number of customers.

We opened the first Fashion Station opened in Mulund, Mumbai in March 2005. Spread over 25,000 uare 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. Our second Fashion Station has been opened in Ghaziabad which is spread over 15,000 Sq. ft.

aLL-'A little larger'

aLL is our latest format in the Lifestyle retail segment. aLL is our exclusive store dedicated to the fashion needs of both plus size men and women which has been launched as a single dedicated stand-alone store. It was launched in Vashi, Mumbai on July 16, 2005 and covers an area of 650 Sq. ft and at Andheri on August 21, 2005 covering an area of 2,000 Sq. ft. The 'aLL' store houses a wide range of ready-to-wear fashionable clothes and accessories that are otherwise not easily available for plus size customers. The store has a wide collection to select from - Western wear, Indo-western and Ethnic wear in both formal and casual categories. Matching accessories like belts, ties, and handbags are also available. To complement the collection, the store layout is designed keeping in mind the requirements of its customers. The sales staffs are trained to provide a comfortable shopping experience to this new segment of customers

MeLa

MeLa marks our entry into the home solutions market through our subsidiary Home Solutions Retail (India) Limited. With a record number of houses being bought annually in India and the organized retailing being largely absent in this segment, home solutions is a logical expansion of our retail business. Under this business, we cater to the value and lifestyle segment through existing and new formats. MeLa provides a complete range of home furnishings, besides also offering a range of services that includes tailoring faacilities and customised home solutions by inhouse interior designers. The company currently has one MeLa store in Mumbai.

Manufacturing

We believe our business model is unique because we have successfully integrated backwards into the in-house manufacture of part of the apparel products sold from our shelves. Through our manufacturing capabilities we have the ability to control garments from the initial stages in the value chain, to tide over unexpected demand and cope with the unpredictable world of fast changing fashion trends. The resulting seamless integration and relative independence from intermediaries represents a competitive advantage in terms of value, cost and convenience.

We have a trouser manufactuirng plant at Tarapur .The trouser manufacturing plant is equipped with state-of art, fully automatic machines for fusing, serging, bottom hemming and welt pocket- making operations. The factory has a capacity to manufacture 3,000 trouser pieces a day. The plant was commisioned in 2001 and achieved a capacity utilisation of 85%. It has 300 machines and is operated by 340 workers.

The basic raw materials required for the manufacturing process of apparels includes suiting fabrics. Some of the fabrics used in the manufacturing process are imported from countries likes Turkey, Dubai. We also source these materials from local traders in India. We have suppliers of fabrics located in cities such as Ahmedabad, Mumbai, Bhilwara from whom we source the fabrics as and when required depending upon our production plan. As such, we do not foresee any problem in sourcing our raw materials that are required for the production process.

We source various components that go into apparel e.g. fabrics, manufacturing, accessorization from vendors in India and abroad. The final inspection happens under our strict observation. We identify and develop exclusive vendors and mould them into entities that will help in meeting specific company requirements. We act as a guide to these manufacturers and are involved from the inception stage - right from suggesting the machinery, providing all technical inputs to transferring manufacturing expertise to these vendors. This will allow us to add flexibility and scalability to our overall sourcing.

We use our manufacturing strengths to focus on enhancing product knowledge. The division works closely with the design team and the research and development team to understand trends, develop products, value engineer and finally create season wise collection that cater to regional tastes.

Other arrangements

Concessionaires

Under this arrangement we purchase the merchandise from the vendor and sell it to the final customer. All the products of the concessionaires are sold through our billing and cash collection system.

Shop- in- Shop

Under this arrangement, we permit others to conduct their business in our stores in demarcated areas, and in return they pay us a fee. The vendor has its own billing and cash collection system, and independently manages its operations. The conducting fee that we receive from such arrangements is generally fixed as a percentage of the revenues generated by the vendor subject to a fixed minimum amount.

Processes and support functions

Category Management: We have employed the concept of category management in our day-to-day merchandising function as against the traditional brand management merchandising practice followed by most retailers. Category managers look at sales and margins of each brand in a category. The whole idea of category management is to create products across length and breadth of a category at different price points, fabrics, design, shape, seasons, colour and size.

Functions under category management can be broken into:

Merchandising

- The Category manager develop a merchandising strategy for the category taking into consideration customer profile, classification, resource structure, vendors, fashion trends, items and price points. The category manager visit stores regularly to check assortments of merchandise displays, stock levels and old season merchandise, consult with team leaders and sales people on problems and suggestions.

Sourcing / Purchasing

- The category manager controls quantities to be purchased as per the sales forecast. The purchasing is done based on range plan made for the season and re-orders been placed based on sales and stock levels. The Category Manager reviews the actual sales versus planned sales and source the material based on feedback from storefront.

Logistics

- Category manager ensure that goods are dispatched in right quantities and at right time to reach stores with sufficient time in hand to promptly cater to customer demands.

Promotions

- Category manager plans promotions / brand or product building schemes. The category manager identify slow movers and also disposal plan for the same.

Visual Merchandising: In modern retail, we believe that visual merchandising is key to encourage a customer to purchase the products. Visual merchandising involves store window, store directories, in-posters, unit top poster / visual, placement of products, highlighting products in the store. We use our visual merchandising skills to present our merchandise at its best, in order to appeal to the customer. This is a critical in store activity with our visual merchandising team deciding on the theme as well as the manner in which the merchandise is proposed to be displayed across our stores nation wide.

Supply Chain management-

Availabilty of products at the right time and at affordable cost is of utmost importance in retail business. Supply Chain management ensures this. The diverse requirements of different retail formats in which we operate requires a model which is flexible enough to meet the diverse requirement of our various formats; incase of Pantaloons- the time to market is of paramount importance whereas for Big Bazaar – the cost to market is crucial. Keeping this in mind, we have created our own supply chain and logistics model. The Supply Chain function involves vendor management, quality assurance and transportation.

Vendor management assumes critical importance in retail business where one has to deal with multiple products. We have in place a robust vendor management system. Vendors are identified all over the country and strategic relationships are developed. A transparent vendor rating system rates each vendor across a variety of parameters. Regular interaction and rating system ensures that the vendor remain in sync with our Company's goals and targets. Improvement in communication with vendor and vendor development initiatives like standardisation of norms for size and fits, and implementaion of a vendor rationalisation program enble us to increase the number of "A" rated vendors by over 80 %. Our Supply chain department has been awarded the ISO 9001:2000 certificate by Det Norske Veritas.

The quality assurance function has been strengthened with the implementaion of internal quality control measures. Quality hubs have been established at zonal level with a view to proactively prevent quality defects.

We have one central warehouse and 12 regional warehouses. These warehouses are located in Pune, Delhi, Ghaziabad, Nasik, Ahmedabad, Bangalore, Hyderabad, Gurgaon, Mumbai, Nagpur and Kolkata.

In case of lifestyle retailing, the entire apparel stock is generally delivered to the central warehouse. The central warehouse then services individual stores. In addition to central buying, there is restricted local buying. A unique aspect of the supply chain model is the factory outlet. Its the last level of supply chain model which ensures that slow-moving merchandise are disposed off on a regular basis. We currently have 22 factory outlets spread over 15 places.

In Big Bazaar, the merchandise is delivered straight from the vendors/manufacturers to different regional/city warehouses; these warehouses then transfer the products to the respective stores. Food Bazaar has both perishable and non-perishable products. Perishable goods like fruits, vegetables are sourced from the concessionnaires and stocked directly at the stores. Non-perishable products are delivered directly from suppliers and manufacturers.

While we outsource intercity transport of goods to third parties, intra city movement form warehouse to the stores is handled by our own fleet of vehicles. For lifestye retail formats, we use the services of logistic solution providers in order to deliver products on time to the stores. For value retail, low cost transport arrangements have been secured to optimize transportation cost.

Warehouse operations have been streamlined through the standardisation of racking system, scientific layouts and implementaion of automatic replenishment system.

Our Corporate Functions

1. Information Technology
2. Human Resources
3. Retail Information System
4. Internal Controls
5. Measurement of Customer Satisfaction

1. Information Technology
A key element of our corporate functions is the Information Technology strategy and set up. We are in the process of revamping our systems to address the growing demands of the customer and to have a seamless flow of activities.

Our IT vision is to address multiple aspects like connectivity, infrastructure, security, real time information and tools for financial management amongst others. 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 head office from regional offices, zonal centre, stores and warehouses. All locations are connected through company wide 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
We are in the midst of upgrading the IT set up with a strategic relationship with SAP, business software solutions provider. We intend to implement mySAP Business Suite, SAP Advanced Planning Tool for Merchandise and Assortment Planning and SAP Apparel and Footwear Solutions.

We are also in the process of installing Closed Circuit Television at stores (CCTV) , using the virtual private planning, live feeds from the CCTV’s will be relayed to the head office and the zones. This will compliment the video conferencing facility that already exists between the stores and the head office. 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’(a graphical personalised interface through which one can access information available in the central database). 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.

We have begun to implement fully a 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.

2. Human Resource

In a business where individuals comprise the principal asset, the structure of the people pyramid influences the quality of knowledge captured, the speed with which decisions are made and the morale of the organization. Human Resource is one of the critical support functions and forms another key element of the corporate backbone. We have 7,379 employees as on September 30, 2005. We are a very young and energetic organization with average employee age being 30 years.

We believe that service is our core philosophy and people are our most important resources. Our attempt has always been to create an environment where our employees feel pride of being called ‘Pantaloonians’.

Our Human Resource philosophy is driven through our ‘The Pantaloon People Management System’.

<u>The Pantaloon People Management System</u>

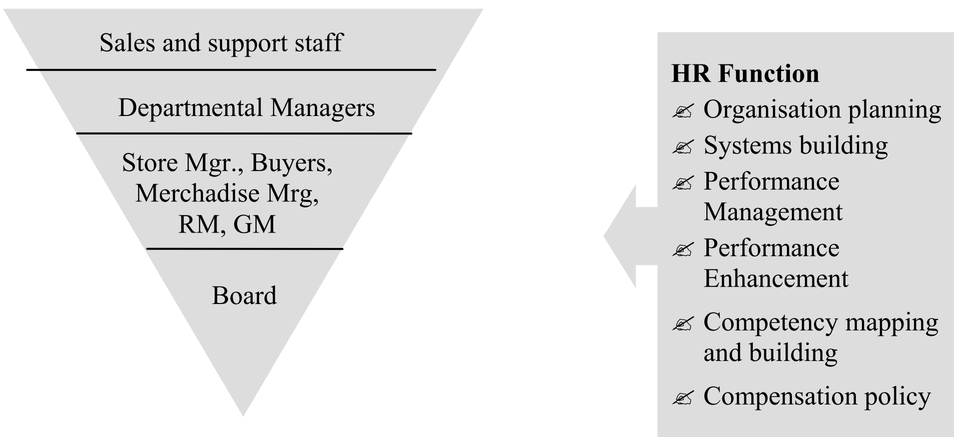
Pantaloon People management system is built on 5 pillars of people based growth:

a. Culture Building
b. Performance Management through Balanced ScoreCard
c. People Processes
d. Management Processes
e. Leadership Excellence

<u>Organisation Structure</u>

Our organization is headed by our Managing Director. We follow an inverse pyramid structure; as a result decisions are taken closest to the point of customer action. Sales executive are encoureaged to think customer first. They are empowered to run their respective departments like ‘small busines owners’.

<u>Inverse Pyramid Structure</u>



<u>Performance Management: Appraisal, Rewards and Recognition</u>

The organisation’s Compensation philosophy is ‘Pay for Performance, promote for potential’ and is designed to meet the following key objectives:

- Attract and Retail Qualified Employees
- Externally Competitive
- Performance based pay
- Internally Equitable
- Legal Compliance

Our compensation policy is performance based and we believe it is competitive with industry standards in India. Our compensation packages are adjusted annually based on industry salary correction, compensation surveys and individual performance. From time to time employees who have met or exceeded performance standards are awarded bonuses.

Our employees post retirement benefits include a provident fund and a gratuity. Both the provident fund and the Gratuity have been approved by the relevant statutory authorities. We have set up a "Pantaloon Foundation"-an employee welfare fund with effect from August 2004. The fund provides financial assistance in all cases wherein the employee seeks the Company's financial support in medical emergency for him/herself or their families. The contribution to the fund is voluntary.

Employee Insurance

We provide all our employees with group life insurance. We also provide medical insurance coverage for employees who are not covered under ESIC (Employee State Insurance Corporation) benefit which includes hospitalization benefits.

Recruitment and Selection

Our recruitment takes place through any of the following option or combination of these option:

- In-house data bank
- Walk-in advertisement
- Internal Referrals
- NGO's

Our selection processes are defined to evaluate the skill sets required for each job and also to evaluate the fitment to our various formats of retailing.

Training

We place special emphasis on the training of our employees to enable them to develop their skills to meet changing retail technology and to provide efficient and effective customer services.

The Company has a well defined Learning & Development (L &D) team that is responsible for training at all the levels across the country. The L & D team focuses on primary and secondary research into various aspects of retail and assessment of training needs across Knowledge, Skills & Attitude areas at all levels.

'Prarambh' for Induction and 'Guru-School' for Trainer Development are a couple of programs created and disseminated by the L & D Team this year.

We are also in the process of establishing a training centre at each zone that will be equipped with extensive and up-to-date facilities and which offers relevant training programmes.

Retention Strategy

We strive to foster a feeling of well-being in our employees through care and respect, we have several structured processes including employee mentoring and grievance management programmes which are intended to facilitate a friendly and cohesive organisation culture. Off-site activities are encouraged to improve inter-personal relationship. We also acknowledge the efforts exerted by our employees by organisation an annual celebration called 'Pantaloon Day' where we recognize employees who have shown exceptional talent, sincerity and dedication. We have implemented an employee suggesstion programme called 'Prerna' wherein the employee can give their suggestions. Every quarter the best suggesstion received per zone per format is awarded prize called "Golden Cap".

3. Internal controls and Risk Management

The company uses the services of Ernst & Young for process audit and risk management and the scope of their work covers all the company's formats i.e. Pantaloons, Big Bazaar, Food Bazaar and Factory Outlet. The objectives are to:

- Gain an understanding of the various Business Processes
- Identify the strengths and weaknesses in the existing systems and procedures
- Review use of technology in the function
- Identify key business process risks and review the adequacy of the controls and mitigate them

- Test the effectiveness of controls the most significant risks and provide recommendations to improve controls
- Identify potential areas for improving process efficiency
- Broadly develop on improvement portfolio and raise the level of awareness of how business is impacted by inadequately controlled risks inherent in the business process.

Internal audit of our each store is also undertaken by an independent audit firm on monthly/quarterly basis.

4. Measurement of Customer Satisfaction
We have devised a model called CEM- Customer Experience Management Model to measure customer satisfaction in our stores. The Customer Experience Management Model focusses on the customer's experience at every touch point in the store ranging from their first impression of the store, to their experience at the trial rooms, toilets, with our staff through various processes such as billing and exchanges. We have hired a research agency called MACRO-Market Analysis and Consumer Research Organisation. This agency sends people who are called 'Mystery Shoppers' to visit the stores and then their experience is documented on a feedback form which is then sent to us . Based on the feedback formed analysis is done and the stores are given scores. This allows us to track performance on customer expectaion at overall, format and store levels, determine critical improvement areas ar all levels and also identify opportunities that we can leverage upon.

Besides, we have also started an in-house initiative called 'Pragati' whereby one person from the head office operations team visits the stores and observes the stores with respect to certain pre-parameters like store exteriors, baggage window, customer service, store ambience etc. This activity is done on a quarterly basis and three best stores under each format are announced. This encourages the stores to improve the efficiency of their store operations.

Competition

We retail a range of branded apparel, footwear, perfumes, cosmetics, jewellery, leather products, accessories, home products, electronics, books, music and toys in our stores. We also retail our own Private Label apparel, footwear, fashion jewellery, leather products, accessories and home products. This is complemented by cafe, food, entertainment, personal care and various beauty related services.

We face competition from other retailers of similar products and services. These include stand alone stores in the organized and unorganized sector, as well as other chains of stores including department stores.

We focus on offering our customers a vast variety of products and services catering to their diverse requirements and needs. We are the pioneers in launching verious new formats in the country such as Central, aLL etc. It is because of this and the service and ambience that we offer, that we believe we have been able to create a differentiation in the mind of the customer vis-à-vis our competitors where similar products and brands are available.

REGULATIONS AND POLICIES

The Company, in its business of retail and establishing retail stores in India, is governed by various legislations as applicable to it, its stores and the goods/products it sells or stores for sale.

Shops and Establishments Acts

The Company is governed by the various Shops and Establishments Acts as applicable in the states where it has stores. These acts regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of *inter alia* registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work. The following acts are applicable to our stores. For details of the Company's registration under the applicable Shops and Establishments Acts, please refer to the chapter "Government Approvals" on page 192 of this Draft Letter of Offer.

- The Andhra Pradesh Shops and Commercial Establishments Act, 1988
- The Bombay Shops and Establishments Act, 1948
- The Delhi Shops and Establishments Act, 1954
- The Karnataka Shops and Commercial Establishments Act, 1951
- The Madhya Pradesh Shops and Establishments Act, 1958
- The Orissa Shops and Commercial Establishment Act, 1956
- The Tamil Nadu Shops and Establishments Act, 1947
- The Uttar Pradesh Shops and Commercial Establishments Act, 1962
- The West Bengal Shops and Establishments Act, 1963

Other Regulations

The Company's trademarks are required to be registered under the provisions of the Trademarks Act, 1999.

The Company is also required to comply with local/municipal regulations in respect of each of its stores as given below. For details of the Company's registration, if applicable, under these statutes please refer to the chapter "Government approvals" on page 192 of this Draft Letter of Offer.

- The Cantonments Act, 1924
- The Haryana Municipal Corporation Act, 1955
- The Karnataka Municipal Corporation Act, 1976
- The Mumbai Municipal Corporation Act, 1888
- The New Delhi Municipal Council Act, 1994

In respect of goods/products

The Company is required to comply with the provisions of the Standards of Weights and Measures Act, 1976 and the rules made thereunder, particularly the Standards of Weights and Measures (Packaged Commodities) Rules, 1977. Similarly, the Company is required to comply with the provisions of the Prevention of Food Adulteration Act, 1954 and the rules made thereunder. In addition to the above, the Company is governed by the provisions of the provisions of the Insecticides Act, 1968.

Fiscal Regulations

In accordance with the Income Tax Act, 1961 any income earned by way of profits by a company incorporated in India is subject to tax levied on it in accordance with the tax rate as declared as part of the annual Finance Act.

The Company, like other companies, avails of certain benefits available under the Income Tax Act, 1961. For details of the tax benefits, please refer to the "Statement of Tax Benefits" on page 39 of this Draft Letter of Offer.

Further, the import of some of the Company's merchandise stocked at its stores involves the levy and payment of customs duty in accordance with the prevalent rates prescribed in the Customs Act, 1962 and rules and notifications issued thereunder from time to time. The Company is also required to obtain a license under the provisions of the Export Import Policy 2002 – 2007. For details of the Company's license under the provisions of the Export Import Policy, please refer to the chapter "Government Approvals on page 192 of this Draft Letter of Offer.

Value Added Tax

In terms of the policies enumerated in the Central Government's proposed budget for the current fiscal year, implementation of Value Added Tax (**"**VAT**"**) is scheduled to be completed within this fiscal year. While VAT is a State subject and therefore the States will have the freedom for appropriate variations in their VAT regimes, it is expected that these variations will be consistent with the basic design as laid down in the White Paper on State-Level Value Added Tax dated January 17, 2005 prepared by the Empowered Committee of State Finance Ministers. After the introduction of VAT, not only will the various state sales taxes be abolished, but the Central sales tax will also be phased out. The essence of VAT is in providing set-off for the tax paid earlier, and this is given effect through the concept of input tax credit. VAT is based on the value addition to goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period.

Employment Related Regulations

The Company is governed by the provisions of the Employees' Provident Funds Act, 1952 and the rules made thereunder and is accordingly required to make periodic contributions to the Employees' Provident Fund Scheme and the Employees' Pension Scheme as applicable The Company is also required to make contributions under the Employees' State Insurance Act, 1948. For details of the Company's registration under the Employees' Provident Scheme and the Employees' State Insurance Act, please refer to the chapter "Government Approvals" on page 192 of this Draft Letter of Offer. The Company is also governed by the various state legislations applicable in the states where it has stores.

Contract Labour (Regulation and Abolition) Act

The Company engages for each of its stores the services of various contractors for various activities including gift wrapping, house keeping security, maintenance, tailoring and valet services. These contractors in turn employ contract labour whose number exceeds twenty in respect of some of the stores. Accordingly, the Company is regulated by the provisions of the Contract Labour (Regulation and Abolition) Act, 1970 which requires the Company to be registered as a principal employer and prescribes certain obligations with respect to welfare and health of contract labour. For details of the Company's registration under the Contract Labour (Regulation and Abolition) Act, please refer to the chapter "Government Approvals" on page 192 of this Draft Letter of Offer.

Foreign Investment Regulations

An industrial policy was formulated in 1991 (the **"**Industrial Policy 1991**"**) in order to implement the economic reforms initiated by the government of India. The GoI has since amended the Industrial Policy from time to time in order to enable foreign direct investment in various sectors of the Indian industry in a phased manner gradually allowing higher levels of foreign participation in Indian companies. However as per the current Central Government policy on foreign direct investment, foreign direct investment in Indian companies carrying on retail trading activity is prohibited.

Other Regulations

In addition to the above, the Company is required to comply with the provisions of the Companies Act, 1956, the Foreign Exchange Management Act, 1999, various sales tax related legislations and other applicable statutes.

HISTORY OF OUR COMPANY AND OTHER CORPORATE MATTERS

Our Company was incorporated on October 12, 1987 as Manz Wear Private Limited. The Company was converted into a public limited company on September 20, 1991 and on September 25, 1992 the name was changed to Pantaloon Fashions (India) Limited and in the same year the Company made an initial public offering. We later changed our name to Pantaloon Retail (India) Limited on July 7 1999.

The Registered Office of the Company was shifted from Venkatesh Bhavan ,4th Floor 86 Mirza Street, Mumbai 400003 to Pantaloon House, G 11, M.I.D.C. Cross Road A, Andheri East, Mumbai 400 093 and subsequently shifted to its current registered office at Pantaloon Knowledge House, Shyam Nagar, Off. Jogeshwari Vikhroli Road, Jogeshwari (East), Mumbai 400 060.

The Equity Shares of our Company were first listed on BSE, DSE and ASE, on July 30, 1992. Thereafter, the Equity Shares were listed on the NSE on February 20, 2001

We started our operations by selling branded garments under Pantaloon, Bare and John Miller brands. We set up our first menswear Pantaloon Shoppe Outlet in 1993. Our business has grown from one store in Kolkata in 1997 occupying an area of 8,000 Sq ft to 72 stores, apart from our 22 factory outlets located in the multiple cities occupying an aggregate area of 21,07,608 Sq. ft. We focus on the Lifestyle segment through 14 Pantaloon stores, 3 Central Malls, 2 aLL, 2 Fashion Station and 1 MeLa store. In the Value offering, we cater to the mass through our 21 Big Bazaar and 30 Food Bazaar outlets.

Objects of our Company

Our objects as contained in our Memorandum of Association include:

1. To carry on the business of manufacturing, buying, selling, exchanging, altering, importing, exporting, distributing or otherwise dealing in ready made garments an hosiery made of cotton, silk, rayon, wool, nylon, man-made fabrics, polyester, canvas, jute, leather, any other fabric coated with any chemical or not, or other preparation and other fabric.
2. To carry on the business of manufacturing, processing, dyeing, bleaching, buying, selling, exchanging, importing, exporting or otherwise dealing in yarns and textiles made of cotton, silk, rayon, wool, nylon, man-made fibres, polyester, canvas or any other substances.
3. To carry on trade or retail business in India through retail formats and including but not limited to hyper markets, super markets, mega stores/discount stores, cash & carry, departmental stores, shoppers plaza, direct to home, phone order and mail order, catalogue, through internet and other forms and multi level channels for all products an services, dealing in all kinds of goods, materials and items including but not limited to food & provisions, household goods, consumer durables, jewellery, home improvement products, footwears, luggages, books & stationery, health care and beauty products, toys and music, computers & accessories, telecom products, agri input products, furniture & furnishings, automobile & accessories, and acquiring and running food, service and entertainment centres including but not limited to multiplexes, cinemas, gaming centres, amusement parks, restaurants and food courts and acquiring of land or building on lease or freehold or any commercial or industrial or residential building for running and management of retail business and to acquire flats, offices and retail spaces for carrying on retail business and to sell them, lease or sublet them and to undertake and execute civil, mechanical, electrical and structural works contracts and sub contracts in all their respective branches to carry on retailing business.

Milestones of our Business

1987	Company Incorporated
1987	The Pantaloon Trouser –First formal trouser brand launched
1991	BARE – Indian Jeans brand launched

1994	Distribution of branded garments through multi-brand retail outlets across nation and exports of garments
1994	The Pantaloon Shoppee – Oue exclusive menswear store in franchisee format launched across nation
1995	John Miller- - Formal shirt brand launched
1997	Pantaloons- Pantaloons Store launched
2001	Big Bazaar - Indian Hypermarket launched
2002	Food Bazaar- Whole sale supermarket launched
2002	Gold Bazaar- we forayed into gold retailing
2004	Central- First seamless mall launched in India
2005	Fashion Station-A thematic store launched
2005	aLL-Our first exclusive store dedicated to plus size people launched
2005	MeLa- Our foray into home solutions market
2005	Joint Venture with Galaxy Entertainment- Our foray into leisure and entertainment
2005	MOU with Liberty Shoes-Our venture into footwear retailing

Awards won by us

2005	**Images Retail Awards 2005** ▪ PRIL- Most Admired Retailer of the Year ▪ Food Bazaar- Retailer of the Year(Food and Grocery) ▪ Big Bazaar-Retailer of the Year(Value Retailing) ▪ Central-Retail Launch of the Year
2005	**Voted by Business Today magazine as one of the** ▪ Top 20 Companies in India to watch in 2005 ▪ India's most investor-friendly companies in the top 75 ▪ India's Biggest wealth creators in the top 100
2005	**DAKS London** ▪ PRIL- Brand Builder of the Year
2004	**Images Retail Awards 2004** ▪ PRIL- Most Admired Retailer of the Year ▪ Food Bazaar- Retailer of the Year(Food and Grocery) ▪ Big Bazaar-Retailer of the Year(Value Retailing) ▪ Central-Retail Launch of the Year
2004	**Reid & Taylor and DLF Awards** ▪ PRIL -Retailer of the year
2003	**Indian Express Award** ▪ PRIL –Marketing Excellence and Excellence in Brand Building
2003	**Indusland Bank (India Brand Summit)** ▪ PRIL –Excellence in Brand Building

The details of the capital raised by our Company are given in the section entitled "Capital Structure" on page 25 of this Draft Letter of Offer.

Changes in our Memorandum of Association

The following changes have been made to our Memorandum of Association:

Date of shareholder approval	**Changes**
September 24, 2005	Change in the authorized share capital from Rs. 250 million divided into 25 million Equity Shares of Rs. 10 each to Rs. 350 million divided into 35 million equity shares of Rs. 10 each.
December 15, 2004	The main objects of the Company were altered to include "To carry on trade or retail business in India through retail formats and including but not limited to hyper markets, super markets, mega

	stores/discount stores, cash & carry, departmental stores, shoppers plaza, direct to home, phone order and mail order, catalogue, through internet and other forms and multi level channels for all products an services, dealing in all kinds of goods, materials and items including but not limited to food & provisions, household goods, consumer durables, jewellery, home improvement products, footwear, luggage, books & stationery, health care and beauty products, toys and music, computers & accessories, telecom products, agri input products, furniture & furnishings, automobile & accessories, and acquiring and running food, service and entertainment centres including but not limited to multiplexes, cinemas, gaming centres, amusement parks, restaurants and food courts and acquiring of land or building on lease or freehold or any commercial or industrial or residential building for running and management of retail business and to acquire flats, offices and retail spaces for carrying on retail business and to sell them, lease or sublet them and to undertake and execute civil, mechanical, electrical and structural works contracts and sub contracts in all their respective branches to carry on retailing business".
December 20, 2002	Change in the authorized share capital from Rs. 180 million divided into 18 million Equity Shares of Rs. 10 each to Rs. 250 million divided into 25 million Equity Shares of Rs. 10 each.
December 20, 2001	Reclassification of the authorized share capital (being Rs. 180 million divided into 14 million Equity Shares of Rs. 10 each and 0.4 million preference shares of Rs. 100 each) by cancellation of existing 0.4 million unissued preference shares and creation of 4 million Equity Shares of Rs. 10 each in their stead.
August 31, 1999	Change in and reclassification of the authorized share capital from Rs. 140 million divided into 10 million Equity Shares of Rs. 10 each and 4 million preference shares of Rs. 10 each to Rs. 180 million divided into 14 million Equity Shares of Rs. 10 each and 0.4 million preference shares of Rs. 100 each.
March 31, 1999	Change of the name of the Company from "Pantaloon Fashions (India) Limited" to "Pantaloon Retail (India) Limited".
April 28, 1997	Change in the authorized share capital from Rs. 80 million divided into 7 million Equity Shares of Rs. 10 each and 1 million preference shares of Rs. 10 each to Rs. 140 million divided into 100 million Equity Shares of Rs. 10 each 4 million preference shares of Rs. 10 each. The other objects of the Company were altered to include clauses 89 to 96.
September 30, 1996	Reclassification of the authorized share capital from Rs. 80 million divided into 8 million Equity Shares of Rs. 10 each to 7 million Equity Shares of Rs. 10 each and 1 million preference shares of Rs. 10 each.
September 29, 1995	The other objects of the Company were altered to include clauses 89 to 96.

We have four subsidiaries. Home Solutions Retail (India) Limited was incorporated on October 2004. Through this subsidiary we ventured into Home Retail business.

PFH Investment Advisory Company Limited, a wholly owned subsidiary of the Company was incorporated in December 2004. It provides financial investment advisory services.

PAN India Restaurants Limited was incorporated on February, 2005 to carry on the business of quick service restaurants and food courts.

Further, Pantaloon Food Product (India) Limited, a wholly owned subsidiary of the Company was incorporated in April 2005 to manufacture and supply food products to PRIL.

As on the date of filing this Draft Letter of Offer, our Promoter holds 697,215 Equity Shares of our Company representing 3.11% of our pre - Issue equity (issued capital) and the Promoter Group holds 9,182,659 Equity Shares of our Company representing 40.98% of our pre - Issue equity (issued capital). As on the date of filing this Draft Letter of Offer, out of the ten Directors on our Board, three directors represent the Promoter and promoter group.

Summary of Key Agreements

We have detailed below the key provisions of certain agreements for acquisitions, strategic investments and divestments.

Acquisitions, strategic investments and disinvestments

Galaxy Entertainment Corporation Limited

On March 4, 2005, we entered into a joint venture with Galaxy Entertainment Corporation Ltd ("Galaxy"), a company engaged in the business of leisure and entertainment, running restaurants/food courts and bowling alleys to combine our business models. The Company has acquired 15.73 % stake in Galaxy Entertainment by way of an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997. Currently the Open offer is not concluded.

Proposed Joint Venture with Liberty Shoes Limited

On August 28, 2005, we entered into a Memorandum of Understanding with Liberty Shoes Ltd (Liberty), a shoe manufacturer and marketer of footwear and accessories, to set up a joint venture company to establish a retail chain to sell footwear, accessories and other related products in India. As per the Memorandum of Understanding, PRIL shall have a stake of 51% in the joint venture company.

Planet Sports Private Limited

We have entered into a joint venture agreement with Magnus Fashion Tradelinks private Ltd (Magnus) and Planet Sports Private Ltd (PSPL) on February 2, 2005. Pursuant to a fresh issue of shares by PSPL in favour of PRIL, Magnus and PRIL have a stake of 51% and 49% respectively in PSPL. As per the terms of the joint venture agreement, PSPL shall be organized and operated exclusively, directly and /or indirectly through subsidiaries and joint ventures to conduct its business which includes the retail and wholesale distribution of internationally branded products in India, including but not limited to apparel, cosmetics, handbags, accessories, sporting equipment and footwear, general sporting goods, fashion products, toys and books.

We have divested our stake of 99.99% in Pantaloon Retail Technologies Limited on June 28, 2005. Pantaloon Retail Technologies is engaged in the business of software development. Since we wanted to concentrate our entire focus on our core business i.e retailing we decided to divest our holding in the said company.

We have also divested our stake in the Joint venture formed with Mark Middle East LLC (UAE). Mark Middle East LLC is engaged in the trading of garments and other products. We decided to divest our stake since there was no significant business achievement through that investment.

DIVIDENDS

The declaration and payment of dividend will be recommended by the Board of Directors and approved by the shareholders in their discretion and will depend on a number of factors, including but not limited to our earning, capital requirement and overall financial condition. The dividend declared by our company during the last five fiscal years is presented below.

In Rs. Million

Financial Year	Dividend	
	Rate	**Amount**
FY2001	-	-
FY2002	-	-
FY2003	10	18.18
FY2004	15	28.71
FY2005	25*	54.99

*Board of Directors in their meeting held on September 24, 2005 recommended this dividend which has to be approved by the shareholders in the annual general meeting scheduled on November 22, 2005.

However, the amount paid as dividend in the past is not indicative of our dividend policy in the future.

MANAGEMENT

Board of Directors

The following table sets forth details regarding our Board of Directors as on October 21, 2005:

Name, Designation, Father's Name, Address and Occupation	Nationality	Age (years)	Other Directorships in Indian companies
Kishore Biyani *Managing Director* S/o Laxminarayan Biyani 406, Jeevan Vihar, Manav Mandir Road, Malabar Hill, Mumbai – 400 006 Business	Indian	45	1. Pantaloon Industries Limited 2. Galaxy Entertainment Corporation Limited 3. PFH Entertainment Limited 4. KB Mall Management Company Limited 5. Home Solutions Retail (India) Limited 6. PFH Investment Advisory Company Limited 7. PAN India Restaurants Limited 8. Idiom Design and Consulting Limited 9. Indus-League Clothing Limited 10. Pantaloon Food Product (India) Limited 11. Indian Merchant Chambers 12. Retailers Association of India 13. Planet Sports Private Limited 14. Manz Retail Private Limited 15. Anchor Malls Private Limited 16. Nishta Mall Management Company Private Limited 17. Bartraya Mall Development Company Private Limited 18. Acute Realty Private Limited 19. Naman Mall Management Company Private Limited 20. Unique Malls Private Limited 21. Srishti Mall Management Company Private Limited 22. BLB Mall Management Company Private Limited 23. Cezee Foods Private Limited 24. Galaxy Rain Restaurants Private Limited 25. Ambit Investment Advisory Company Limited 26. Varnish Trading Private Limited
Gopikishan Biyani *Wholetime Director* *S/o. Late Bansilal Biyani* 309, Jeevan Vihar, Manav Mandir Road Mumbai – 400 006 Business	Indian	60	1. KB Mall Management Company Limited 2. Iskrupa Mall Management Company Private Limited
Rakesh Biyani	Indian	33	1. Acute Reality Private Limited

Name, Designation, Father's Name, Address and Occupation	Nationality	Age (years)	Other Directorships in Indian companies
Whole time Director S/o. Gopikishan Biyani 308, Jeevan Vihar, Manav Mandir Road, Mumbai – 400 006, Business			
Shailesh Haribhakti *Director* S/o. Vishnubhai B. Haribhakti *7, Firpos, 4th floor, Bulabhai Desai, Road, Behind Benzer, Mumbai 400 026.* *Chartered Accountant*	Indian	49	1. Ambuja Cement Eastern Ltd. 2. IDBI Capital Market Services Ltd. 3. JBF Industries Ltd. 4. Indian Petrochemicals Corporation Ltd. 5. Mahindra Gesco Developers Ltd. 6. SIDBI Venture Capital Ltd 7. Morarjee Textiles Ltd. 8. Jindal South west Holdings Limited 9. Everest Kanto Cyclinders Ltd. 10. Bihar Caustics and Chemicals Limited 11. Fortune Financial Services (India) Limited 12. Kotak Mahindra Pvt. Equity Trustees Ltd. 13. Advantage Moti India Pvt. Ltd 14. Advantage Comfort (I) Pvt. Ltd. 15. E-Biz Chem Pvt. Ltd. 16. Moores Rowland Consulting Pvt. Ltd 17. Alliance Capital Asset Management (I) Pvt. Ltd. 18. Haribhakti MRI Corporate Services Private Limited 19. Bobcards Limited
Darlie Koshy *Independent Director* *S/o. Thundathil Oomen Koshy* NID Campus, Paldi, Ahmedabad – 380 007 *Service*	Indian	50	1. Cottage Industries Coporation of India Limited
S. Doreswamy *Independent Director* S/o. D. V. S. Rao Juhu Shalimar Bldg.3rd flr. Flat 33, Gulmohar Cross Road, No.10, JVPD Scheme, Mumbai 400 049. *Service*	Indian	68	1. Canfin Homes Limited 2. Ceat Limited 3. Sakthi Sugars Limited 4. Koytae Switchgear Limited 5. Caliberpoint Business Solutions Limited 6. Deposit Insurance & Credit Guarantee Corporation Limited
Anju Poddar *Independent Director*	Indian	55	1. Maharishi Commerce Limited 2. B.P. Properties Limited

Name, Designation, Father's Name, Address and Occupation	Nationality	Age (years)	Other Directorships in Indian companies
D/o. Kedarnath Modi *Plot 104, Prashasan Nagar Road, No.72 Jubilee Hills,* *Hyderabad 500 033* *Business*			3. Samay Books Limited
Bala Deshpande *Nominee Director* D/o. V.V. R. Subrahmanyam *ICICI Venture Funds Managem,ent Company Limited, Stanrose House, Ground Fllor, APPASAHEB Marathe Marg,* *Prabhadevi, Mumbaii - 400025* *Service*	Indian	39	1. TechProcess Solutions Limited 2. Crossword Book Stores Ltd. 3. Deccan Aviation Limited 4. Indus-League Clothing Ltd. 5. MITRA Technology Foundation 6. Nagarjuna Constructions Company Limited 7. Shoppers Stop Limited 8. Subhiksha Trading Services Limited 9. Traveljini.com Limited 10. Welspun India Limited 11. Team Four Hospitality Services Private Limited 12. Info Edge (India) Private Ltd. Billjunction Payments Limited
Ved Prakash Arya *Director –Operations &* *Chief Operating Officer* S/o. Satyapal Arya *701, Wing A Gladioli Yari road, Versova, Andheri (West)* *Mumbai 400 061* *Company Executive*	Indian	35	1. PAN India Restaurants Limited 2. PFH Investment Advisory Company Limited 3. Planet Sports Private Limited 4. Supreme Trade Links Limited
Anil Harish *Independent Director* S/o. D.M Harish *13, CCI Chambers, 1st floor, Dinshaw Wacha Road, Churchgate, Mumbai-400 020* *Advocate*	Indian	51	*1. Hotel Leelaventure Limited* *2. IndusInd Bank Ltd.* *3. Hinduja TMT Ltd.* *4. Mahindra Gesco Developers Limited* *5. Ador Welding Limited* *6. Unitech Limited* *7. Advani Hotels & Resorts (India) Limited* *8. Valecha Engineering Ltd.* *9. Prebon Yamane India Ltd.* *10. Mukta Arts Ltd.* *11. Tolani Shipping Co. Limited.* *12. K.C. Maritime (India) Ltd.* *13. Tower Insurance & Reinsurance Services (India) Limited* *14. Trans Atlantic Consultants Pvt. Ltd.* *15. Trans Atlantic Trading Pvt. Ltd.* *16. Quantum Asset Management Company Private Limited* *17. Sherbrook International Pvt. Ltd.* *18. Pune Software Park Pvt. Ltd.*

Name, Designation, Father's Name, Address and Occupation	Nationality	Age (years)	Other Directorships in Indian companies
			19. *Quantum Advisors Pvt. Ltd.* 20. *Helpyourngo.com India Pvt. Ltd.* 21. *Freight Connection India Pvt. Ltd.* 22. *Ges India Pvt. Ltd.* 23. *Orinoco Marine Consultancy India Pvt. Ltd.* 24. *Eurasia Travel Services Pvt. Ltd.* 25. *Paramount Shipping & Mgmt Pvt. Ltd.* 26. *Bernhard Schulte Shipping (India) Pvt. Ltd.* 27. *Eurasia Maritime Management (India) Pvt. Ltd.* 28. *Cenmar Maritime Agencies (India) Pvt. Ltd.* 29. *Loire Marine Services Pvt. Ltd.*

Brief Biography of Our Directors

For Further information on Kishore Biyani please refer to section "Promoter and Promoter Group" on page 89 of this Draft Letter of Offer

Shri Rakesh Biyani, 33 years, is a Whole-time Director of the Company. He is a Commerce Graduate. He is actively involved in Category Management, Retail stores operations, Information Technology & Exports. He has been in this industry for more than a decade and is instrumental in implementation of our various new formats. He is on the Board of Company since June 27, 1992

Shri Gopikishan Biyani, 60 years, a commerce graduate, is the Whole-time Director of the Company and looks after the manufacturing operations. He has more than two decades of experience in the textile business. He is on the Board of Company since June 1, 1991

Shri Ved Prakash Arya, 35, is Director - Operations and Chief Operating Officer. He is an Engineer and has done his MBA from Indian Institute of Management (Ahmedabad). He has also done a one year research scholarship in International Marketing from France. He has over 10 years of work experience. He started his career with Hathaway Investments Ltd., and have worked for ASIANET and H&R Johnson in various capacities. His previous assignment prior to joining us was with GLOBUS as Chief Executive Officer. He is on the Board of Company since April 27, 2004

Shri Shailesh Haribhakti, 49, is a Chartered Accountant, Cost Accountant, and a Certified Internal Auditor. He is the Deputy Managing Partner of Haribhakti & Co., Chartered Accountants. He is Chairman – Banking, Finance and Insurance Committee of the Indian Merchant's Chamber & Member - Adhoc Advisory Committee for Master's Degree in Management Studies, University of Mumbai. He is on the Board of several Public Limited Companies, including Indian Petrochemicals Corporation Ltd., Ambuja Cement Eastern Ltd., GIC Asset Management Company Limited, IDBI Capital Market Services Ltd, Walchand Capital Ltd. Birla Global Finance Ltd. & Mahindra Gesco Developers Ltd. He is on the Board of Company since June 1, 1999.

Dr. Darlie O. Koshy, 50, has done his Masters in Business Administration and holds a Ph.D from Indian Institute of Technology, Delhi. He has over 24 years of rich experience in the textiles and the garment industry. He is the Executive Director of National Institute of Design, Ahmedabad. He has played a key role in setting NIFT Centres in Delhi, Chennai and Bangalore. He has been working and continues to be a part of the committees constituted under the Ministry of Textiles, Government of

India. He is renowned consultant in textile and garment industry specialising in strategic international marketing and apparel retail management. He is on the Board of Company since July 27, 1999.

Shri S. Doreswamy, 68, has a vast experience in banking and finance. He has completed a Bachelors degree in Science and also holds a Bachelors degree in Law. He retired as Chairman and Managing Director of Central Bank of India. He is the Chairman of CanFin Homes Limited and is also on the Board of Ceat Ltd. Deposit Insurance and Credit Guarantee Corporation, Can Fin Homes Ltd. He is associated with the Company since September 29, 2000.

Smt. Anju Poddar, 55, holds a degree in Bachelor of Engineering from University of Oklahoma. She has varied interest in textile and weaving, jewellery designing, contemporary modern art and counseling. At present she is Director in Maharshi Commerce Ltd., Samay Books Ltd., & Continental Projects Ltd. the National Institute of Fashion Technology, Hyderabad Chapter. She is also a Joint-Secretary of Craft Council of Hyderabad chapter. She is also a Joint-Secretary of Craft Council of Hyderabad. She is on the Board of Company since September 29, 2000.

Smt. Bala Deshpande, 39, years is Nominee of ICICI Venture Funds Management Company Ltd. She has been nominated to our Board with effect from August 9, 2001. A masters in Economics, she is a Management Graduate from the University of Mumbai. She has multi-industry exposure and has worked with FMCG Companies like Bestfoods, Cadburys Ltd. and ICI. She was also nominated to the Women Leadership forum held in Bestfoods, New York. She is Nominee Director of ICICI Venture Funds Co. Ltd. in Bill Junction Payments Ltd., and a Director in Travel Jini.Com Ltd., Shopper's Shop Ltd., Cafe Network Ltd. & Welspun India Ltd. She is on the Board of Company since August 9, 2001.

Shri Anil Harish, 51, is the partner of D.M. Harish & Co., Advocates & Solicitors. He is LLM from University of Miami, U.S.A. and specialises in Income Tax , FEMA and property matters. He is on the Board of number of Public Limited Companies like Hotel Leela Ventures Ltd., Mahindra Gesco Developers Ltd., Unitech Ltd., IndusInd Bank Ltd., Hindu TMT Ltd., etc. He is on the Board of Company since August 24, 2004.

Terms of Appointment of our Directors

The following are the contracts that we have with some of our directors. Other than these contracts, we have no other contracts with our directors providing for benefits upon termination of their directorship.

Kishore Biyani-Managing Director

The Remuneration Committee meeting and Board meeting held on September 24 2005 approved the revision of remuneration of Shri Kishore Biyani to 2.10 million per annum w.e.f July 1 2005 subject to the approval of the Shareholders in the ensuing Annual General Meeting.

His emoluments are as follows:

I. Basic Salary of Rs.7,00,000/- per month.
II. House Rent Allowance of Rs. 1,40,000/- per month
III Special Allowance of Rs. 3,82,000/-per month
IV Contribution to Provident Fund Rs. 84,000/-
V. Perquisities: The details of "perquisites" applicable is given below. The maximum amount of perquisites is restricted to Rs. 3,28,800/- per annum
- a) Car: Rs. 28,800/- per annum.
- b) Medical Reimbursement: Actual medical expenses incurred by the appointee and his family shall be reimbursed.
- c) Leave Travel Allowance :
  - i) Domestic: Once in every Calendar Year for self and family not exceeding Rs. 1,50,000/-
  - ii) International: Once in every Calendar Year for self and family not exceeding Rs. 1,00,000/-
- d) Club Membership: Subscription / Annual Charges to be reimbursed on actual expenses incurred for the purpose of business

e) Credit Card Payments: Business Expenses shall be paid by the company against the Credit Card maintained for business purpose .

VI Commission: Commission of 1% of the net profits subject to a maximum of Rs. 50, 00,000/- p.a.

Gopikishan Biyani - Wholetime Director

He was appointed as wholetime director of the Company w.e.f June 1 1991. He was re-appointed as managing Director for a further period of five years w.e.f from April 1 2005 subject to the approval of the shareholders in the ensuing annual general meeting.

His emoluments are as follows:

I. Basic Salary of Rs. 1,50,000/- per month.
II. House Rent Allowance of Rs 30,000/- per month
III.City Compensatory Allowance of Rs. 25000/-per month.
IV. Contribution to Provident Fund Rs. 18,000 /- per month.
V. Perquisities: The details of "perquisites" applicable is given below. The maximum amount of perquisites is restricted to Rs. 3,28,800/- per annum.

a) Car: Rs. 26,400/- per annum.
b) Medical Reimbursement: Actual medical expenses incurred by the appointee and his family shall be reimbursed.
c) Leave Travel Allowance :
  i) Domestic :Once in every Calendar Year for self and family not exceeding Rs. 1,50,000/-
  ii) International : Once in every Calendar Year for self and family not exceeding Rs. 1,00,000/-
d) Club Membership: Subscription / Annual Charges to be reimbursed on actual expenses incurred for the purpose of business
e) Credit Card Payments: Business Expenses shall be paid by the company against the Credit Card maintained for the business purpose .

Rakesh Biyani – Wholetime Director

Rakesh Biyani was appointed as Wholetime Director of the Company w.e.f July 27, 1992. He was re-appointed for a further period of five years w.e.f April 1 2002 which was approved in the 15th Annual General Meeting held on December 20, 2002.

The remuneration committee meeting held on September 24 2004 and meeting of the Board of director held on October 26, 2004 revised the remuneration of Shri Rakesh Biyani from 18,75,000 p,a. to Rs. 55,10,400/- p.a .

His emoluments are as follows:
I. Basic Salary of Rs. 28,80,000/- per annum
II. House Rent Allowance of Rs. 5,76,000/- per annum
III. City Compensatory Allowance of Rs. 13,80,000/- per annum
IV. Contribution to provident fund as per Company policy – Rs. 3,45,600/- per annum
V. Perquisities up to a maximum of Rs. 3,28,800/- per annum with the following bifurcations:

a) Car with Chauffeur Rs. 26,400/- per annum
b) Leave Travel Allowance - Domestic:Once in a calendar year for self and family not exceeding Rs. 1,50,000/-
c) Leave Travel Allowance – International:Once in a calendar year for self and family not exceeding Rs. 1,00,000/-
d) Club Membership: Subscription / Annual Charges to be reimbursed on actual expenses incurred for the purpose of business only shall be reimbursed
e) Credit Card Payments: Business Expenses shall be paid by the Company against the Credit Card maintained for business purpose

Ved Prakash Arya – Chief Operating Officer

Shri Ved Prakash Arya was appointed as Director – Operations & Chief Operating Officer of the Company w.e.f April 27, 2004 which was approved in the 17th Annual General Meeting held on December 15, 2004.
The Remuneration Committee meeting and Board meeting held on September 24 2005 approved the revision of remuneration of Shri Ved Prakash Arya to Rs. 1.57 million w.e.f . July 1 2005 subject to the approval of the Shareholders in the ensuing Annual General Meeting

His emoluments are as follows
I. Basic Salary of Rs. 3,95,000/- per month.
II. House Rent Allowance of Rs 2,37,000/- per month
III. Adhoc Allowance of Rs. 2,92,500/- per month.
IV. Contribution to Provident Fund Rs. 47,400 /- per month.
V. Variable performance bonus upto Rs. 38,00,000/- p.a. based on Balance Score card
V. Perquisities: The details of "perquisites" applicable is given below. The maximum amount of perquisites is restricted to Rs. 3,28,800/- per annum.
a) Car: Rs. 26,400/- per annum.
b) Medical Reimbursement: Actual medical expenses incurred by the appointee and his family shall be reimbursed.
c) Leave Travel Allowance :
i) Domestic :Once in every Calendar Year for self and family not exceeding Rs. 1,50,000/-
ii) International : Once in every Calendar Year for self and family not exceeding Rs. 1,00,000/-
d) Club Membership : Subscription / Annual Charges to be reimbursed on actual expenses incurred for the purpose of business
e) Credit Card Payments: Business Expenses shall be paid by the company against the Credit Card maintained for the business purpose .

Purchase of Property

The Company in the ordinary course of expansion may start marketing and sales at new centres for which it may lease or buy properties at such places. The present Issue is not being made with the specific objective to buy such properties. None of the Directors are interested in any property acquired by the Company during the last three years except for the purchase of 15% share in Jogeshwari Corporate Office from Messers Bansi Silk Mills, a registered partnership firm in which the relatives of our directors; Kishore Biyani, Gopikishan Biyani and Rakesh Biyani are partners.

Shareholding of Our Directors in our Company

Our Articles of Association do not require our Directors to hold any Equity Shares in our Company. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as at the date of this Draft Letter of Offer.

Name of Directors	Number of Equity Shares (Pre-Issue)	Number of Equity Shares (Post-Issue)*
Kishore Biyani	697,215	836,658
Gopikishan Biyani	170,415	204,498
Rakesh Biyani	193,375	232,050

* The number of shares for the column entitled Number of Equity Shares (Post-Issue) has been calculated assuming full subscription to rights entitlement in this Issue

Changes in Our Board of Directors during the last three years

Name	Date of Appointment	Date of Cessation	Reason
Ved Prakash Arya	April 27, 2004	NA	Appointment
Anil Harish	August 24,2004	NA	Appointment

Corporate Governance

There are three Board Level Committees in our Company, which have been constituted and function in accordance with the relevant provisions of the Companies Act, 1956 and the Listing Agreement. These are the (i) Audit Committee, (ii) Remuneration Committee and (iii) Investor Grievance Committee. A brief on each Committee, its scope, composition and meetings for the current year is given below:

(i) Audit Committee

Members

- Shailesh Haribhakti, Chairman
- S. Doreswamy
- Darlie Koshy

Shiraj Dej is appointed as the Secretary of the Audit Committee in terms of Clause 49 of the Listing Agreement.

The Audit Committee met four times during the course of this fiscal year, on September 24, 2004; October 26, 2004, January 29, 2005, and April 28, 2005.

Scope and terms of reference

The scope of the Audit Committee in companies is defined under Clause 49 of the Listing Agreement dealing with Corporate Governance and the provisions of the Companies Act, 1956. The Audit Committee of our Company oversees, assesses and reviews the audit functions. The Audit Committee reviews the Company's financial statements, monitors adequacy and effectiveness of internal controls, oversees the Audit Function and monitors the external auditors' independence, objectivity and effectiveness. Apart from providing direction to the general audit function, the Committee also oversees the operation of the total audit function in our Company, which includes the organization, operationalisation and quality control of internal audit & inspection within the Company, follow-up on the statutory / external audit of our Company.

(ii) Compensation Committee

Members

- S. Doreswamy,Chairman
- Darlie Koshy
- Bala Deshpande

The Compensation Committee has met once during the course of this fiscal year, on September, 2004.

Shiraj Dej is appointed as the Secretary of the Audit Committee in terms of Clause 49 of the Listing Agreement

Scope and terms of reference

The Compensation Committee has been set up to review the overall compensation structure and related policies with a view to attract, motivate and retain employees. The Committee determines our Company's policies on remuneration packages payable to the Directors including performance bonus, perquisites and review the compensation levels vis-à-vis other companies and the industry in general.

(iii) Investor Grievances Committee

Members

- S. Doreswamy,Chairman
- Gopikishan Biyani
- Rakesh Biyani

The Investor Grievances Committee met 4 times during the course of this fiscal year, on September 24, 2004; October 26, 2004, January 29, 2005, and April 28, 2005.

Shiraj Dej is appointed as the Secretary of the Audit Committee in terms of Clause 49 of the Listing Agreement

Scope and Terms of Reference

The committee was constituted in terms of the mandatory requirement of Clause 49 of the Listing Agreement to look into the redressal of grievances of investors like non receipt of share certificates, non-receipt of balance sheet, non-receipt of dividend warrants etc. During the last financial year, our Company received 221 complaints from shareholders, all of which stand resolved as on June 30, 2005.

Key Managerial Personnel

The details of our key managerial personnel are as follows:

Shri Ved Prakash Arya, 35 years is Director - Operations and Chief Operating Officer. He has done his Bachelor of Engineering and his MBA from Indian Institute of Management (Ahmedabad) after which he went to France on a one year research scholarship in International Marketing. He has over 10 years of work experience. He started his career with Hathway Investments Ltd., and have worked for ASIANET and H&R Johnson in various capacities. His previous assignment prior to joining PRIL was with GLOBUS as Chief Executive Officer. During the Last FY he was paid a gross remuneration of Rs. 12,012,800/-

Shiraj Dej, 48, Chief- Finance and Company Secretary, joined the Company in June 1997. He has earlier worked with Masira International Com. Limited and United Arab Emirates. He has 22 years of experience in the field of finance. He is a Chartered Accountant and Company Secretary by qualification. During the last FY he was paid a gross remuneration of Rs. 1,272,552/-

Chandra Prakash Toshniwal, 38, Chief Corporate Planning, joined the Company in May 1997. He has earlier worked with Donier Synthetics Limited, Orient Vegetexpo Limited and Control Print India Limited. He has 15 years of experience. He is a Chartered Accountant and Company Secretary by qualification. During the last FY he was paid a gross remuneration of Rs. 1,733,210/-

Rakesh Mittal, 53, Head Production House, joined the Company in October 2002. He has earlier worked with Morarje Goculdas Spinning & Weaving Company. He has 22 years of experience. He is an engineer by qualification and has also done his Doctorate. During the last FY he was paid a gross remuneration of Rs. 2,875,452/-

Damodar Mall, 42, President, Food Division, joined the Company in February 2005. He has earlier worked with Hindustan Lever Limited. He has 18 years of experience. He is an engineer with diploma in business management from Indian Institute of Management (Ahmedabad). During the last FY he was paid a gross remuneration of Rs. 3,002,130/-

Sanjay Jog, 45, Head Human Resource, joined the Company in July 2005. He has earlier worked with DHL Limited, Taj Hotels Group and RPG Enterprise. He has 23 years of experience in the field of human resource. He has done his Masters in Human Resource. His gross remuneration is Rs. 4,256,500/-

Krishankant Rathi, 43, Head Risk Management, joined the Company in January 2005. He has earlier worked with H & R Johnson (India) Limited. He has 20 years of experience. He is a Chartered Accountant and Company Secretary by qualification. During the last FY he was paid a gross remuneration of Rs. 3,476,640/-

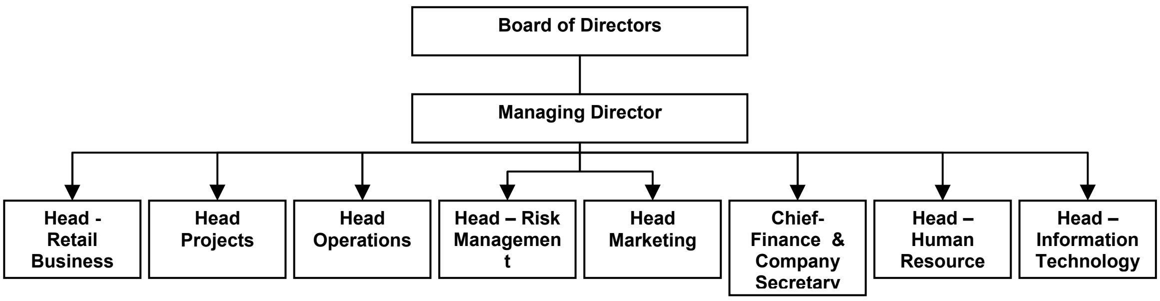
Sanjeev Agrawal, 38, President Marketing, joined the Company in April 2003. He has earlier worked with Hindustan Lever Limited, P & G Godrej Soaps and Balsara Home Products Limited. He has 16 years of experience. He is an Engineer and done his PGDM from Indian Institute of Management Ahmedabad. During the last FY he was paid a gross remuneration of Rs. 24,92,003/-

Kush Medhora, 39 years, Head-New Store, Safety & Maintenance, joined the Company in December 2003. He has earlier worked with Littlewoods and Westside. He has 14 years of experience. He is a B.Com Graduate. During the last FY he was paid a gross remuneration of Rs. 2,591,273/-

Chinar Deshpande, 36 years, Chief Information Technology, joined the Company in May 2004. He has earlier worked with Dodsal Private Limited, Hindustan Lever Limited, William M Mercer (USA) and Crompton Greaves Ltd. He has 12 years of experience. He is an Engineer and has done his MBA & MS from University of Louisville USA. During the last FY he was paid a gross remuneration of Rs. 3.085,584/-

All the abovementioned key managerial personnel are permanent employees of our Company. The remuneration of each of our key personnel is as per the statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

The organization structure of the senior management of our Company is given below:



Shareholding of our key managerial personnel in our Company

Name of Key Managerial Personnel	No. of Equity Shares held (Pre-Issue)
Rakesh Mittal	20
Sanjeev Agrawal	650

Interest of Promoters, Directors and key managerial personnel

Except as stated in "Related Party Transactions" on page 117 of this Draft Letter of Offer, and to the extent of shareholding in our Company, our Promoters and promoter group do not have any other interest in our business.

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in our Company, if any.

Except as stated otherwise in this Draft Letter of Offer, we have not entered into any contract, agreement or arrangement during the preceding two years from the date of this Draft Letter of Offer in which our Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them. Our Directors and our key managerial personnel have not taken any loan from our Company.

Changes in our key managerial employees during the last year

Name	Designation	Date of joining/leaving	Reasons
Sunil Nair	Head –Human Resource	December 3, 2004	Resignation
Krishankant Rathi	Head – Risk Management	January 2005	Appointment
Damodar Mall	President- Food Division	February 2005	Appointment

PROMOTER AND PROMOTER GROUP

Promoter

The promoter of our Company is Kishore Biyani.

Shri Kishore Biyani is the Managing Director of the Company. He is 45 years old and is a Commerce Graduate with a Post Graduate Diploma in Marketing Management and is the driving force behind innovating new concepts such as Big Bazaar- discount stores, Central Malls-seamless shopping. He has over 25 years of relevant experience in the field of manufacturing and marketing of ready-made garments. He is at the helm of affairs, guiding the group to its present status in the industry. He has won many awards such as the most recent one being 'Retail Face of the Year-Images Retail Awards 2005. For more details see the section on "Management" on page 78 of this Draft Letter of Offer.

Passport No.: E8159277
PAN No.: AACPB0199B
Driving License: 78/C/21787

The Promoter's bank account number and passport number have been provided to BSE, NSE, DSE and ASE

Promoter Group

Relatives of the Promoter that are part of the promoter group

The following relatives form part of our promoter group:

S.No.	Name	Relationship
1.	Laxminarayan Biyani	Father of Kishore Biyani
2.	Godavaridevi Biyani	Mother of Kishore Biyani
3.	Sangeeta Biyani	Wife of Kishore Biyani
4.	Ashni Biyani	Daughter of Kishore Biyani
5.	Anil Biyani	Brother of Kishore Biyani
6.	Lata Biyani	Wife of Anil Biyani
7.	Vivek Biyani	Son of Vijay Biyani
8.	Vijay Biyani	Brother of Kishore Biyani
9.	Santosh Biyani	Wife of Vijay Biyani

Persons whose shareholding is aggregated for the purpose of disclosing 'Shareholding of the Promoter Group'

S.No.	Name
1.	Gopikishan Biyani
2.	Sampat Biyani
3.	Rakesh Biyani
4.	Sunil Biyani
5.	Gopikishan Biyani HUF
6.	Rakesh Biyani HUF
7.	Sunil Biyani HUF

The following HUFs form part of our promoter group

S.No.	Name
1.	Kishore Biyani – HUF
2.	Laxminarayan Biyani – HUF
3.	Vijay Biyani – HUF
4.	Anil Biyani – HUF

The companies forming part of the promoter group include**:**

S. No	Name of the shareholders
1	Pantaloon Industries Limited
2	PFH Entertainment Limited
3	Varnish Trading Private Limited
4	Manz Retail Private Limited
5	Dhruv Synthetics Private Limited
6	KB Mall Management Company Limited
7	Nishta Mall Management Company Private Limited
8	Bartraya Mall Development Company Private Limited
9	Niyman Mall Management Company Private Limited
10	Acute Realty Private Limited
11	Anchor Malls Private Limited
12	Naman Mall Management Company Private Limited
13	Unique Malls Private Limited
14	Srishti Mall Management Company Private Limited
15	BLB Mall Management Company Private Limited
16	Idiom Design and Consulting Limited
17	Ambit Investment Advisory Company Limited
18	SoftBPO Gobal Services Limited

The partnership firm forming part of the promoter group include**:**

S. No	Name of the shareholders
1	Bansi Silk Mills

For details of shareholding of our Promoter and promoter group, refer to the section "Capital Structure" on page 25 of this Draft Letter of Offer.

PROMOTER GROUP COMPANIES

1 Pantaloon Industries Limited

Pantaloon Industries Limited ("PIL") was incorporated under the Companies Act, 1956 on July 15,1987 and has its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari-Vikhroli Road, Jogeshwari (East), Mumbai 400 060

The main activities of Pantaloon Industries Limited are to set up textile units and manufacturing and marketing of fabrics and readymade garments.

Shareholding as of September 30,2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1.	Promoters	22,82,270	38.95
2.	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/non-Government Inst)	17,03,600	29.07
3.	Private Bodies Corporate	9,48,665	16.19
4	Resident Individuals/ NRIs/OCBs	9,14,860	15.61
5	Others	7,730	0.13
6..	Mutual Funds and UTI	2,295	0.04
	Total	**58,59,420**	**100**

Board of Directors

1. Vijay Biyani
2. Anil Biyani
3. Sunil Biyani
4. Krishnakumar Murarka
5. Narendra Baheti
6. Pankaj Kapoor
7. Kishore Biyani
8. Hemang Savla

Financial Performance

The operating results of PIL for the fiscal 2001, 2002, 2003 and 2004 are as hereunder:

(In Rs. Millions except per share data)

	As at and for the year ended December 31,		
	2002	**2003**	**2004**
Net Sales and other Income	943.7	945.4	959.9
Profit/ (loss) after tax (before adjustments)	11.6	32.4	25.0
Equity capital (par value Rs. 10 per share)	58.7	58.7	58.7
Reserves	114.0	145.3	162.3
Earnings per share	1.97	5.52	4.29
Book value per Share (of Rs. 10 each)	31.08	36.50	39.44

Share Quotation

The shares are listed on BSE. The details of the highest and lowest price during the preceding six months are as follows:

	Highest	Date	Lowest	Date

	(Rs.)		(Rs.)	
April 2005	246	04/04/05	187	29/04/05
May 2005	297	20/05/05	185	09/05/05
June 2005	281	04/06/05	220	28/06/05
July 2005	269	25/07/05	220	21/07/05
August 2005	415	19/08/05	221	05/08/05
September 2005	442	14/09/05	318	23/09/05

Source: BSE Website

There has been no change in capital structure during the last six months and there was no public/rights issue in last three years. The company is not a sick company under SICA and is not under winding up

PIL has one subsidiary -**Indus-League Clothing Limited**

Indus-League League Clothing Limited ("ILCL") was incorporated under the Companies Act, 1956 on November 25 , 1998 and its Registered Office is at 16/2, Ali Asker Road, Bangalore 560 052.

The main object of ILCL is to manufacture, market and trade apparel aroducts and its accessories and other life style products.

Shareholding as of September 30,2005

S.No.	Name of the Shareholder	No. of Shares	Percentage of Holding
1	Pantaloon Industries Limited	11,865,722	71.39
2	Draper India International	1,981,200	11.92
3	Shree Nirman Limited	1,370,126	8.24
4	Dalmia Cement (Bharat) Limited	1,263,600	7.60
5	Anupama Investment Limited	140,252	0.84
6	Sriram Srinivasan	100	0.00
7	V Uday Kumar	100	0.00
8	Kanchan Pant	100	0.00
9	Arun Sirdeshmukh	100	0.00
10	MSS Jalaludin	100	0.00
11	Rachna Aggarwal	100	0.00
	Total	**16,621,500**	**100.00**

Board of Directors

1. Sriram Srinivasan
2. V Uday Kumar
3. Kanchan K Pant
4. Kishore Biyani
5. J Ramachandran
6. Kiran S Nadkarni
7. Bala Deshpande
8. Gautam Dalmia

Financial Performance

The operating results of ILCL the fiscal 2003, 2004 and 2005 are as hereunder::

(Rs. In Millions except per share data)

	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004	As at and for the year ended March 31, 2005

Net Sales and other Income	571.8	572.2	524.7
Profit/ (loss) after tax (before adjustments)	(0.8)	(13.1)	(47.4)
Equity capital (par value Rs. 10 per share)	66.4	66.4	166.2
Reserves	(35.6)	(48.7)	(45.9)
Earnings per share	N.A	N.A	N.A
Book value per Share (of Rs. 10 each)	3.69	2.59	7.24

The equity shares of ILCL are not listed. There has been no change in the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up

2. PFH Entertainment Limited

PFH Entertainment Limited ("PFH") was incorporated under the Companies Act, 1956 on March 8, 1996 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari-Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060.

PFH is currently engaged in the business of Advertising and Media.

Shareholding as of September 30,2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1	Quick Suppliers Private Limited	360,000	39.47
2	Ashirwad Savings & Investments Ltd.	182,800	20.04
3	Laxminarayan Biyani (HUF)	67,000	7.34
4	Gopikishan Biyani (HUF)	24,993	2.74
5	Ascend Capital Resources Pvt. Ltd.	24,500	2.69
6	Sanman Project Finance & Management (I) Pvt. Ltd.	21,000	2.3
7	Manz Retail Private Limited	20,000	2.19
8	Anil Biyani (held on behalf of Bansi Silk Mills)	18,000	1.97
9	Asya Sales & Management(I) Pvt. Ltd.	13,700	1.5
10	Anil Biyani	10,003	1.1
11	Vijay Biyani	10,001	1.1
12	Sunil Biyani	10,001	1.1
13	Rakesh Biyani	10,001	1.1
14	Gopikishan Biyani	10,000	1.1
15	Gopikishan Biyani (HUF)	10,000	1.1
16	Sunil Biyani (HUF)	10,000	1.1
17	Rakesh Biyani (HUF)	10,000	1.1
18	Laxminarayan Biyani	10,000	1.1
19	Laxminarayan Biyani (HUF)	10,000	1.1
20	Kishore Biyani (HUF)	10,000	1.1
21	Vijay Biyani (HUF)	10,000	1.1
22	Anil Biyani (HUF)	10,000	1.1
23	Pearl Capital Resources Pvt. Ltd.	10,000	1.1
24	Kishore Biyani	8,001	0.88
25	Rakesh K. Pincha	8,000	0.88
26	Rakesh K. Pincha (HUF)	8,000	0.88
27	Aruna Rakesh Pincha	8,000	0.88
28	Ruchi R Pincha	3,000	0.32
29	Vidhi R Pincha	3,000	0.32
30	Hema Malini	1,000	0.1
31	Nahta Komal	1,000	0.1

	Total	**912,000**	**100.00**

Board of Directors

1. Kishore Biyani
2. Laxminarayan Biyani
3. Gopikishan Biyani
4. Anil Biyani
5. Sanjeev Agrawal
6. Hema Malini
7. Shailesh Gupta
8. Komal Nahta.

Financial Performance

The operating results of PFH for fiscal 2003, 2004 and 2005 are as hereunder:

(In Rs. Millions except per share data)

	As at and for the year ended March 31, 2003	**As at and for the year ended March 31, 2004**	**As at and for the year ended March 31, 2005**
Net Sales and other Income	144.3	25.4	194.7
Profit/ (loss) after tax (before adjustments)	(60.0)	16.4	1.8
Equity capital (par value Rs. 10 per share)	2.5	9.1	9.1
Reserves	(63.4)	(20.7)	(18.8)
Earnings per share	N.A	17.93	2.02
Book value per Share (of Rs. 10 each)	(244.46)	(12.92)	(10.78)

The equity shares of PFH are not listed. There has been no change in the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up**.**

3. Varnish Trading Private Limited

Varnish Trading private Limited ("VTPL") was incorporated under the Companies Act, 1956 on February 22, 1994 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari -Vikhroli Link Road,Jogeshwari (East), Mumbai 400 060 .

The Company is engaged in the business of trading and investment for group company transactions.

Shareholding as of September 30, 2005

S. No	**Name of the Shareholder**	**No. of shares**	**Percentage of holding**
1	Laxminarayan Biyani (HUF)	9,500	11.82
2	Anil Biyani	9,495	11.81
3	Vijay Biyani	7,420	9.23
4	Kishore Biyani	6,600	8.21
8	Vijay Biyani (HUF)	6,495	8.08
9	Rakesh Biyani	6,000	7.46
10	Anil Biyani (HUF)	5,500	6.84
11	Sunil Biyani (HUF)	5,500	6.84
12	Gopikishan Biyani	5,395	6.72
13	Sunil Biyani	5,000	6.22
14	Gopikishan Biyani (HUF)	4,995	6.21
15	Sampat Biyani	4,200	5.22

16	Laxminarayan Biyani	2,500	3.11
17	Godavaridevi Biyani	1,500	1.87
18	Lata Biyani	100	0.12
19	Laxminarayan Biyani (HUF)*	100	0.12
20	Laxminarayan Biyani*	100	0.12
		80,400	**100.0**

* Held on behalf of Bansi Silk Mills

Board of Directors

1. Kishore Biyani
2. Vijay Biyani

Financial Performance

The operating results of VTPL for fiscal 2003, 2004 and 2005 are as hereunder:

(In Rs. Millions except per share data)

	As at and for the year ended March 31, 2003	**As at and for the year ended March 31, 2004**	**As at and for the year ended March 31, 2005**
Net Sales and other Income	289.8	95.3	103.0
Profit/ (loss) after tax (before adjustments)	0.4	6.5	2.2
Equity capital (par value Rs. 10 per share)	0.8	0.8	0.8
Reserves	(7.9)	(1.5)	0.7
Earnings per share	5.56	80.65	27.97
Book value per Share (of Rs. 10 each)	(89.45)	(8.78)	19.19

The equity shares of VTPL are not listed. There has been no change in the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up**.**

4. Manz Retail Private Limited

Manz Retail Private Limited ("MRPL") was incorporated under the Companies Act, 1956 on October 7 ,1994 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari -Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060.

The main activity of the company is to carry on the business of importers and exporters, buyers, sellers, distributors, agents, brokers, wholesale and retail dealers of men's, women's and children's clothing, leather garments, durables etc.

Shareholding as of September 30, 2005

S. No	**Name of the Shareholder**	**No. of shares**	**Percentage of holding**
1	Laxminarayan Biyani	1,500	15.00
2	Vijay Biyani	1,500	15.00
3	Kishore Biyani	1,502	15.00
4	Anil Biyani	1,500	15.00
5	Gopikishan Biyani	1,598	16.00
6	Sunil Biyani	1,200	12.00
7	Rakesh Biyani	1,200	12.00
	Total	**10,000**	**100.00**

Board of Directors

1. Kishore Biyani
2. Vinay Kumar Varma
3. C. P. Toshniwal

Financial Performance

The operating results of MRPL for fiscal 2003, 2004 and 2005 are as hereunder:

(In Rs. Millions except per share data)

	As at and for the year ended March 31, 2003	**As at and for the year ended March 31, 2004**	**As at and for the year ended March 31, 2005**
Net Sales and other Income	NIL	42.3	30.0
Profit/ (loss) after tax (before adjustments)	(0.1)	37.1	1.7
Equity capital (par value Rs. 10 per share)	0.1	0.1	0.1
Reserves	(0.4)	36.8	38.6
Earnings per share	N.A	3,718.10	173.45
Book value per Share (of Rs. 10 each)	(27.67)	3,693.65	3,867.10

The equity shares of MRPL are not listed. There has been no change in the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up.

5. Dhruv Synthetics Private Limited

Dhruv Synthetics Private Limited ("DSPL") was incorporated under the Companies Act, 1956 on April 23, 1984 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off. Jogeshwari Vikhroli Link Road,Jogeshwari (East), Mumbai 400

The Company is engaged in the business of manuafcturing and trading of fabrics.

Shareholding as of September, 2005

S. No	**Name of the Shareholder**	**No. of shares**	**Percentage of holding**
1	Kishore Biyani	9,199	51.11
2	Anil Biyani	1,966	10.92
3	Vijay Biyani	1,850	10.28
4	Sunil Biyani	1,266	7.04
5	Rakesh Biyani	1,200	6.67
6	Gopikishan Biyani	950	5.28
7	Laxminarayan Biyani	650	3.61
8	Sampatkumari Biyani	583	3.24
9	Godavaridevi Biyani	333	1.85
10	Laxminarayan Biyani, HUF	1	0
11	Gopikishan Biyani, HUF	1	0
12	Anil Biyani, HUF	1	0
	Total	**18,000**	**100.00**

Board of Directors

1) Vijay Biyani
2) Sunil Biyani
3) Navin Jain

Financial Performance

The operating results of DSPL for fiscal 2003, 2004 and 2005 are as hereunder:

(In Rs. Millions except per share data)

	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004	As at and for the year ended March 31, 2005
Net Sales and other Income	8.4	9.0	39.7
Profit/ (loss) after tax (before adjustments)	0.01	0.4	0.3
Equity capital (par value Rs. 10 per share)	1.8	1.8	1.8
Reserves	(7.1)	(6.8)	(6.5)
Earnings per share	0.54	22.37	15.00
Book value per Share (of Rs. 100 each)	(298.04)	(275.61)	(260.67)

The equity shares of DSPL are not listed. There has been no change in the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up**.**

6. KB Mall Management Company Limited

KB Mall Management Company Limited ("KBMMCL") was incorporated under the Companies Act, 1956 on June 28, 2004 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060.

The main object of KBMMCL is to carry on the business of administration, management, consultancy and maintain the mall in India or abroad, by designing and construction of the mall by acquiring the land or building on lease or freehold or any commercial or industrial or residential building and also to carry on business as contractors, builders and land developers of mall and to act as surveyors, architects, civil engineers, decorators, water proofing contractors for mall.

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1	Kishore Biyani	8,000	16.00
2	Vijay Biyani	7,000	14.00
3	Gopikishan Biyani	7,000	14.00
4	Anil Biyani	7,000	14.00
5	Rakesh Biyani	7,000	14.00
6	Sunil Biyani	7,000	14.00
7	Laxminarayan Biyani	7,000	14.00
	Total	**50,000**	**100**

Board of Directors

1) Kishore Biyani
2) Vijay Biyani
3) Gopikishan Biyani

Financial Performance

The operating results of KBMMCL for fiscal 2005 is as hereunder:

(In Rs. Milliosn except per share data)

	As at and for the year ended March 31, 2005
Net Sales and other Income	10.8

Profit/ (loss) after tax (before adjustments)	(0.9)
Equity capital (par value Rs. 10 per share)	0.5
Reserves	(0.9)
Earnings per share	N.A
Book value per Share (of Rs. 10 each)	(8.48)

The Company has limited operations since it has been incorporated in June 2004

The equity shares of KBMMCL are not listed. There has been no change in the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up.

7. Nishta Mall Management Company Private Limited

Nishta Mall Management Company Private Limited ("NMMCPL") was incorporated under the Companies Act, 1956 on August 16, 2004 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off. Jogeshwari Vikhroli Link Road Jogeshwari (East), Mumbai 400 060

The main object of NMMCPL is to acquire, develop, improve, build, sell, lease, manage, commercially exploit and otherwise deal in real estate, properties of all nature and description or any rights therein including land, buildings and other estate and realty including shopping malls and commercial complexes

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1.	Kishore Biyani	5,000	50
2.	Anil Biyani	5,000	50
	Total	**10,000**	**100**

Board of Directors

1) Kishore Biyani
2) Anil Biyani

Financial Performance

The operating results of NMMCPL for fiscal 2005 is as hereunder:

(In Rs. Millions except per share data)

	As at and for the year ended March 31, 2005
Net Sales and other Income	NIL
Profit/ (loss) after tax (before adjustments)	NIL
Equity capital (par value Rs. 10 per share)	0.1
Reserves	NIL
Earnings per share	NIL
Book value per Share (of Rs. 10 each)	10

The Company has limited operations since it has been incorporated in August 2004

The equity shares of NMMCPL are not listed. There has been no change in the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up**.**

8. Bartraya Mall Development Company Private Limited

Bartraya Mall Development Company Private Limited ("BMDCPL") was incorporated under the Companies Act, 1956 on August 16, 2004 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060

The main object of BMDCPL is to acquire, develop, improve, build, sell, lease, manage, commercially exploit and otherwise deal in real estate, properties of all nature and description or any rights therein including land, buildings and other estate and realty including shopping malls and commercial complexes.

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1	Kishore Biyani	5,000	50
2	Sunil Biyani	5,000	50
	Total	**10,000**	**100**

Board of Directors

1) Kishore Biyani
2) Sunil Biyani

Financial Performance

The operating results of BMDCPL for fiscal 2005 is as hereunder:

(In Rs. Millions except per share data)

	As at and for the year ended March 31, 2005
Net Sales and other Income	NIL
Profit/ (loss) after tax (before adjustments)	(0.02)
Equity capital (par value Rs. 10 per share)	0.1
Reserves	(0.02)
Earnings per share	(1.54)
Book value per Share (of Rs. 10 each)	8.46

The Company has limited operations since it has been incorporated in August 2004

The equity shares of BMDCPL are not listed. There has been no change in the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up

9. Niyman Mall Management Company Private Limited

Niyman Mall Management Company Private Limited ("NIMMCPL") was incorporated under the Companies Act, 1956 on August 16,2004 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off. Jogeshwari Vikhroli Link Road,Jogeshwari (East), Mumbai 400 060

The main object of NIMMCPL is to acquire, develop, improve, build, sell, lease, manage, commercially exploit and otherwise deal in real estate, properties of all nature and description or any rights therein including land, buildings and other estate and realty relating to shopping malls and commercial complexes

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1.	Kishore Biyani(as Karta of HUF)	2,000	20.00
2.	Vijay Biyani	2,000	20.00
3.	Vijay Biyani (as Karta of HUF)	2,000	20.00
4.	Anil Biyani (as Karta of HUF)	2,000	20.00
5.	Sunil Biyani (as Karta of HUF)	2,000	20.00
	Total	**10,000**	**100**

Board of Directors

1) Vijay Biyani
2) Anil Biyani

Financial Performance

The operating results of NIMMCPL for fiscal 2005 is as hereunder:

(In Rs. Millions except per share data)

	for the period ended March 31, 2005
Net Sales and other Income	NIL
Profit/ (loss) after tax (before adjustments)	NIL
Equity capital (par value Rs. 10 per share)	0.1
Reserves	NIL
Earnings per share	NIL
Book value per Share (of Rs. 10 each)	10

The Company has limited operations since it has been incorporated in August 2004

The equity shares of NIMMCPL are not listed. There has been no change in the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up.

10. Acute Realty Private Limited

Acute Realty Private Limited ("ARPL") was incorporated under the Companies Act, 1956 on March 15 2005 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060

The main object of ARPL is to acquire, develop, improve, build, sell, lease, manage, commercially exploit and otherwise deal in real estate, properties of all nature and description or any rights therein including land, buildings and other estate and realty including shopping malls, commercial and residential complexes

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1.	Kishore Biyani	10	-

2.	Sunil Biyani	5,000	50
3.	Vijay Biyani	4,990	50
	Total	**10,000**	**100**

Board of Directors

1) Kishore Biyani
2) Rakesh Biyani
3) Anil Biyani

Financial Performance

The operating results of ARPL for fiscal 2005 is as hereunder:

(In Rs. Millions except per share data)

	For the period ended March 31, 2005
Net Sales and other Income	NIL
Profit/ (loss) after tax (before adjustments)	(0.01)
Equity capital (par value Rs. 10 per share)	0.1
Reserves	(0.01)
Earnings per share	N.A
Book value per Share (of Rs. 10 each)	8.56

The Company has limited operations since it has been incorporated in March 2005

The equity shares of ARPL are not listed. There has been no change in the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up.

11. Anchor Malls Private Limited

Anchor Malls Private Limited ("AMPL") was incorporated under the Companies Act, 1956 on June 1, 2005 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari- Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060

The main object of AMPL is to acquire, develop, improve, build, sell, lease, manage, commercially exploit and otherwise deal in real estate, properties of all nature and description or any rights therein including land, buildings and other estate and realty including shopping malls, commercial and residential complexes

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1	KB Mall Management Co. Ltd	4,900	49
2	Manz Retail Private Ltd.	4,900	49
3	Kishore Biyani	200	2
	Total	**10,000**	**100%**

Board of Directors

1) Kishore Biyani
2) Anil Biyani
3) C.P. Toshniwal

The company was incorporated on June 1,2005. Hence the financial performance is not available.

The equity shares of AMPL are not listed. There has been no change in the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up**.**

12. Naman Mall Management Company Private Limited

Naman Mall Management Company Private Limited ("NAMMCPL") was incorporated under the Companies Act, 1956 on June 2, 2005 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060

The main object of NAMMCPL is to acquire, develop, improve, build, sell, lease, manage, commercially exploit and otherwise deal in real estate, properties of all nature and description or any rights therein including land, buildings and other estate and realty including shopping malls, commercial and residential complexes

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1	KB Mall Management Co. Ltd	4,900	49
2	Manz Retail Private Ltd.	4,900	49
3	Kishore Biyani	200	2
	Total	**10,000**	**100**

Board of Directors

1) Kishore Biyani
2) Anil Biyani
3) C.P. Toshniwal

The company was incorporated on June 2, 2005. Hence the financial performance is not available.

The equity shares of NAMMCPL are not listed. There has been no change to the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up**.**

13. Unique Malls Private Limited

Unique Malls Private Limited ("UMPL") was incorporated under the Companies Act, 1956 on August 3, 2005 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari -Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060

The main object of UMPL is to acquire, develop, improve, build, sell, lease, manage, commercially exploit and otherwise deal in real estate, properties of all nature and description or any rights therein including land, buildings and other estate and realty including shopping malls, commercial and residential complexes

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1	KB Mall Management Co. Ltd	4,900	49
2	Manz Retail Private Ltd.	4,900	49

3	Kishore Biyani	200	2
	Total	**10,000**	**100**

Board of Directors

1) Kishore Biyani
2) Anil Biyani
3) C.P. Toshniwal

The company was incorporated on August 3, 2005. Hence the financial performance is not available

The equity shares of UMPL are not listed. There has been no change to the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up**.**

14. Srishti Mall Management Company Private Limited

Srishti Mall Management Company Private Limited ("SMMCPL") was incorporated under the Companies Act, 1956 on August 3, 2005 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060.

The main object of SMMCPL is to acquire, develop, improve, build, sell, lease, manage, commercially exploit and otherwise deal in real estate, properties of all nature and description or any rights therein including land, buildings and other estate and realty including shopping malls, commercial and residential complexes.

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1	KB Mall Management Co. Ltd	4,900	49
2	Manz Retail Private Ltd.	4,900	49
3	Kishore Biyani	200	2
	Total	**10,000**	**100**

Board of Directors

1) Kishore Biyani
2) Anil Biyani
3) C.P. Toshniwal

The company was incorporated on August 3, 2005. Hence the financial performance is not available

The equity shares of SMMCPL are not listed. There has been no change to the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up**.**

15. BLB Mall Management Company Private Limited

BLB Mall Management Company Private Limited ("BMMCPL") was incorporated under the Companies Act, 1956 on August 8, 2005 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off. Jogeshwari Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060

The main object of BMMCPL is to acquire, develop, improve, build, sell, lease, manage, commercially exploit and otherwise deal in real estate, properties of all nature and description or any rights therein including land, buildings and other estate and realty including shopping malls, commercial and residential complexes

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1	KB Mall Management Co. Ltd	4,900	49
2	Manz Retail Private Ltd.	4,900	49
3	Kishore Biyani	200	2
	Total	**10,000**	**100**

Board of Directors

1) Kishore Biyani
2) Anil Biyani
3) C.P. Toshniwal

The company was incorporated on August 8, 2005. Hence the financial performance is not available

The equity shares of BMMCPL are not listed. There has been no change to the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up**.**

16. Idiom Design and Consulting Limited

Idiom Design and Consulting Limited ("IDCL") was incorporated under the Companies Act, on February 7 2005 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari - Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060

The main object of IDCL is to provide design solutions and consultancy.

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1	Ms. Avanee & Ashni Securities Pvt. Ltd.	1,00,000	66.67
2	Kishore Biyani	49994	33.33
3	Ved Prakash Arya	1	0.00
4	C. P. Toshniwal	1	0.00
5	Shiraj Dej	1	0.00
6	Rajesh Kalyani	1	0.00
7	Pankaj Patel	1	0.00
7	Laxmikant Kotian	1	0.00
	Total	**1,50,000**	**100**

Board of Directors

1) Kishore Biyani
2) Ved Prakash Arya
3) C.P. Toshniwal
4) Jacob Mathew
5) Girish Raj

The equity shares of IDCL are not listed.

17. Ambit Investment Advisory Company Limited

Ambit Investment Advisory Company Limited was incorporated under the Companies Act, on August 3, 2005 with its registered office at Pantaloon Knowledge House, Shyam Nagar, Off Jogeshwari - Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060

The main object of the company is to carry on the business of providing financial investment advisory services, management and facilitation services, including but not limited to identifying investment opportunities, providing investment recommendations and consultancy service for making available infrastructure to venture capital funds, including the trustees, beneficiaries and contributories of such fund, other funds, trusts, investment companies, joint ventures, corporate, institutional, group and individual investors

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1	Kishire Biyani	49,994	100
2	Vedprakash Arya	1	0.00
3	C P Toshniwal	1	0.00
4	Shiraj Dej	1	0.00
5	Rajesh Kalyani	1	0.00
6	Pankaj Patel	1	0.00
7	Sharad Venkata	1	0.00
	Total	**50,000**	**100**

Board of Directors

1) Kishore Biyani
2) Krishankant Rathi
3) Dinesh Roopchand Jain

The company was incorporated on August 3, 2005. Hence the financial performance is not available

The equity shares of IDCL are not listed. There has been no change to the capital structure of the company for the last six months. The company is not a sick company under SICA and is not under winding up**.**

18. SoftBPO Global Services Limited

SoftBPO Global Services Limited ("SGSL") was incorporated under the Companies Act, 1956 on October 3,1981 and has its registered office at Off; A-9, Raj Industrial Complex, Marol, Andheri (E), mumbai 400 059.

The Company is engaged in the business of software development, trading and licensing of software technology products and providing software services.

Shareholding as of September 30, 2005

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1.	Promoters (including Persons acting in concert)	1,34,770	89.84%
2.	Private Bodies Corporate	14,230	9.49%
3.	Resident Individuals	1,000	0.66%
	Total	**1,50,000**	**100**

Board of Directors

1. Lalit S. Kanodia
2. Asha L.Kanodia
3. Mahesh Somani
4. Krishnakumar Damani

Financial Performance

The operating results of SGSL for the fiscal 2002, 2003 and 2004 are as hereunder:

(In Rs. Millions except per share data)

	As at and for the year ended March 31,		
	2003	**2004**	**2005**
Net Sales and other Income	1	1.4	0.6
Profit/ (loss) after tax (before adjustments)	0.2	(1.6)	(0.2)
Equity capital (par value Rs. 10 per share)	1.5	1.5	1.5
Reserves	1.4	(0.2)	(0.4)
Earnings per share	2.89	NA	NA
Book value per Share (of Rs. 10 each)	18.46	7.84	6.60

Share Quotation

The shares of SGSL are listed on BSE. There was no trading in the shares in the last 6 months except on June 20,2005 on which date the closing price was Rs. 235/-

There is no change in the capital structure during the last six months and there was no public/rights issue in the last three years. The company is not a sick company under SICA and is not under winding up

Partnership Firms that are part of the Promoter Group

1. Bansi Silk Mills

Bansi Silk Mills, a partnership firm, having its principal office is located at 86 Mirza Street, 4th Floor , Venkatesh Bhavan, Mumbai 400 003 and was it set up with the object to carry trading in textiles. The firm was constituted vide a partnership deed dated August 22,1985 under the Indian Partnership Act,1932 and was reconstituted on January 17, 2003 vide a supplemental deed of Partnership.

As on March 31, 2005 the partners are as follows:

S. No	Name of the Partner	Interest
1	Gopikishan Biyani HUF	38%
2	Laxminarayan Biya ni HUF	35%
3	Sitaram Biyani HUF	1%
4	Anil Biyani	25%
5	Bajrang Dal Biyani HUF	1%
	Total	**100**

Financial Performance (Rs. Millions)

	Year ended March 31,2003	Year ended March 31, 2004	Year ended March 31, 2005
Income	42.6	92.7	78.01

Profit Before Tax	8.9	72	5.39
Partner's Capital Account	17.8	59.3	61.27

HUFs that are part of the Promoter Group

1. Kishore Biyani HUF

Kishore Biyani HUF was formed in January 4, 1999. Kishore Biyani is the Karta of the HUF and Sangeeta Biyani, Ashni Biyani and Avn Biyani are the members.

2. Vijay Biyani HUF

Vijay Biyani HUF, was formed in January 4, 1987. Vijay Biyani is the Karta of the HUF and Santosh Biyani, Vivek Biyani and Keshav Biyani are the members.

3. Laxminarayan Biyani HUF

Laxminarayan Kumar Biyani HUF, was formed in December 4, 1953. Laxminarayan Biyani is the Karta of the HUF and Godavari Devi Biyani, Vijay Biyani and Kishore Biyani are the members.

4. Anil Biyani HUF

Anil Biyani HUF, was formed in January 4, 1999. Anil Biyani is the Karta of the HUF and Lata Biyani , Nikunj Biyani and Nishita Biyani are the members.

Companies/Firms with which the promoters have disasociated During the Preceeding three years

Messers Kishore Kumar Biyani

Messers Kishore Kumar Biyani, a partnership firm, having its principal office at 86 Mirza Street, 4th Floor , Venkatesh Bhavan, Mumbai 400 003 and was set up with the object to carry on the business of trading in textiles.The firm was constituted vide a partnership deed dated August 22, 1985 under the Indian Partnership Act,1932 and was reconstituted on April 2, 1994 and further on January 1,1997.

As on June 30, 2005 the partners are as follows:

S. No	Name of the Partner	Interest
1	Laxminarayan Biyani	30%
2	Gopikishan Biyani	30%
3	Vijay L. Biyani	14%
4	Kishore L. Biyani	14%
5	Sunil G. Biyani	12%
	Total	

Financial Performance (Rs million)

	Year ended March 31,2003	Year ended March 31, 2004	Year ended March 31, 2005
Income	11.7	13.2	*
Profit Before Tax	0.2	13.8	*
Partner's Capital Account	(28.3)	14.9	*

* The firm has closed its operations.

The firm has been dissolved pursuant to a dissolution deed dated July 18,2005.

Companies for which application have been made to Registrar of Companies for striking iff name

No application has been made to ROC for striking off the name of any of our subsidiary or promoter Group Companies.

SUBSIDIARIES AND ASSOCIATES

Our Company has four subsidiaries (i) Home Solutions Retail (India) Limited (“HSRIL”) (ii) PFH Investment Advisory Company Limited (“PIACL”) (iii) PAN India Restaurants Limited (“PIRL”)(iv) Pantaloon Food Product (India) Limited (“PFPIL”)

I. Home Solutions Retail (India) Limited

Home Solutions Retail (India) Limited was incorporated under the Companies Act, 1956 on October 4, 2004 and has its registered office is at Pantaloon Knowledge House, Shyam Nagar, Off. Jogeshwari Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060 .

The main business of Home Solutions Retail (India) Limited is to act as general retailers in the home textiles and furnishing business. The stores will offer customised home solutions by in-house designers, fabrics, tailoring facilities and innovative services like budget homes etc. It will cater to home management requirements and products, including furnishings and textiles, furniture, consumer electronics, home electricals and home services

Board of Directors

1. Raghu Pillai
2. Kishore Biyani
3. Jacob Mathew
4. Arvinder Singh Johar
5. Krishankant Rathi

Shareholding as on September 30,2005

S. No	Name of Share Holder	No. of shares	Percentage of holding
1.	Pantaloon Retail (India) Limited	33,329	66.66
2.	Unitech Holdings Limited	16,666	33.33
3.	Kishore Biyani	1	0.00
4.	Arvinder Singh Johar	1	0.00
5.	Shiraj Dej	1	0.00
6.	Chandraprakash Toshniwal	1	0.00
7.	Ved Prakash Arya	1	0.01
	Total	**49,995**	**100.0**

Financial performance

The operating results of HSRIL for fiscal 2005 is as hereunder:

(in Rs. Millions except per share data)

	As at and for the year ended March 31, 2005
Net Sales and other Income	0
Net Profit as Restated	(0.27)
Equity capital (par value Rs. 10 per share)	0.5
Reserves	(0.27)
Earnings per share	(11.01)
Book value per Share (of Rs. 10 each)	4.63

The equity shares of HSRIL are not listed. There is no change in the capital structure during the last six months The company is not a sick company under SICA and is not under winding up

II. PFH Investment Advisory Company Limited

PFH Investment Advisory Company Limited was incorporated under the Companies Act, 1956 on December 31,2004. Its registered office is at Pantaloon Knowledge House, Shyam Nagar, Off. Jogeshwari Vikhroli Link Road,Jogeshwari (East), Mumbai 400 060.

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, including but not limited to identifying investment opportunities, providing investment recommendations and consultancy service for making available infrastructure to venture capital funds, including the trustees, beneficiaries and contributories of such fund, other funds, trusts, investment companies, joint ventures, corporate, institutional, group and individual investors.

Board of Directors

1. Kishore Biyani
2. Ved Prakash Arya
3. Ajay Chandra
4. Puneet Dalmia
5. Gaurav Dalmia

Shareholding

The equity shareholding pattern of PIACL as of September 30, 2005 is as under:

S. No	Name of Share Holder	No. of shares	Percentage of holding
1.	Pantaloon Retail (India) Limited	7,59,994	76.00
2.	Shree Nirman Limited	2,40,000	24.00
3.	Unitech Holdings Limited	1	0.00
4	Kishore Biyani	1	0.00
65.	Arvinder Singh Johar	1	0.00
7.6	Shiraj Dej	1	0.00
7	Chandraprakash Toshniwal	1	0.00
8	Ved Prakash Arya	1	0.01
	Total	**50,000**	**100.0**

Financial Performance
The first financial results will be prepared for a 15 month period ending on March .31,2006.
The equity shares of PIACL are not listed. The company is not a sick company under SICA and is not under winding up**.**

III PAN India Restaurants Limited

PAN India Restaurants Limited was incorporated under the Companies Act, 1956 on February 7 ,2005. Its registered office is at Pantaloon Knowledge House, Shyam Nagar, Off. Jogeshwari Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060 .

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 houses, dhabas, bars, cafeterias, resorts, club houses, roadhouses, motels, holiday camps, caravans, site and apartment housekeeper, retail format stores, hypermarkets, supermarkets, mega stores/discount stores, departmental stores, shoppers plaza, direct to home and mail order catalogue through internet and other forms for all food products and services and amusement and recreation parks/facilities, and casinos and gaming facilities of every kind or sort including providing all attendant conveniences, amenities and facilities adjunct and to serve food and food products.

Board of Directors

1. Kishore Biyani
2. Ved Prakash Arya
3. Chandraprakash Toshniwal

Shareholding

The equity shareholding pattern of PIRL as of September 30, 2005 is as under:

Sl. No.	Name of the shareholder	No. of shares held	% to the total paid up capital
1	Pantaloon Retail (India) Ltd.	32,00,000	98.46
2	Kishore Biyani	49,994	1.54
3	Ved Prakash Arya	1	0.00
4	C.P. Toshniwal	1	0.00
5	Shiraj Dej	1	0.00
6	Rajesh Kalyani	1	0.00
7	Pankaj Patel	1	0.00
8	Laxmikant Kotian	1	0.00
	TOTAL	**32,50,000**	**100.00**

Financial Performance

The first financial results will be prepared for the period ending on March .31,2006
The equity shares of PIRL are not listed. The company is not a sick company under SICA and is not under winding up**.**

IV Pantaloon Food Product (India) Limited

Pantaloon Food Product (India) Limited was incorporated under the Companies Act, 1956 on April 13, 2005. Its registered office is at Pantaloon Knowledge House, Shyam Nagar, Off. Jogeshwari Vikhroli Link Road,Jogeshwari (East), Mumbai 400 060 .

The main business of Pantaloon Food Product (India) Limited is to manufacture and supply food products.

Board of Directors

1) Damodar Shyamsunder Mall
2) Krishankant Rathi
3) Narendra Rameshwarlal Baheti

Shareholding

The equity shareholding pattern of PFPIL as of September 30, 2005 is as under:

S. No	Name of Share Holder	No. of shares	Percentage of holding
1.	Pantaloon Retail (India) Limited	49,994	99.99
2.	Damodar Shyamsunder Mall	1	0.00
3.	Krishankant Rathi	1	0.00
4.	Chandraprakash Toshniwal	1	0.00
5.	Narendra Rameshwarlal Baheti	1	0.00
6.	Rajesh Kalyani	1	0.00

7.	Sharad Venkta	1	0.01
	Total	**50,000**	**100.0**

The first financial results will be prepared for the period ending on March .31,2006

The equity shares of PFPIL are not listed. The company is not a sick company under SICA and is not under winding up.

Associates Companies

I **Kshitij Venture Capital Fund**

Kshitij Venture Capital Fund ("KVCF") is a domestic venture capital fund registered with the Securities and Exchange Board of India. KVCF was set up under an indenture of trust dated December 15, 2004. While PRIL is the Settlor, IL&FS Trust Company Limited is the the trustees. PFH Investment Advisory Company Limited was appointed as the investment advisor to KVCF to manage the business affairs of the Trust vide Investment Advisory Agreement dated April 14, 2005.

KVCF has been set up to invest in entities engaged in the real estate sector dealing more specifically in immovable property of any kind and any rights therein. KVCF has limited operations, hence the financials are not available.

II **Galaxy Entertainment Corporation Limited**

Galaxy Entertainment Corporation Limited ("Galaxy") was incorporated under Companies Act, 1956 on August 13, 1981. Its registered office is at 54, Free Press Marg, 215 Nariman Point, Mumbai 400 021.

We have acquired 20,00,000 equity shares constituting 15.73% stake in the company through a Share Subscription Agreement dated March 4, 2005.

Galaxy is currently engaged in the business of leisure and entertainment, running restaurants, bowling alley and various games. Galaxy has two subsidiaries viz; Galaxy Rain Restaurants Private Limited and Ceezee Foods Private Limited.

Board of Directors

1. Atul Ruia
2. Bharat Ruia
3. Rajneesh Agarwal
4. Sanjay Seksaria
5. Kishore Biyani

Shareholding

The equity shareholding pattern of Galaxy as of September 30 , 2005 is as under.

S. No	Name of Share Holder	No. of shares	Percentage of holding
1.	Promoters	62,66,629	49.30
2	Public and others	50,10,858	39.42
3.	FII	14,34,513	11.28
	Total	**1,27,12,000**	**100**

Note: Since the allotment of equity shares to PRIL is more than 15% threshold under Regulation 10 of the Takeover Code, 1997 as amended from time to time, PRIL has made a public announcement on February 23, 2005 to acquire 20% equity shares from Public of the post Issue Voting Capital of the Company. The offer period was from April 14, 2005 to May

19, 2005. Chatterjee Management Services Limited along with its persons acting in concert who were the promoters have intimated the BSE vide letter dated February 18, 2005 that they have ceased to be promoter of Galaxy and that PRIL will be termed as promoter. SEBI's final approval is pending for the open offer

Financial Performance

The operating results of Galaxy for fiscal 2003, 2004 and 2005 are as hereunder:

(Rs. Millions except per share data)

	As at and for the year ended March 31, 2003	**As at and for the year ended March 31, 2004**	**As at and for the year ended March 31, 2005**
Income	104.6	230.7	144.9
Profit/ (loss) after tax (before adjustments)	10.3	17.7	6.7
Equity capital (par value Rs. 10 per share)	107.1	107.1	127.1
Reserves	194	204.5	279.2
Earnings per share	0.97	1.65	0.63
Book value per Share (of Rs. 10 each)	27.43	29.08	31.96

Share Quotation

The shares are listed on BSE. The details of the highest and lowest price during the preceding six months are as follows:

	Highest (Rs.)	**Date**	**Lowest (Rs.)**	**Date**
April 2005	98.5	19/04/05	82	15/04/05
May 2005	155.05	27/05/05	79.65	03/05/05
June 2005	186.45	15/06/05	143.85	04/06/05
July 2005	231.5	26/07/05	154.5	1/07/05
August 2005	358.65	31/08/05	195.25	09/08/05
September 2005	420.4	21/09/05	315	14/09/05

Source: BSE Website

Except for the preferential allotment to PRIL there has been no change in capital structure during the last six months and there has been no public/rights issue in last three years.

Galaxy has two subsidiaries:

Ceeze Foods Private Limited

Ceeze Foods Private ("CFPL") was incorporated under Companies Act, 1956 on April 13, 2000. Its registered office is at A-602, Prathamesh, Raghuvanshi Mills Compound, Lower Parel, Mumbai – 400 013.

The Company is engaged in the business of running directly or indirectly, through franchising or otherwise within India or outside India restaurants, hotels, shopping malls, swimming pools, clubs and other recreational facilities of all kinds.

Board of Directors

1. Atul Ruia
2. Bharat Ruia
3. Rajneesh Agarwal
4. Vinit Store
5. Kishore Biyani

6. Suketu V Shah

Shareholdingpattern as on September 30,2005

S. No	Name of Share Holder	No. of shares	Percentage of holding
1.	Galaxy Entertainment Corporation Limited	99,694	99.99
2.	Galaxy Entertainment Corporation Limited (Preference Shares)	300	0.01
3.	Atul Ruia	1	0.00
4.	Bharat Ruia	1	0.00
5.	Rajneesh Agrawal	1	0.00
6.	Tuhin Parikh	1	0.00
7..	Vinit Store	1	0.00
8.	Falguni Mehta	1	0.00
	Total	100,000	100

The financial performance of CFPL for the last three years is as follows:

	Year ended March 31, Rs in Millions except per share data		
	2003	**2004**	**2005**
Net Sales and other income (excl stock adjustment)	6.1	9.6	7.9
Profit after tax (after extra-ordinary items)	(3.8)	(4.1)	(5.0)
Reserves*	(4.8)	(8.9)	(13.9)
Earnings per share	NA	NA	NA
Book Value per share	35.25	(2.04)	(48.64)

Galaxy Rain Restaurants Private Limited

Galaxy Rain Restaurants Private Limited was incorporated under Companies Act, 1956 on April 12, 2000. Its registered office is at A-602, Prathamesh, Raghuvanshi Mills Compound, Lower Parel, Mumbai – 400 013. Galaxy Rain Restaurants Private Limited is a wholly owned subsidiary of Galaxy.

The main object of the Company is to carry on business of restaurants, cafes, refreshments rooms, clubs and casinos of every sort and kind, to establish shops, canteens, kitchens, and any other establishments, for this purpose and for the sale of food and drink of every sort and kind and to arrange for and provide all manner of entertainment, amusements, recreation and instruction for the public.

Board of Directors

1. Atul Ruia
2. Bharat Ruia
3. Rajneesh Agarwal
4. Kishore Biyani

The financial performance for the last three years is as follows:

	Year ended March 31, Rs in Millions except per share data		
	2003	**2004**	**2005**
Net Sales and other income (excl stock adjustment)	NIL	NIL	NIL
Profit after tax (after extra-ordinary items)	(0.01)	(0.01)	(0.2)
Reserves*	(0.02)	(0.04)	(0.3)
Earnings per share	NA	NA	NA
Book Value per share	6.39	5.64	(22.80)

OUR JOINT VENTURE COMPANIES

I. Planet Sports Private Limited (India)

Planet Sports Private Limited (India) was incorporated under the Companies Act, 1956 on November 15,1999. Its registered office is at 7A & 8A, Gaurav Towers, Malviya Nagar. Jaipur, Rajasthan.

We have acquired 28,40,880 equity shares constituting 49% stake in the company vide Joint Venture agreement dated February 2, 2005.

Planet Sports Private Limited (India) is a sports, leisure and lifestyle retail store. There are 25 Planet Sports Stores in Inida. The product range includes footwear,apparel,caps, accessories, tennis racquets,golf clubs and balls, swimwear and accessories, water sports etc. Planet sports is the exclusive franchisee of The Athelete's Foot-footwear chain in India. Planet Sports wholly owned subsidiary, Supreme Trade Links Limited is the exclusive franchisee for Marks & Spencer stores in India. Besides, it is the exclusive licensee and distributor for brands such as Puma and Speedo in India.

Board of Directors

1. Virendra Prakash Sharma
2. Arun Bhardwaj
3. Kishore Biyani
4. Ved Prakash Arya

Shareholding

The equity shareholding pattern as of September 30, 2005 is as under:

S. No	Name of Share Holder	No. of shares	Percentage of holding
1.	Magnus Fashion Tradelinks Pvt. Ltd.	2,956,834	51.00
2.	Pantaloon Retail (India) Limited	2,840,880	49.00
	Total	**5,797,714**	**100**

Financial Performance

The operating results for fiscal 2003,2004 and 2005 are as hereunder**:**

(Rs. Millions except per share data)

	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004	As at and for the year ended March 31, 2005
Net Sales and other Income	298.8	262.3	302.2
Profit/ (loss) after tax (before adjustments)	(16.2)	2.1	2.4
Equity capital (par value Rs. 10 per share)	22.9	22.9	58
Reserves*	37.9	40	198.7
Earnings per share	NIL	0.91	0.86
Book value per Share (of Rs. 10 each)	26.55	27.44	44.27

*Net of Revaluation Reserve, inclusive of deferred tax

The shares of Planet Sports are not listed. The company is not a sick company under SICA and is not under winding up.

II. Proposed Joint Venture with Liberty Shoes Limited

An MOU has been signed with Liberty Shoes Limited on August 29, 2005 to enter into a Joint Venture for setting up a chain of stores for retailing of footwear and other accessories. For this purpose the new company is proposed to be set up , with an authorized share capital of Rs. 250 million. Under the terms of the Agreement, we will acquire a 51% stake in the new company by subscribing to 12.75 million equity shares of Rs.10 each at par aggregating to Rs. 127.5 million as equity contribution.

RELATED PARTY TRANSACTIONS

The list of related parties and the transactions entered into during the current period are as follows:

DETAILS OF THE LIST OF RELATED PARTIES AND NATURE OF RELATIONSHIPS

Particular	Year ended June 30,2003	Year ended June 30,2004	Year ended June 30,2005
Nature of RelationShip	**Name of Party**	**Name of Party**	**Name of Party**
Associate companies/Firm	Pantaloon Industries Ltd.	Pantaloon Industries Ltd.	Pantaloon Industries Ltd.
	PFH entertainment Ltd.	PFH entertainment Ltd.	Indus League Clothing Ltd.
	Manz Retail Pvt Ltd	Manz Retail Pvt Ltd	KB Mall Management Co. Limited
	Bansi Silk Mills	Bansi Silk Mills	PFH entertainment Ltd.
	Dhruv Synthetics Pvt Ltd	Dhruv Synthetics Pvt Ltd	Mark Middleast, L.L.C., Dubai (For part of the year)
	Mark Middleast,L.L.C.,Dubai	Mark Middleast,L.L.C.,Dubai	Manz Retail Pvt. Ltd.
			Idiom Design & consulting Ltd.
			Nishta Mall Management Company Pvt. Ltd.
			Niyaman Mall Management Co. Pvt. Ltd.
			Acute Realty Pvt. Ltd.
			Dhruv Synthetics Pvt. Ltd.
			Varnish Trading Pvt. Ltd.
			Anchor Mall Pvt. Ltd.
			Bansi Silk Mills
Subsidiary Companies	Pantaloon Retail Technologies Ltd.	Pantaloon Retail Technologies Ltd.	Pantaloon Food Product (India) Ltd.
			PFH Investment Advisory Co. Ltd.
			Home Solution Retail (India) Ltd.
			Pantaloon Retail Technologies Ltd. (for part of the year)
			Pan India Restaurant Ltd.
Key Management Personnel (KMP)	Mr .Kishore Biyani- Managing Director	Mr. Kishore Biyani- Managing Director	Mr. Kishore Biyani-Managing Director
	Mr. Gopikishan Biyani-Whole time Director	Mr. Gopikishan Biyani-Whole time Director	Mr. Gopikishan Biyani-Whole time Director
	Mr. Rakesh Biyani-Whole time Director	Mr. Rakesh Biyani-Whole time Director	Mr. Rakesh Biyani-Whole time Director
		Mr. Ved Prakash Arya-Directors Operations & Chief Operating Officer	Mr. Ved Prakash Arya-Director Operations & Chief Operating Officer
Relative of Key Management Personnel	NA	NA	NA
Related Parties where	NA	NA	NA

MP/RKMP exercise gnificant			

DETAILS OF TRANSACTION WITH RELATED PARTIES AND DETAILS OF OUTSTANDING BALANCES

(Rs.in millions)

S.NO.	Particulars	Year	Key Management Personal	Associated Company/joint Venture	Subsidiary
1	Managerial Remuneration	2004-05	24.26		
		2003-04	13.60		
		2002-03	6.05		
		2001-02	2.88		
		2000-01	2.75		
2	Sale of Goods	2004-05		13.58	
		2003-04		0.07	
		2002-03		6.50	
		2001-02		70.96	
		2000-01			
3	Purchase of Goods	2004-05		515.67	
		2003-04		126.04	
		2002-03		224.13	
		2001-02		364.33	
		2000-01			
4	Expenditure on service and others	2004-05		53.91	
		2003-04		0.70	0.38
		2002-03			
		2001-02		5.55	
		2000-01			
5	Receivables	2004-05		111.51	
		2003-04			
		2002-03			
		2001-02		0.81	
		2000-01			
6	Payables	2004-05		14.89	
		2003-04	1.35	32.18	5.04
		2002-03		7.67	2.72
		2001-02			0.40
		2000-01			
7	Loans and Advance as on	2004-05		106.00	3.65
		2003-04			
		2002-03			

		2001-02		23.78	
		2000-01			
8	Capital Purchase/Expenses	2004-05		4.71	22.39
		2003-04		0.89	4.85
		2002-03			4.69
		2001-02			2.63
		2000-01			
		2004-05	3.19		
9	Interest on FCDs	2003-04	6.96	6.25	
10	Investment	2004-05		142.04	88.43

AUDITORS REPORT

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, AS RESTATED, UNDER INDIAN GAAP FOR THE YEARS ENDED JUNE 30, 2005, 2004, 2003, 2002, AND 2001

Auditor's report as required by Part II of Schedule II of the Companies Act, 1956

October 19, 2005

To,
The Board of Directors,
Pantaloon Retail (India) Limited
Knowledge House, Shyam Nagar,
Off Jogeshwari-Vikhroli Link Road,
Jogeshwari (E),
Mumbai-400 060

Dear Sirs,

We have examined the financial information of Pantaloon Retail (India) Limited, as attached to this report and initialed by us for identification.

The said financial information has been prepared in accordance with the requirements of paragraph B(1) of Part II of schedule II to the Companies Act, 1956 (the "Act"), the Securities and Exchange Board of India-Disclosure and Investor Protection Guidelines, 2000 (as amended vide Circular No. 11 on August 14, 2003) ("the guidelines") issued by the Securities Exchange Board of India ("SEBI") on January 19, 2000 in pursuance to section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications; and in accordance with instruction dated 12.09.2005, received from the company requesting us to carry out work in connection with the offer document being issued by the Company in connection with its rights issued of Equity Shares (referred to as "the issue").The financial information has been prepared by the company and approved by the Board of Directors of the Company.

A. Financial information as per audited financial statements

We have examined;
The attached summary statement of Profit and Losses, as restated, of the Company for each of the financial years ending June 30th of 2005, 2004, 2003, 2002, 2001 and the attached summary statements of Assets and Liabilities, as restated, as at the said dates enclosed as Annexure I and Annexure II respectively to this reports together referred to as "Summary Statements".

The summary statements have been extracted from the financial statements of the respective years audited by us and adopted by the Board of Directors/Members.

Based on our examination of these Summary Statements, We state that:

- The restated Profits have been arrived at after making such adjustments and regrouping, which in our opinion are appropriate for the year to which they relate, shown in Annexure III (I) to this report.
- The summary statements of the company have been restated with retrospective effect in accordance with the significant accounting policies adopted by the company as at June 30th 2005, shown in Annexure III (II) to this report.
- The Summary Statements have to be read in conjunction with the notes given in Annexure III to this report.

B. Other Financial Information

We have examined the following financial information relating to the company proposed to be included in the Offer Documents, as approved by the Board of Directors and annexed to this report:

i. Cash flow statement in respect of each of years ended June 30th of 2005, 2004, 2003, 2002 and 2001 as shown in Annexure IV-A to this report.
ii. Details of dividend paid/proposed by the company in respect of each of the years ended June 30th of 2005, 2004, 2003, 2002 and 2001 as shown in Annexure IV-C to this report.
iii. Capitalization statement of the company as at June 30th of 2005 and 2004 enclosed as Annexure IV-D to this report.
iv. Details of "Secured Loans" and "Unsecured Loans" as at June 30th of 2005, 2004, 2003, 2002 and 2001 as shown in Annexure IV-E to this report.
v. Details of "Investment" as at June 30th of 2005, 2004, 2003, 2002 and 2001 as shown in Annexure IV-F & IV F-1 to this report.
vi. Age-wise analysis of "Sundry Debtors" as at June 30th of 2005, 2004, 2003, 2002 and 2001 as Shown in Annexure IV-G to this report.
vii. Details of "Loans and Advances" as at June 30th of 2005, 2004, 2003, 2002 and 2001 as shown in Annexure IV-H to this report.
viii. Details of "Contingent Liabilities" as Shown in Annexure IV-I to this report.
ix. Details of "Related Party disclosures" as shown in Annexure IV-J-1 & IV-J-2 to this report.
x. Summary of accounting ratios comprising earnings per share, net assets value and return on net worth which have been calculated based on restated profits as shown in Annexure IV-K to this report.
xi. Statement of tax shelter enclosed as Annexure IV -L to this report.
xii. Statement of Other Income enclosed as Annexure IV-B to this report.
xiii. Statement of details of "Reserves and Surplus" enclosed as Annexure IV M to this report.

In our opinion, the financial information of company attached to this report as mentioned in Paragraphs A and B above read together with the significant accounting policies and notes stated in Annexure III to this report and after making adjustments and regrouping as considered appropriate, have been prepared in accordance with part II of Schedule II of the Companies Act and Guidelines of SEBI.

This report is indented solely for your information and for inclusion in the offering Memorandum in connection with Rights Issue of the company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For
NGS & Co.

Chartered Accountants

(Sanjay Toshniwal)

Partner
Membership No: 104172

Place: Mumbai
Date: October 19, 2005

ANNEXURE 1: SUMMARY STATEMENT OF ASSETS AND LIABILITIES AS RESTATED						
		Financial Year ended 30th June				(Rs.in millions)
		2005	2004	2003	2002	2001
A	**Fixed Assets**					
	Gross Block	2,511.04	1,847.08	2,406.76	1,954.23	1,589.35
	Less: Depreciation	373.63	243.20	156.67	94.35	52.22
	Net Block	2,137.42	1,603.88	2,250.10	1,859.88	1,537.13
	Less: Revaluation Reserve	-	-	-	-	-
	Net Block After Revaluation Reserve	2,137.42	1,603.88	2,250.10	1,859.88	1,537.13
	Capital Work in Progress	157.92	144.41	33.24	62.81	78.59
	Total	**2,295.33**	**1,748.29**	**2,283.34**	**1,922.69**	**1,615.71**
B	**Investment**	**319.16**	**52.62**	**52.61**	**50.66**	**50.65**
C	**Current Assets, Loans And Advances**					
	Inventories	2,759.26	1,575.97	1,143.81	874.10	563.28
	Sundry Debtors	123.07	175.84	223.23	176.86	129.80
	Cash & Bank Balances	215.00	138.48	80.72	40.34	23.76
	Other Current Assets	4.61	-	-	-	-
	Loans & Advances	936.80	409.54	214.27	233.32	110.97
	Total	**4,038.73**	**2,299.84**	**1,662.03**	**1,324.62**	**827.80**
D	**Preference Share Capital**					
E	**Liabilities And Provisions**					
	Loan Funds					
	Secured	2,561.70	2,147.61	1,409.35	1,095.27	682.23
	10% Unsecured Fully convertible Deb.	-	213.55	-	-	-
	Unsecured	300.38	0.08	42.33	2.98	14.17
	Total	**2,862.08**	**2,361.24**	**1,451.68**	**1,098.25**	**696.40**
F	**Deferred Tax (net)**	**130.44**	**60.30**	**29.21**	**17.95**	**-**
G	**Current Liabilities & Provisions**					
	Current Liabilities	1,264.74	664.82	631.49	461.14	257.89
	Provisions	183.47	69.49	43.97	12.35	9.77
	Total	**1,448.21**	**734.31**	**675.46**	**473.49**	**267.66**
H	**Total Net Worth (A+B+C-D-E-F-G)**	**2,212.49**	**944.90**	**1,841.62**	**1,708.49**	**1,530.11**
I	**Net Worth**					
	Represented By:					
J	Share Holder's Funds					
	Share Capital	219.98	191.37	181.84	173.19	133.19
	Warrant Application money	30.00	-	-	-	-
	Reserves & Surplus	1,965.28	757.53	1,665.1	1,541.39	1,404.50
	Less: Revaluation Reserve	-	-	-	-	-
		2,215.25	**948.90**	**1,846.94**	**1,714.58**	**1,537.70**
K	Miscellaneous Expenditure (To the extent not written off or Adjusted)	2.76	4.00	5.32	6.29	7.58
	Net Worth	**2,212.49**	**944.90**	**1,841.62**	**1,708.29**	**1,530.12**

Note:
The above statement should be read with the Notes on adjustment and Significant Accounting policies for restated financial statement as appearing in Annexure 3, to this report.

As per our report of even date.

For **NGS & CO .**
Chartered Accountants

For **PANTALOON RETAIL (INDIA) LIMITED**

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE-II STATEMENT OF PROFITS AND LOSSES AS RESTATED

	Financial Year ended 30th June (Rs.in millions)				
	2005	**2004**	**2003**	**2002**	**2001**
Sales & Other Operating Income	10,840.13	6,583.12	4,448.34	2,852.89	1,805.79
Less: Excise duty	2.81	33.56	33.97	45.81	4.26
Net Sales	**10,837.33**	**6,549.56**	**4,414.37**	**2,807.09**	**1,801.53**
Other income	42.74	13.28	7.91	6.72	4.38
Total Income	**10,880.07**	**6,562.84**	**4,422.27**	**2,813.81**	**1,805.91**
Expenditure					
Raw Material Consumed	7,008.37	4,380.10	3,025.56	1,901.79	1,177.01
Employee Costs	506.54	275.25	191.32	135.94	68.14
Other Manufacturing Expenses	2,462.01	1,343.97	818.84	575.64	403.11
Interest/Finance charges	243.90	231.47	181.44	123.68	72.40
Depreciation	133.33	87.93	63.53	42.17	16.32
Expenses Before Adjustments	**10,354.15**	**6,318.72**	**4,280.68**	**2,779.22**	**1,736.97**
Net Profit Before tax & Exceptional items	**525.92**	**244.12**	**141.59**	**34.59**	**68.94**
Exceptional items/income/expenses	5.29	-	(5.32)	40.67	0.61
Total of Extra-ordinary items	**5.29**	**-**	**(5.32)**	**40.67**	**0.61**
Net Profits after Extra ordinary items before tax	**531.21**	**244.12**	**136.28**	**75.26**	**69.55**
Provision for taxation-current	72.84	14.50	8.50	3.90	4.50
Provision for taxation- deferred	70.14	31.09	11.27	1.01	-
Provision for Fringe Benefit Tax	2.40	-	-	-	-
Total Provision for Taxation	**145.38**	**45.59**	**19.77**	**4.91**	**4.50**
Income tax paid for Earlier Years	0.32	0.75	2.44	0.07	1.02
Net Profit after Tax before adjustment	**385.51**	**197.79**	**114.07**	**70.28**	**64.03**
ADJUSTMENTS					
Other adjustments					
Prior period items	-	6.90	(4.44)	(2.46)	-
Total Impact of Adjustments	**-**	**6.90**	**(4.44)**	**(2.46)**	**-**
Net Profit as restated	**385.51**	**204.68**	**109.63**	**67.83**	**64.03**
	-	-	-	-	-
Profit and Loss accounts at the beginning of the year	**514.88**	**352.54**	**263.43**	**195.61**	**131.57**
Balance available for appropriation, as restated	**900.39**	**557.23**	**373.06**	**263.43**	**195.61**
Appropriations					
Interim Dividend on Equity shares					
Proposed Dividend on Equity Shares	54.99	28.71	18.18	-	-
Tax on Dividend	7.71	3.75	2.33	-	-
Transfer to General Reserve	38.55	9.89	-	-	-
Balance carried forward, as restated	**799.13**	**514.88**	**352.54**	**263.43**	**195.61**

Note:

1. The above statement should be read with the Notes on adjustment and Significant Accounting policies for restated financial statement as appearing in Annexure III, to this report.

As per our report of even date.

For NGS & CO .
Chartered Accountants

For PANTALOON RETAIL (INDIA) LIMITED

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

SEGMENT REPORTING

Primary segment information (by Business Segment)

(Rs.in millions)

Sr. No.	Particulars	Year Ended 30-06-05	Year Ended 30-06-04	Year Ended 30-06-03	Year Ended 30-06-02
1	Segment Revenue				
	Value Retailing	6,166.60	3,199.33	1,433.87	442.78
	Lifestyle Retailing	3,763.80	2,130.60	1,739.62	1,554.56
	Others	1,092.23	1,288.25	1,303.74	900.26
		11,022.63	**6,618.18**	**4,477.22**	**2,897.61**
	Less: Inter Segment Revenue	182.50	35.06	28.89	44.72
	Net Sales/Income from Operation	**10,840.13**	**6,583.12**	**4,448.34**	**2,852.89**
2	**Segment Profit**				
	Profit Before Tax & Interest				
	Value Retailing	460.03	237.61	113.80	28.91
	Lifestyle Retailing	598.21	385.06	339.74	215.09
		1,058.24	**622.67**	**453.54**	**244.01**
	Less: Interest	243.90	231.47	176.69	112.38
	Other unallocable expenses net of unallocable income	283.13	147.08	135.25	56.37
	Total Profit Before Tax	**531.21**	**244.12**	**141.59**	**75.26**
3	**Capital Employed**				
	Value Retailing	2,730.11	1,456.06	788.43	393.74
	Lifestyle Retailing	2,077.11	1,725.41	2,515.58	2,415.25
	unallocated	460.49	133.93	-	-
	Total Capital Employed	**5,267.72**	**3,315.39**	**3,304.01**	**2,809.00**

ANNEXURE III: NOTES ON ADJUSTMENTS AND SIGNIFICANT ACCOUNTING POLICIES FOR RESTATED FINANCIAL STATEMENTS

I.NOTES ON ADJUSTMENTS

1. Changes in Accounting Policies and Estimates

a) Sales Tax

For and upto the year ended 30th June 2002, the Company was accounting sales net of sales tax. From 1st July 2002, Company has changed the method of accounting of sales to sales inclusive of sales tax. Accordingly the sales for the year ended June 30, 2001 and 2002 have been recomputed by including sales tax.

b) Interest Recognition

For and upto 30th June 2003, interest on overdue bills both receivable and payable was accounted on cash basis. From 1st July 2004, interest on overdue bills, both receivable and payable, was accounted on accrual basis. However the profit and loss account has not been adjusted, as this change in accounting had no material effect on the profitability for the years ended on June 30,2001,2002 and 2003.

2.Other Adjustments

Prior Period Items

In the Financial statements for the year ended June 30, 2004, 2003 and 2002, the company had classified certain items of expenditure as prior period. For the purpose of this statement, the said expenses have been appropriately adjusted in the respective years.

3.Material Regroupings

a) Raw material consumed

In years ended June 30, 2005 and 2002 raw material consumed/sold is reduced by Insurance claim receivable, which has now been shown separately as exceptional item for more clarity and accordingly raw material consumed has been enhanced by the same amount.

a) Interest income on Fixed deposit and others

Upto the year ended 30th June 2001,interest received on fixed deposit and other loans was disclosed under the head "Other Income". From 1st July 2001, interest received on fixed deposit and other loans has been reduced from interest/Finance charges. Accordingly classification in the summary statement of Profit and Loss as restated for the Previous year ended June 30, 2001 has been regrouped and disclosed accordingly.

b) Interest on Secured Loans

Upto the year ended June 30, 2004 accrued interest on secured loans but not due is classified with secured loans. During the current year ended June 30,2005 the company has changed the classification and accordingly the same has been grouped under Other Liabilities.

c) Exchange fluctuation Gains/Loss

Upto the year ended 30th June 2004, exchange fluctuation gains/loss was classified either under "other Income" or "Manufacturing and other Expenses". However for the year ended June 30,2005,exchange fluctuation gain has been deducted from Interest/Finance charges. Accordingly, classification in the summary statement of Profit and losses as restated for the previous years ended June 30, 2001, 2002, 2003 and 2004 have been regrouped and disclosed accordingly.

II. 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 capitalized 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 capitalized 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) Work in Progress and Finished goods lying in the factory: At the lower of cost or net realizable value

d) Finished goods lying at the stores: At the retail price less mark up

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:

Cost of fixed assets, if the foreign currency transaction relates to fixed assets.
Profit and Loss Account, in other cases.

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 recognized 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 recognized 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

1.11Taxation:

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. 72.84 Millions 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 amortized over the unexpired tenure of the said Term Loan.

1.13 Provisions, Contingent Liabilities and Assets

Provisions are recognized 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 recognized 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.

As per our Report of even date attached

For **NGS & CO .**

Chartered Accountants

For **PANTALOON RETAIL (INDIA) LIMITED**

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE –IV A SUMMARY OF CASH FLOWS, AS RESTATED

For the Financial year ended June 30 (Rs.in millions)

	2005	2004	2003	2002	2001
A Cash Flow from Operating Activities					
Net Profit Before Tax and Exceptional items	525.92	244.12	141.59	34.59	68.94
Adjustments for :	-	-	-	-	-
Depreciation	133.33	87.93	63.53	42.17	16.32
Preliminary & Capital	-	-	-	-	-
Issue expenditure w/o	1.24	1.32	1.32	1.29	1.29
Interest (Net)	243.90	231.47	176.69	112.38	69.63
Foreign Exchange loss	(30.67)	7.93	4.74	11.31	10.19
Dividend Income	(0.08)	(0.05)	(0.11)	-	-
Profit on sale of shares	(11.71)	(0.44)	-	-	-
Insurance claim	5.29	-	(5.32)	40.67	-
Loss on sale of assets	0.53	0.23	2.17	0.02	0.29
Operating profit before working capital changes	**867.75**	**572.51**	**384.63**	**242.41**	**166.65**
Adjustments for:					
Sundry Debtors	52.78	47.38	(46.37)	(47.06)	(29.26)
Inventories	(1,183.28)	(432.16)	(269.71)	(310.82)	(191.39)
Loans & advances	(491.33)	(172.07)	6.58	(121.09)	(47.74)
Trade payables	599.92	38.79	177.37	200.79	41.23
Other payables	12.66	3.31	2.68	1.86	0.63
Cash generated from operations	**(141.50)**	**57.75**	**255.18**	**(33.91)**	**(59.88)**
Direct taxes paid (Net)	(41.06)	(27.43)	(2.88)	(4.44)	(4.40)
Cash flow before Exceptional items	**(182.56)**	**30.32**	**252.30**	**(38.35)**	**(64.28)**
Prior period & Exceptional items	(0.32)	(0.75)	(2.44)	(0.07)	(0.41)
Net Cash from Operating Activities	**(182.88)**	**29.57**	**249.86**	**(38.43)**	**(64.69)**
B Cash Flow From Investing Activities					
Purchase of fixed assets	(668.57)	(619.09)	(457.05)	(364.94)	(200.69)
(Increase) / Decrease in capital work - in - progress	(13.50)	(111.18)	29.57	15.78	19.89
Sale of fixed assets	1.17	0.16	1.13	0.01	0.25
Sale of investments	64.00	(0.09)	(1.95)	(0.01)	-
Purchase of investments	(318.82)	0.52	-	-	-
Dividend Income	0.08	0.05	0.11	-	-
Advance to Subsidiary Co.	(3.65)	-	-	-	(50.00)
Share application Monies Paid	-	-	-	-	-
Capital Issue Expenses	-	-	(0.35)	-	-
Net Cash used in Investing Activities	**(939.29)**	**(729.63)**	**(428.53)**	**(349.17)**	**(230.54)**
C Cash Flow from Financing Activities					
Payment of Dividend and Dividend Tax	(32.46)	(20.51)	-	-	(11.19)
Corporate Dividend tax	-	-	-	-	(2.46)
Working Capital from Banks/Institutions	(80.75)	90.67	67.59	115.44	74.93
Conversion of Debentures into equity shares	(213.55)	-	-	-	-
Proceeds from Issue of Share Capital	913.55	106.74	43.25	126.00	36.72
Proceeds from Issue of Commercial Paper	17.50	132.50	-	-	-
Warrant Application money received	30.00	-	-	-	-
Proceeds from Issue of Unsecured FCDs	-	213.55	-	-	-
Long Term Loans	481.60	512.08	247.95	290.92	286.03

Proceeds from Other Borrowings	296.04	(37.81)	41.71	(4.50)	(8.00)
Interest (Net)	(243.90)	(231.47)	(176.69)	(112.38)	(69.63)
Net Cash used in financing activities	**1,168.04**	**765.75**	**223.80**	**415.48**	**306.40**
Net Increase in Cash and Cash Equivalents (A+B+C)	45.86	65.69	45.13	27.88	11.17
Cash & Cash Equivalents (Opening balance)	**138.48**	**80.72**	**40.34**	**23.76**	**22.78**
	184.33	146.41	85.46	51.64	33.95
Effect of Exchange Rate Changes	30.67	(7.93)	(4.74)	(11.31)	(10.19)
Cash & Cash Equivalents (Closing balance)	**215.00**	**138.48**	**80.72**	**40.34**	**23.76**

Cash and Cash Equivalents include:					
Cash in Hand	21.58	16.51	13.59	18.54	9.01
Balance with Scheduled Banks in :	-	-	-	-	-
Current Accounts (including in transit)	95.47	46.65	23.73	9.00	4.48
Fixed deposit with IDBI	9.15	-	-	-	-
Fixed Deposit as Margin Money	87.66	74.51	42.96	12.80	10.28
Dividend Account	1.15	0.80	0.45	-	-
Cash & Cash Equivalents (Closing balance	**215.00**	**138.48**	**80.72**	**40.34**	**23.76**

As per our report of even date.

For NGS & CO .
Chartered Accountants

For PANTALOON RETAIL (INDIA) LIMITED

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE IV B: DETAILS OF OTHER INCOME AND OTHER INCOME INCLUDING EXCEPTIONAL ITEMS

Rs.in millions)

Description		As on June 30				
		2005	2004	2003	2002	2001
Other income as per Summary Statement of Profit and Losses as Restated (A)		42.74	13.28	7.91	6.72	4.38
Other Income, Including Exceptional Items (B)		48.03	13.28	2.59	47.40	4.99
Net Profit before tax but after adjustment, as per Summary Statement as per restated P&L		531.21	251.02	131.84	72.81	69.55
Percentage (A/C)		0.08	0.05	0.06	0.09	0.06
Percentage (B/C)		0.09	0.05	0.02	0.65	0.07

Rs.in millions)

Source and Particulars of other income	Nature	Financial year ended on June 30				
		2005	2004	2003	2002	2001
Chit Dividend	Non recurring	-	-	-	0.01	0.18
Dividend	Recurring	0.08	0.05	0.11	0.05	-
Export Benefit	Recurring	3.72	0.40	1.43	1.26	2.70
Miscellaneous Income	Recurring	16.33	6.73	4.39	3.72	0.79
Insurance Claim	Non recurring	0.78	0.45	0.29	0.65	0.26
Sundry Balance W/off	Non recurring	0.84	2.00	0.45	1.01	0.46
Profit on sale of Shares	Non recurring	11.71	0.44	-	-	-
Rent Received	Recurring	0.66	0.66	0.60	-	-
Cash Discount	Non recurring	8.62	2.54	0.61	0.03	-
Other income as per Restated P&L(D)		**42.75**	**13.28**	**7.89**	**6.72**	**4.38**

Rs.in millions)

Source and Particulars of other income including Exceptional Items	Nature	Financial year ended as on June 30				
		2005	2004	2003	2002	2001
Other income as per Restated P&L as per D above		42.75	13.28	7.89	6.72	4.38
Add/less: Exceptional items						
Insurance claim short received	Non-recurring			(5.32)		
Insurance claim receivable	Non-recurring	5.29			40.67	
Others	Non-recurring					0.61
Total Exceptional Items(E)		5.29	-	(5.32)	40.67	0.61
Other Income including exceptional items (D+E)		**48.03**	**13.28**	**2.57**	**47.40**	**4.99**

Note:

1. The details of "other income" disclosed above are stated after adjusting the effect of restatement.
2. Exceptional items given in the above table refer to Items which have been grouped as "Exceptional items" in the summary statement of Profit and losses as restated, but are in the nature of other income
3. The classification of "other Income" as recurring or nonrecurring and related or not related to business nonrecurring and related or not related to business nonrecurring and related or not related to business nonrecurring and related or not related to business nonrecurring and related or not related to business activity is based on the current operation and business activity of the company as determined by Management
4. The figures disclosed above are based on the Standalone restated financial statement of Pantaloon Retail (India) Ltd.

As per our Report of even date attached
For NGS & CO . For **PANTALOON RETAIL (INDIA) LIMITED**
Chartered Accountants

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE IV C: DETAILS OF RATES OF DIVIDEND

The declaration and payment of dividend will be recommended by the board of directors and approved by the shareholders in their discretion and will depend on a number of factors, including but not limited to our earning, capital requirement and overall financial condition. The dividend declared by our company during the last five fiscal years is presented below.

Details of Dividend Paid ***(Rs.in millions)***

Particulars	2005	2004	2003	2002	2001
Number Of Equity Shares	21,997,796	19,137,413	18,184,413	17,319,413	13,319,413
Face Value per value (Rs.)	10	10	10	10	10
Paid up Value (Rs.)	10	10	10	10	10
Rate of Dividend-%	25	15	10	-	-
Total Dividend (Rs.In millions)	54.99	28.71	18.18	-	-
Tax on Dividend	7.71	3.75	2.33	-	-

Note:

1. The amount paid as dividend in the past is not indicative of our dividend policy in the future.
2. The figures disclosed above are based on the standalone restated financial statement of Pantaloon Retail (India) Limited.

As per our Report of even date attached

For NGS & CO .
Chartered Accountants

For **PANTALOON RETAIL (INDIA) LIMITED**

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE IV D: CAPITALISATION STATEMENTS AS AT JUNE 30,2005 **(Rs.in millions)**

	Pre issue	Adjusted for
	30.06.05	**Right issue**
Loan Funds:		
Short term loan	1,257.62	
Long term loan	1,604.46	
Total Loan	2,862.08	
Share Holders Funds:		
Equity Share Capital	219.98	
Reserve & Surplus	1,965.28	
Less: Revaluation Reserve	-	
Less: Miscellaneous Expenditure not W/off	2.76	
Total Shareholders Funds	2,182.49	
Long term Debt/Equity Ratio	1.31	

*Share Capital and Reserves, post issue can be ascertained only on the conclusion of the book building process.

Notes:

1. Short term debt represents debts which are due within 12 months from June 30,2005 and include current portion of vehicle loans, current portion of long term debts, secured and long term debt, unsecured
2. Long-term debt represents debt other than short-term debt, as defined above.
3. Reserves exclude revaluation reserve and include general reserve, Securities Premium account and accumulated balance of Profit and loss a/c as at June 30, 2005.
4. The figures disclosed above are based on the standalone restated financial statement of Pantaloon Retail (India) Limited.

As per our Report of even date attached

For **NGS & CO .**
Chartered Accountants

For **PANTALOON RETAIL (INDIA) LIMITED**

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE IV E: DETAILS OF LOANS

UNSECURED LOANS

Financial Year ended 30th June

Rs.in millions

		2005	2004	2003	2002	2001
1	Inter-Corporate Deposit	-	-	41.706	-	4.5
2	Short term loans from Banks	300.33	-	-	-	-
3	Fixed Deposits					
	:-From Public	0.049	0.0825	0.626	2.981	9.669
		300.379	0.0825	42.332	2.981	14.169

SECURED LOANS **(Rs.in millions)**

		Financial Year ended 30th June				
		2005	2004	2003	2002	2001
1	**Term loans**					
	(a) Foreign Currency Loans					
	From Banks	149.16	167.90	-	-	-
	From Financial Institution	123.71	167.79	83.58	69.02	61.66
	(b) External Commercial Borrowings	267.59	297.33	-	-	-
	(c) Rupee Loans					
	From Banks	1,254.94	602.39	818.10	446.97	201.63
	From Financial Institutions and others	173.62	252.00	78.91	218.31	172.50
2	**Working Capital Loans From Banks**					
	Foreign Currency Loans	426.44	284.89	245.14	258.51	206.15
	Rupee Loans	11.35	233.65	182.73	101.77	38.69
	Commercial Paper	150.00	132.50	-	-	-
3	**Hire Purchase**	4.90	9.16	4.71	0.69	1.59
		2,561.70	2,147.61	1,413.16	1,095.27	682.23

Notes:

The details of principal terms and conditions of the secured loans and unsecured loans outstanding as at June 30,2005 are disclosed in Annexure IV-E-1.

As per our Report of even date attached

For NGS & CO .
Chartered Accountants

For **PANTALOON RETAIL (INDIA) LIMITED**

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE IV-E-1: DETAILS OF PRINCIPAL TERMS AND CONDITIONS OF LOANS OUTSTANDING AS AT JUNE 30 , 2005									
									(Rs. In millions)
S.No	**Lender**	**Nature of borrowing /debt**	**Date of Withdrawal of Loan**	**Amount (Rs. in Millions)**	**Outstanding in Rs. (in Millions)**	**Repayment**	**Rate of Interest**	**Last Repayment Date of Loan**	**Security**
1	Central Bank of India	Term Loan	20/01/2004	24.00	19.355	Repayable in 20 quarterly installments of Rs.1.20 millions each. The first installment falls due after 6 months from the date of first disbursement.	10.00%	19/04/2009	1.Exclusive 1st charge on fixed assets acquired out of proposed term loan and extention of existing pari-passu charge on the property situated at G-6, MIDC, Tarapur 2.Personal guarantee of existing guarantors Mr. Gopikishan Biyani, Mr.Rakesh Biyani and Mr. Kishore Biyani.
2	Central Bank of India	Term Loan	22/10/2002	8.80	5.755	Repayable in 20 quarterly installments of Rs..440 millions each. The first installment falls due after 1st year from the date of first disbursement.	10.00%	21/07/2008	1.Exclusive charge by way of hypothecation of all assets proposed to be acquired out of the term loan 2.Extention of charge on existing security I.e.: a.Plot no. 5B, Hissa No.3, Majas village, Jogeshwari b.Plot No. G-6, MIDC, Tarapur c.four Shops at 598, Budhwar peth pune. 3.Personal guarantee of existing guarantors Mr. Gopikishan Biyani, Mr.Rakesh biyani and Mr.Kishore Biyani.
3	Corporation Bank	Term Loan	08/07/2003	23.5	10.407	18 quarterly installments of Rs.1.220 millions each.	9.50%	07/01/2007	Exclusive Charge on assets acquired out of Term loan& Personal guarantee of Mr.Gopikishan Biyani,Mr.Rakesh Biyani and Mr.Kishore Biyani.
4	Corporation Bank	FCL	29/01/2004	US$ 0.44mn equivalent to 20.00 INR	12.721	10 quarterly installment of USD 29832.40- each. Last installment of US$ 23970.00	12m Libor+ 3.00%	29/10/2007	Exclusive Charge on assets acquired out of Term loan& Personal guarantee of Mr.Gopikishan Biyani,Mr.Rakesh Biyani and Mr.Kishore Biyani
5	Corporation Bank	Term Loan	19/8/2003	58.00	48.371	Repayable in 60 monthly equally installment of Rs.975 millions	9.50%	19/8/2009	Exclusive Charge on assets acquired out of Term loan& Personal guarantee of Mr.Gopikishan

									Biyani,Mr.Rakesh Biyani and Mr.Kishore Biyani
6	Corporation Bank	FCL	29/01/2004	US$1.2 mn equivalent to 58.0 INR	46.228	Repayable in 53monthly of US$ 21523.18	12m Libor + 3.00%	19/8/2009	Exclusive Charge on assets acquired out of Term loan& Personal guarantee of Mr.Gopikishan Biyani,Mr.Rakesh Biyani and Mr.Kishore Biyani
						Last installment of US$ 10432.38			
7	Oriental Bank of Commerce	Term Loan	02/07/2003	70.00	45.846	Repayable in 20 equal quarterly installments of Rs 3.50 Millions each	9.00%	30/09/2008	1) Hypothecation of assets acquired out of bank finance 2) Personal Guarantees of three Directors 3) Pledge of 150000 shares Corporate Guarantee of Pantaloon Industries Ltd.
8	Zoroastrian Co-op. Bank Ltd.	Term Loan	01/06/2004	22.50	16.899	48 equal monthly installments of Rs 0.469 millions each	10.00%	06/05/2008	1) Hypothecation of assets acquired out of bank finance 2) Pledge of 51000/- shares
9	Zoroastrian Co-op. Bank Ltd.	Term Loan	30/6/2004	7.50	3.562	36 equal monthly installments of Rs 0.208 millions each	10.00%	05/07/2007	1) Hypothecation of assets acquired out of bank finance 2) Pledge of 51000/- shares
10	Union Bank of India	Term Loan	17/4/2003	1,80.00	1,30.330	60 Equal Monthly Installment of Rs 3.00 Millions each	10.00%	15/3/2009	Secured by hypothecation of specific assets and specific credit card Receivables
11	Bank of Punjab Ltd.	Term Loan	10/01/2004	30.00	26.665	20 quarterly installments of Rs 1.50 millions each	9.00%	31/01/2010	1) First Charge on Assets Financed 2) Personal Guarantee of three Directors
12	Bank of Bahrain & Kuwait BSC	ECB	17/10/2003	US$ 2.60mn =117.832 INR	93.546	Repayment will be in quarterly installment as under: 1st-8th quarter = US$ 75000 each 9th -12th Quarter = US$ 100000 each 13-20th Quarter = US$ 200000 each	6mLibor + 2.00%	19/10/2008	First Pari passu charge on the following properties along with Central bank of India: 1. The corporate office of the company situated at Knowledge House, Shyam Nagar, Jogeshwri (E), Mumbai wherein the company has 50% property share 2. Factory premises, plant & machinary of the

									company situated at plot No. 6, MIDC, Tarapur 3. other movable assets, furniture and fixtures and miscellaneous assets and motor car and mortgage of land and building
13	ICICI	ECB	29/3/2004	US$ 4.00mn =176.14 INR	1,74.041	Repayable in 5 equal semi-annual installment of US$ 800000 and the first such installment will be due 24 months from the date of first draw down of the facility	6mLibor+2.00%	29/03/2008	1.Secured by exclusive mortgage and charge over the rights, titles, and interest of the borrower in the specific membership Establishment agreements of the 10 specified stores. 2.Exclusive charge over the receivables, the escrow a/c and the monies lying therein and a charge on the existing secured Receivables 3.First and exclusive mortgage/charge/security interest over the company's Trademarks thereto,and all the manufacturing,packging and other technical know-how related to the manufacture of all products manufactured and/or sold by the company under the said Trademark
14	IDBI	FCL	30/5/2003	US$ 1.79mn equivalent to 84.399INR	50.623	Loan shall be repayable in 20 equal quarterly installments of US$ 89500 commencing from June 1,2003	3mLibor+3.75%	01/07/2008	2nd charge over the credit cards receivables from specified stores (11 stores), the trust and Retention account maintained with ICICI Bank and the monies lying therein would be extended for the present loan in the manner as satisfactory to IDBI. 2. Personal guarantee of existing guarantors Mr. Gopikishan Biyani, Mr.Rakesh biyani and Mr.Kishore Biyani 3) Demand Promissory Note 4) Undertaking from the company for furnishing of corporate guarantee of Pantaloon Textiles Ltd. In the event of default.

15	SIDBI	FCL	31/3/2004	US$ 22.40mn=98.146INR	73.086	Loan shall be repayable in 20 equal quarterly installment of USD 112000 commencing from June01, 2004.Last installment of US$ 11753	6mLibor+4.10%	03/01/2009	1) First charge on all movable assets of the company situated at their retail outlets at:- a)Pantaloon Abhjeet 3,Ahmedabad b)Pantaloon, Spancer Plaza, Phase-2, Chennai c)Pantaloons,Kanpur d) Big Bazar Kolkata e) Pantyaloons, Lower Parel, Mumbai 2) Personal guarantee of existing guarantors Mr. Gopikishan Biyani, Mr.Rakesh biyani and Mr.Kishore Biyani. 3) Demand Promissory Note.
16	IDBI	Term Loan	15/2/2001	1,30.00	26.000	Repayment in 20 Quarterly installment of Rs.6.50 lmillions each Commencing from Sep 1,2001	11.00%	01/06/2006	1.Assignment of the Brands viz.Pantaloon Trouser (valued at Rs.320mn.) and John Miller shirts (valued Rs. 140 mn.) of the company to IDBI 2. First charge by way of the assets of the two Mega Stores to be acquired by the company at Calcutta and Hypothecation out of proceeds of the corporate loan.
17	Rabo India Finance P. Ltd.	Term Loan	02/03/2004	2,00.00	1,47.618	42 equal monthly installment of Rs. 4.762 lmillions starting 6 months from the date of first disbursement	8.85%	04/01/2008	1.First exclusive charge on entire movable fixed assets of the Four New stores being financed by lender i.e. a.Big bazar. Ahemdabad b.Big Bazar, Bhubaneshwer c. Food Bazar,Kolkata d. Food bazar. Kolkata 2.where entire debit/credit card receivable of the Hyper Market-'Big Bazar',located at Phoenix Mills, Mumbai will be directly credited by the discounting banks viz. ICICI bank
18	Standard Chartered Bank	Term Loan	18/6/2004	1,50.00	1,30.556	54 monthly equal installment of Rs, 2.7778 millions	7.90%	May, 2009	1)First charge on the movable fixed assets of the company with cover of 1.1 times. 2) Credit card receivables of specific store
19	Central Bank of India	Term Loan	26/8/2004	1,35.00	99.414	Repayable in 20equal quarterly installments of	BPLR-2%	25/05/2010	1.Exclusive 1st charge on fixed assets acquired out of proposed loan.

						Rs. 6.750 millions each and			2) Personal guarantee of existing guarantors Mr. Gopikishan Biyani, Mr.Rakesh biyani and Mr.Kishore Biyani. 3) Pledge of 100000/- Shares
20	State Bank of Travancore	Term Loan	30/11/2004	1,35.00	40.328	20 equal quarterly installment of Rs.6.750 millions each with a start up period of 12 months forms the date of first disbursement	9.00%	29/12/2010	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
21	Allahabad Bank	Term Loan	12/04/2004	2,00.00	1,10.217	Repayable in 20 quarterly installment commencing at the end of 1 year from the date of first disbursement	PLR-3%	03/09/2010	Secured by exclusive charge on the fixed assets of the projects at specific Stores and Personal Guarantee of some of the directors
22	Central Bank of India	Term Loan	19/1/2005	1,72.50	56.191	Repayment will start after 12 month from date of disbursement: : 4 quarterly installment of 5.2 millions : 16 quarterly installment of 9.5 millions	BPLR-2%	18/10/2010	a)Personal guarantee of existing guarantors Mr. Gopikishan Biyani, Mr.Rakesh biyani and Mr.Kishore Biyani b) All those premises admeasuring about 5600 sq ft. (Built Up area) being whole of first floor of B wing and part of 2nd floor of B wing of the building known as Pantaloon knowledge house and 15% undividend share, right, title and interest in all that piece or parcel of land admeasuring about 3407 sq ft meters bearing CTS No. 27A 7 27B, situated at village Majas, jogeshwari (East) mumbai
23	State Bank of Hyderabad	Term Loan	24/2/2005	1,45.00	35.121	After a moratorium of 1 year from the date of First Withdrawal, repayable in 20 quarterly installment as under: a.1st 4 installments of Rs. 4.25 millions each.	SBHPLR-3%	23/11/2010	Secured by Pledge of shares held by promoters, Personal guarantee of some of the directors and exclusive first charge on the assets acquired out of bank finance.

						b. Resdidual16 installment of Rs. 8.00 millions each			
24	Kotak Mahindra Bank Ltd	Term Loan	24/03/2005	1,22.50	1,18.000	Repayment will be as under: : 15 monthly installment of Rs.1.5 millions each : 21monthly installment of Rs.4.762 millions each	BPLR-6%	22/4/2008	Secured by Personal Guarantee of Mr.Kishore Biyani and Mr. Gopi Kishan Biyani
25	Other Secured loans(Vehicle loan)	Term loan			25.483	Repayment is spread over 36 months			Secured against specific assets
26	IDBI	FCL	14/3/05	US$ 5.00mn =217.795I NR	2,17.550	One bullet payment in April of 2006	3M Libor + 3.00%	21/04/2006	Secured by pledge of shares held by promoters, demand promissory notes and post dated cheques
27	Bank Of Bahrain	STL	19/11/2004	1,00.00	60.00	17 monthly installment of Rs. 3.529 millions from 19/07/06	BPLR-5%	19/11/2007	Secured by Post Dated Cheques
28	Corporation Bank	STL	21/06/05	1,50.00	1,50.00	3 equal installment of Rs.50 millions each starting from 13th month from the date of disbursement	COBAR-2.5%	20/9/2006	Secured by personal guarantees by some of the directors and continuing security of the assets financed
				3066.1621	**19,73.913**				

Libor refers to London Inter-bank Offer Rate

ANNEXURE IV-F DETAILS OF INVESTMENT

	Financial year ended 30 June (Rs.in millions)				
	2005	2004	2003	2002	2001
Quoted Investments					
In Promoter Group Companies	88.35	-	-	-	-
In Associate Companies	-	-	-	-	-
Others	-	0.40	0.46	0.46	0.46
Total A	88.35	0.40	0.46	0.46	0.46
	-	-	-	-	-
Unquoted Investments	-	-	-	-	-
In Promoter Group Companies	230.48	51.84	51.86	50.00	50.00
In Associate Companies	-	-	-	-	-
Others	0.33	0.38	0.29	0.20	0.19
Total B	230.81	52.22	52.15	50.20	50.19
Grand Total C=(A+B)	319.16	52.62	52.61	50.66	50.65
Market Value of Quoted Investment	318.00	2.43	1.08	0.86	0.69
Cost Value of Unquoted Investment	182.81	52.22	52.15	50.20	50.19

Notes:

1.Promoter and Promoter Group companies refers to the following

S.No.	Name
1	Sangeeta Biyani
2	Ashni Biyani
3	Kishore Biyani – HUF
4	Laxminaryan Biyani
5	Godavari Biyani
6	Vijay Biyani
7	Santosh Biyani
8	Vivek Biyani
9	Vijay Biyani – HUF
10	Anil Biyani
11	Lata Biyani
12	Anil Biyani – HUF
13	Gopikishan Biyani
14	Sampat Biyani
15	Gopikishan Biyani – HUF
16	Sunil Biyani
17	Archana Biyani
18	Sunil Biyani –HUF
19	Rakesh Biyani
20	Ekta Biyani
21	Rakesh Biyani – HUF
22	Pantaloon Industries Limited
23	Galaxy Entertainment Corpn. Ltd.

24 PFH Entertainment Limited
25 Dhruv Synthetics Private Limited
26 Varnish Trading Private Limited
27 Manz Retail Private Limited
28 Home Solutions Retail (India) Limited
29 PFH Investment Advisory Company Limited
30 PAN India Restaurants Limited
31 Pantaloon Food Product (India) Limited
32 Indus-League Clothing Limited
33 Planet Sports Private Limited
34 KB Mall Management Company Limited
35 Bartraya Mall Development Company Private Limited
36 Nishta Mall Management Company Private Limited
37 Niyman Mall Management Company Private Limited
38 Idiom Design and Consulting Limited
39 Anchor Malls Private Limited
40 Acute Realty Private Limited
41 Naman Mall Management Company Private Limited
42 BLB Mall Management Company Private Limited
43 Srishti Mall Management Company Private Limited
44 Unique Malls Private Limited
45 Ambit Investment Advisory Company Ltd.
46 Supreme Trade Links Private Limited
47 Bansi Silk Mills, Partnership Firm
48 Galaxy Rain & Restaurants Private Limited
49 Ceezee Foods Private Limited
50 Bansi Silk Mills, Partnership Firm

2. The list of Promoter Group Companies is determined by the Management and relied upon by the Auditors. The Auditors have not performed any procedure to determine whether this list is accurate or complete.

3. The figures disclosed above are based on the standalone restated financial statement of Pantaloon Retail (India) Limited.

As per our Report of even date attached
For NGS & CO . For **PANTALOON RETAIL (INDIA) LIMITED**
Chartered Accountants

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

Financial Year ended

SCHEDULE 4F-1: INVESTMENTS **(Rs.in millions)**

	2005	2004	2003	2002	2001
LONG TERM INVESTMENT IN SHARES					
QUOTED					
18300(21300) Equity shares of UTI Bank	-	0.38	0.45	0.45	0.45
Ltd of Rs. 10/- each fully paid up					
1700 Equity shares of The Syndicate Bank Ltd.	-	0.02	0.02	0.02	0.02
of Rs. 10/- each fully paid up			0.00	0.00	0.00
2000000 Equity shares of Galaxy	88.35	-	-	-	-
entertainment Corporation Ltd Ltd.of		0.00	0.00	0.00	0.00
Rs.10/-each		0.00	0.00	0.00	0.00
UNQUOTED		0.00	0.00	0.00	0.00
In Subsidiary Company		0.00	0.00	0.00	0.00
4999930 Equity Shares of Pantaloon Retail Technologies	-	50.00	50.00	50.00	50.00
Limited of Rs. 10/- each fully paid up		0.00	0.00	0.00	0.00
In Others		0.00	0.00	0.00	0.00
3200000 Equity shares of Pan india Restaurent Technologies Ltd of 10/-each fully paid	80.00	-	-	-	-
760000Equity shares of PFH Investment Advisory co.Ltd.of Rs. 10 each fully paid	7.60	-	-	-	-
50000 Equity Shares of Pantaloon Food Product(india) Ltd.of Rs.10/-each fully paid	0.50	-	-	-	-
33329 Equity Shares of the Home Solution Retail (india)Ltd.of Rs.10/- Each fully paid	0.33	-	-	-	-
In overseas Co.					
147 Shares of Mark Middle East (LLC) @ 1000 Dirhams each fully paid up	-	1.84	1.86	-	-
In Joint Venture Company					
2840880 Equity Shares of the Planet Sports Pvt.limited of Rs. 10/-fully paid up	142.04	-	-	-	-
In Others					
5 Shares of Y.A Chunawala Industrial Co-op Society Ltd.	-				
1660 Equity Shares of The Bombay	-	0.05	0.05	0.05	0.05
Mercantile Co-op Bank Limited of Rs. 30/- each fully paid up					
4000 Equity shares of Kalyan Janata Sahakari Bank Ltd.					
of Rs. 25/- each fully paid up	0.10	0.10	0.10	-	-
1310 Equity Shares of Janakalyan Sahkari Bank Ltd of Rs.10 each fully paid	-	-	-	0.01	0.01
400 Equity Shares of Shamrao Vithal	-	-	-	0.01	0.01
Co-op Bank Limited of Rs.10/-each fully paid up				-	-
4000 Equity Shares of The Zorostrian Co.Op.Bank	0.10	0.10	0.10	0.10	0.10
of Rs. 10/- each fully paid up					
OTHER					
National Saving Certificates	0.13	0.13	0.03	0.03	0.02
	319.16	**52.62**	**52.61**	**50.66**	**50.65**

As per our Report of even date attached

For **NGS & CO .** For **PANTALOON RETAIL (INDIA) LIMITED**

Chartered Accountants

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE IV-G: STATEMENT SHOWING AGEWISE ANALYSIS OF SUNDRY DEBTORS

(Rs. In millions)

		30.06.05	30.06.04	30.06.03	30.06.02	30.06.01
	Sundry Debtors(Considered good)					
A	***Outstanding for exceeding six months***					
	Unsecured doubtful Debts					
	Considered good	6.44	3.96	5.64	4.36	3.50
	Considered Doubtful	7.13	5.78	3.61	-	
	Total	13.57	9.74	9.25	4.36	3.50
	Less: Provision for doubtful debt	7.13	5.78	3.61	-	
	Total	**6.44**	**3.96**	**5.64**	**4.36**	**3.50**
B	**Other Debts-Considered good**					
	Secured	-	-	-	-	-
	Unsecured	116.63	171.88	217.58	172.50	126.30
	Total	**116.63**	**171.88**	**217.58**	**172.50**	**126.30**
	Total	**123.07**	**175.84**	**223.23**	**176.86**	**129.80**

Selective Financial Information on Sundry Debtors as at June, 2005 is as follows

	As at June 30 ,2005
Outstanding for exceeding six months	
From Promoter group companies, considered good	-
From Associate Companies, considered good	-
From others	
- Considered good	6.44
- Considered Doubtful	7.13
Total	13.57
Less: Provision for doubtful debt	7.13
Total (A)	6.44
Other debts	116.63
Total	**123.07**

Notes:

1.Promoter Group companies referred to above have been defined in the notes to annexure 4F to this report.

2.The list of Promoter Group Companies is determined by the Management and relied upon by the Auditors. The Auditors have not performed any procedure to determine whether this list is accurate or complete.

3.The figures disclosed above are based on the standalone restated financial statement of Pantaloon Retail (India) Limited

As per our Report of even date attached

For NGS & CO .	For **PANTALOON RETAIL (INDIA) LIMITED**	
Chartered Accountants		
Sanjay Toshniwal	**Kishore Biyani**	**Rakesh Biyani**
Partner	*Managing Director*	*Whole Time Director*
Membership No.:104172		
	Shiraj Dej	
	Company Secretary	

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURES IV-H: DETAILS OF LOANS AND ADVANCES

(Rs.in millions)

	30.06.05	30.06.04	30.06.03	30.06.02	30.06.01
(Unsecured, considered good)					
Advances recoverable in cash or in kind for value to be received	215.38	84.41	42.85	100.11	23.34
Export benefit receivables	0.26	0.40	0.37	0.50	1.20
Advance to Subsidiaries	3.65	-	-	-	-
Advance Income Tax (Net of Provision)	72.20	35.31	12.10	9.30	8.03
Deposit with Customs, port trust and Excise Authorities	-	0.03	-	-	-
Other Deposits	645.31	281.16	151.32	116.38	71.89
Claim Receivables	-	-	0.01	-	-
Fixed deposit with IDBI	-	8.25	7.62	7.04	6.50
Total	**936.80**	**409.54**	**214.27**	**233.32**	**110.97**

Selective financial information on loans & advance as on June 30,2005

	30.06.05
(Unsecured, considered good)	
Advances recoverable in cash or in kind for	
value to be received	
:-With Promoter Group Companies	77.09
:-With Associate companies	-
:-others	138.30
Export benefit receivables	0.26
Advance to Subsidiaries (Promoter Group Companies)	3.65
Advance Income Tax (Net of Provision)	72.20
Deposit with Customs, port trust and Excise Authorities	-
Deposits	
: -With customers as Security	-
: -With Promoter Group Companies	28.91
:-others	616.40
Total	**936.80**

Notes:

1.Promoter Group companies referred to above have been defined in the notes to annexure IV-F to this report.

2.The list of Promoter Group Companies is determined by the Management and relied upon by the Auditors. The Auditors have not performed any procedure to determine whether this list is accurate or complete.

3.The figures disclosed above are based on the standalone restated financial statement of Pantaloon Retail (India) Limited.

As per our Report of even date attached

For NGS & CO . For **PANTALOON RETAIL (INDIA) LIMITED**

Chartered Accountants

Sanjay Toshniwal *Partner*

Kishore Biyani *Managing Director*

Rakesh Biyani *Whole Time Director*

Membership No.:104172

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE IV-I: DETAILS OF CONTINGENT LIABILTIES

Financial Year ending 30th June
(Rs. in millions)

	Particulars	2005	2004	2003	2002	2001
1	Income tax claim under Dispute	-	0.03	-	0.10	0.19
2	Unimpaired Bank guarantee and letters of credit:	154.32	74.93	64.67	159.40	57.55
3	Bill Discounting	18.51	40.03	33.20	27.19	22.50
4	Claim against the company not acknowledge as debts	0.50	0.50	-	-	-

The above statement should be read with the Notes on adjustment and Significant Accounting policies for restated financial statement as appearing in Annexure III, to this report.

As per our report of even date.

For **NGS & CO .**
Chartered Accountants

For **PANTALOON RETAIL (INDIA) LIMITED**

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE IV-J-1 DETAILS OF THE LIST OF RELATED PARTIES AND NATURE OF RELATIONSHIPS

Particular	Year ended June 30,2003	Year ended June 30,2004	Year ended June 30,2005
Nature of RelationShip	**Name of Party**	**Name of Party**	**Name of Party**
Associate companies/Firm	Pantaloon Industries Ltd.	Pantaloon Industries Ltd.	Pantaloon Industries Ltd.
	PFH entertainment Ltd.	PFH entertainment Ltd.	Indus League Clothing Ltd.
	Manz Retail Pvt Ltd	Manz Retail Pvt Ltd	KB Mall Management Co. Limited
	Bansi Silk Mills	Bansi Silk Mills	PFH entertainment Ltd.
	Dhruv Synthetics Pvt Ltd	Dhruv Synthetics Pvt Ltd	Mark Middleast, L.L.C., Dubai (For part of the year)
	Mark Middleast,L.L.C.,Dubai	Mark Middleast,L.L.C.,Dubai	Manz Retail Pvt. Ltd.
			Idiom Design & consulting Ltd.
			Nishta Mall Management Company Pvt. Ltd.
			Niyaman Mall Management Co. Pvt. Ltd.
			Acute Realty Pvt. Ltd.
			Dhruv Synthetics Pvt. Ltd.
			Varnish Trading Pvt. Ltd.
			Anchor Mall Pvt. Ltd.
			Bansi Silk Mills
Subsidiary Companies	Pantaloon Retail Technologies Ltd.	Pantaloon Retail Technologies Ltd.	Pantaloon Food Product (India) Ltd.
			PFH Investment Advisory Co. Ltd.
			Home Solution Retail (India) Ltd.
			Pantaloon Retail Technologies Ltd. (for part of the year)
			Pan India Restaurant Ltd.
Key Management Personnel (KMP)	Mr .Kishore Biyani- Managing Director	Mr. Kishore Biyani- Managing Director	Mr. Kishore Biyani-Managing Director
	Mr. Gopikishan Biyani-Whole time Director	Mr. Gopikishan Biyani-Whole time Director	Mr. Gopikishan Biyani-Whole time Director
	Mr. Rakesh Biyani-Whole time Director	Mr. Rakesh Biyani-Whole time Director	Mr. Rakesh Biyani-Whole time Director
		Mr. Ved Prakash Arya-Directors Operations & Chief Operating Officer	Mr. Ved Prakash Arya-Director Operations & Chief Operating Officer
Relative of Key Management Personnel	NA	NA	NA
Related Parties where MP/RKMP exercise gnificant	NA	NA	NA

Employees Funds	NA	NA	NA

Notes:

1.The parties under the category ‘subsidiaries’ are the Parties where control exists during each of the respective years.

2.The classification and the disclosure of information of the related parties for each of the audited standalone financial statements of Pantaloon Retails (India) Limited for the respective years, which have been adjusted for restatements as listed in Annexure III.

3.The figures disclosed above are based on the standalone restated financial statement of Pantaloon Retail (India) Limited.

As per our Report of even date attached
For NGS & CO .
Chartered Accountants

For **PANTALOON RETAIL (INDIA) LIMITED**

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE IV-J-2 DETAILS OF TRANSACTION WITH RELATED PARTIES AND DETAILS OF OUTSTANDING BALANCES

(Rs.in millions)

S.NO.	Particulars	Year	Key Management Personal	Associated Company/joint Venture	Subsidiary
1	Managerial Remuneration	2004-05	24.26		
		2003-04	13.60		
		2002-03	6.05		
		2001-02	2.88		
		2000-01	2.75		
2	Sale of Goods	2004-05		13.58	
		2003-04		0.07	
		2002-03		6.50	
		2001-02		70.96	
		2000-01			
3	Purchase of Goods	2004-05		515.67	
		2003-04		126.04	
		2002-03		224.13	
		2001-02		364.33	
		2000-01			
4	Expenditure on service and others	2004-05		53.91	
		2003-04		0.70	0.38
		2002-03			
		2001-02		5.55	
		2000-01			
5	Receivables	2004-05		111.51	
		2003-04			
		2002-03			
		2001-02		0.81	
		2000-01			
6	Payables	2004-05		14.89	
		2003-04	1.35	32.18	5.04
		2002-03		7.67	2.72
		2001-02			0.40
		2000-01			
7	Loans and Advance as on	2004-05		106.00	3.65
		2003-04			
		2002-03			
		2001-02		23.78	
		2000-01			

8	Capital Purchase/Expenses	2004-05		4.71	22.39
		2003-04		0.89	4.85
		2002-03			4.69
		2001-02			2.63
		2000-01			
		2004-05	3.19		
9	Interest on FCDs	2003-04	6.96	6.25	
10	Investment	2004-05		142.04	88.43

Notes:

1.The classification and the disclosure of information of the related parties for each of the audited standalone financial statements of Pantaloon Retails (India) Limited for the respective years, which have been adjusted for restatements as listed in Annexure III.

As per our Report of even date attached

For NGS & CO . For **PANTALOON RETAIL (INDIA) LIMITED**

Chartered Accountants

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE IV-K SUMMARY OF ACCOUNTING RATIO

(Rs in millions)

	Particulars	For the financial year ended June 30 2005	2004	2003	2002	2001
	Net profit after tax –Restated					
1	Net profit after tax -Restated	385.51	204.68	109.63	50.89	64.03
	Add: Interest Savings	7.20	8.29	-	-	-
2	Net profit after tax -Restated for purpose of Diluted EPS	392.71	212.97	109.63	50.89	64.03
3	Weighted average Number of Equity shares outstanding at the end of each year	20.41	18.79	17.68	14.01	13.32
	Add:Dilutive Potential Equity Shares	1.59	1.91	0.51	2.70	-
4	Weighted average number of equity shares Outstanding during the Period	22.00	20.70	18.18	17.31	13.32
5	Net worth-Restated	2,212.49	944.90	1,848.52	1,708.29	1,530.12
6	No of Equity Shares	22.00	19.14	18.18	17.32	13.32
	Accounting Ratios					
	Earning per Share-Basic (1/3)	18.89	10.89	6.20	3.63	4.81
	Dilutive (2/4)	17.85	10.29	6.03	3.92	4.81
	Net Assets value per share (5/6)	100.58	49.38	101.66	98.63	114.88
	Return on Net Worth (1/5)*100 (%)	17.42	21.66	5.93	2.98	4.18

Notes:

1. The Ratios have been computed as below:

   Basic earning per share (Rs.) = Net profit as restated, attributable to equity shareholders / Weighted average number of equity shares outstanding during the year/period

   Dilutive EPS (Rs.) = Net profit after tax -Restated for purpose of Diluted EPS / Weighted average number of equity shares outstanding during the Period for purpose of DEPS

   Net Assets Value per Equity Share (Rs.) = Net worth-Restated / No of Equity Shares outstanding at the end of the year

   Return on Net worth = Net profit after tax –Restated / Net worth-Restated

2. Net worth means Equity Share Capital + Reserve and Surplus-Miscellaneous expenditure not written off or adjusted.
3. The figures disclosed above are based on the standalone restated financial statement of Pantaloon Retail (India) Limited.

As per our Report of even date attached

For NGS & CO .
Chartered Accountants

For **PANTALOON RETAIL (INDIA) LIMITED**

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE IV - L					
Pantaloon Retail India Ltd.					
Tax Shelter Statement					
Particulars	**31st March 2004**	**31st March 2003**	**31st March 2002**	**31st March 2001**	**31st March 2000**
Tax Rate					
(including surcharge & education cess)					
Normal Rate (%)	35.875%	36.75%	35.70%	39.55%	38.50%
Special Rate (%)- on Long Term Capital Gain	10.00%	21.00%	20.40%	22.60%	22.00%
Profit before tax-Restated					
Chargeable at normal rate	181,182,115	106,851,125	50,654,610	45,860,103	24,909,868
Chargeable at special rate					
Long Term Capital Gain	443,670	0	0	(4,038)	70,400
Total Profit before tax-Restated	181,625,785	106,851,125	50,654,610	45,856,065	24,980,268
Tax on notional rates					
Chargeable at normal rate	64,999,084	39,267,788	18,083,696	18,137,671	9,590,299
Chargeable at special rate	44,367	0	0	0	15,488
Total Tax at Notional Rates	65,043,451	39,267,788	18,083,696	18,137,671	9,605,787
Adjustments					
Timings					
Diff between Tax Depreciation & Book Depreciation	(115,698,107)	(78,246,632)	(63,241,833)	(14,504,099)	(7,468,698)
Set off of Business Loss/Depreciation	(31,238,378)	(28,118,895)	-	(28,566,000)	(4,000,537)
Provision for leave encashment	(14,257)	1,379,545	(1,193,919)	-	-
Deduction U/S 35D preliminary Issue Expenses (net)	1,234,425	821,370	937,691	937,691	732,349
Interest on finance lease	950,225	939,054	1,051,034	-	-
Lease rentals accrued and paid	(6,217,619)	(6,447,328)	(3,996,059)	-	-
Provision for gratuity (net)	1,760,112	1,055,418	384,173	258,674	254,000
Provision for doubtful debt	-	-	-	315,360	2,560,372
Section 43B adjustment	-	80,432	29,868	13,015	27,252
Loss/(Profit) on sale of asset	1,664,742	737,345	14,696	285,142	
Deferred revenue Expenses	-	-	-	8,823,923	29,427,563
Permanent					
Dividend Income	(52,423)	0	(51,990)	(30,480)	(14,159)
Donations	383,941	1,439,301	223,450	328,452	582,109
Prior period expenses/(income)	739,649	-	-	698,734	-
Deduction U/S 35AC	-	(490,995)	-	-	-
Deduction U/S 35A	-	-	(179,695)	-	-
Disallowance U/S 2(24)(x)	-	59,126	18,406	312,220	-
Dedution U/S 37(2B)	-	-	-	(14,732,735)	(47,010,119)
Net Adjustment	(146,487,690)	(106,792,259)	(66,004,178)	(45,860,103)	(24,909,868)
Tax (Saving) on Net Adjustment	(52,552,459)	(39,246,155)	(23,563,492)	(18,137,671)	(9,590,299)
Difference between tax & Book Capital Gains	216,801	0	0	4,957	18,188
Capital Gains	443,670	0	0	919	52,212
Set off of Capital Losses	(226,869)	0	0	(919)	(52,212)
Profit before tax - Restated					
Chargeable at normal rate	34,694,425	58,866	(15,349,568)	0	0
Net Chargeable Capital Gains	216,801	0	0	0	0
Tax on normal income	12,446,625	21,633	(5,479,796)	0	0
Tax on special income	21,680	0	0	0	0
Less: Set - off of MAT credit	-	-	-	-	-
(A)					

MAT Tax Rate	7.6875%	7.875%	7.65%	8.475%	11.55%
Tax under MAT (B)	13,958,452	8,414,527	3,871,100	3,969,663	2,885,221
Tax amount - (A) or (B) whichever is higher	13,958,452	8,414,527	3,871,100	3,969,663	2,885,221
Carry forward of MAT credit	-	-	-	-	-
Interest payable under the Act	505,317	1,021,909	386,943	449,189	519,434
Tax payable for the Year	14,463,769	9,436,436	4,258,043	4,418,852	3,404,655

As per our report of even date.

For **NGS & CO .**
Chartered Accountants

For **PANTALOON RETAIL (INDIA) LIMITED**

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE IV-M DETAILS OF RESERVE & SURPLUS

(Rs.in millions)

Particulars	**2005**	**2004**	**2003**	**2002**	**2001**
Debenture Redemption reserve					
Share Premium	1,251.23	366.28	269.08	234.48	148.48
Assets Revaluation Reserve	-	-	-	-	-
General Reserve	48.99	10.44	0.55	0.55	0.55
Investment Allowance Reserve utilized	-	-	-	-	-
Debenture Redemption reserve	-	-	-	-	-
Surplus in Profit & loss a/c	665.06	380.81	342.50	248.95	195.61
Capital reserve	-	-	1,059.88	1,059.88	1,059.88
TOTAL	**1,965.28**	**757.53**	**1,672.00**	**1,543.84**	**1,404.50**

The above statement should be read with the Notes on adjustment and Significant Accounting policies for restated financial statement as appearing in Annexure III, to this report.

As per our report of even date.

For **NGS & CO .**
Chartered Accountants

For **PANTALOON RETAIL (INDIA) LIMITED**

Sanjay Toshniwal
Partner
Membership No.:104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES AND CONSOLIDATED PROFITS AND LOSSES ,AS RESTATED, UNDER INDIAN(GAAP) FOR THE YEARS ENDING JUNE 30, 2004,2003,2002 AND 2001

Auditors Report

Auditors report as required by Part II of Schedule II of the Companies Act, 1956

October 19, 2005, 2005

The Board of Directors
Pantaloon Retail (India) Limited
Knowledge House, Shyam Nagar,
Off. Jogeshwari Link Road,
Jogeshwari (E), Mumbai-400060
India

Dear Sirs,

At your request, we, NGS & Co., Chartered Accountants auditors of Pantaloon Retail (India) Limited (PRIL), have examined the financial information of the Company and its subsidiary Pantaloon Retail Technologies Limited (PRTL) [together referred to as 'the Group] as at June30, 2002, 2003 and 2004 and annexed to this report which have been prepared in accordance with the requirements of:

a. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956('the Act');
b. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') and the related clarifications issued by the securities and Exchange Board of India ('SEBI') on January 19, 2000 as amended by circular No SEBI/CFD/DIL/DIP/14/2005/25/1 DATED January 25, 2005, in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992;
c. The terms of reference received from the company, requesting us to carry out work, proposed to be included in the Offer Document of the Company in connection with its proposed Right Issue and
d. The Guidance Note on Reports in Company Prospectus and Guidance Note on Audit Reports/ Certificates on Financial Information in Offer Documents issued by the Institute of Chartered Accountants of India ('ICAI')

The Company proposes to make a Right Issue for 4,481,180 equity shares having a face value of Rs.10 per equity share at an issue price of Rs.500/- aggregating to Rs.2240.59 million.

Consolidated Financial Information as per audited consolidated financial statements

1. We have examined the attached restated summary of consolidated assets and liabilities of the group as at June 30, 2002, 2003 and 2004 and the attached restated summary statement of consolidated profits and losses for the years ended on those dates ('Summary Statements') [See Annexure I and II to this report] as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regrouping as in our opinion are appropriate and more fully described in the notes on adjustments appearing in Annexure III to this report. The Summary Statements for the years ended June 30, 2002, 2003 and 2004 are based on the consolidated financial statement of those years, which have been audited solely by NGS & Co.

2. The consolidated financial information is based on the audited balance sheet and profit and loss accounts of the respective companies being consolidated. In respect of those companies where NGS & Co. is not the auditor, we have relied on the financial statement of the subsidiary, which has been reported upon by the respective auditors. Adjustments have been made to realign the significant accounting policies of the subsidiary to those of PRIL, which have been reviewed by us for the year ended June 30, 2005.

3. The details of the auditors of the respective companies and the years/period for which the audited statements have been consolidated, including the percentage share of revenues and each entity consolidated, as a percentage of the total consolidated revenues and assets respectively as at each year end is as described below:

Name of the Company	Year/period ended	Audited by	% Share of revenue	Share of assets
PRIL	June 30, 2002	S.M. Kabra & Co.	99.87	98.80
	June 30, 2003	S.M. Kabra & Co.	100.00	99.24
	June 30, 2004	S.M. Kabra & Co.	99.80	99.99
PRTL	June 30, 2002	Surekha & Associates	0.13	1.20
	June 30, 2003	Surekha & Associates	0.00	0.76
	June 30, 2004	Surekha & Associates	0.20	0.01

Based on our examination of these summary statements, we confirm that:

- The impact arising on account of changes in accounting policies adopted by the group as at and for the year ended June 30, 2005 have been adjusted with retrospective effect in the attached summary statements;
- The prior period items have been adjusted in the summary statements in the period/years to which they relate;
- There are no qualifications in the auditors' reports, which require any adjustments to the summary statements.

4. The summary of significant accounting policies adopted by the Group pertaining to the audited financial statements for the year ended June 30, 2005 are enclosed as part of Annexure III to this report.

Consolidated Other Financial Information

5. At your request, we have also examined the statement of consolidated cash flows, as restated proposed to be included in the Offer Document as approved by you and annexed to this report for the year ended June 30, 2002, 2003 and 2004. The statement of consolidated cash flow, as restated reffered to above, for the years ended June 30, 2002, 2003 and 2004 are based on the consolidated financial statements for the respective years which have been audited solely by NGS & Co. and have been adjusted for changes in accounting policies and estimates, prior period items and regrouping as reffered to above.

6. In our view, the consolidated financial information as per audited consolidated financial statements and consolidated other financial information mentioned above have been prepared in accordance with Part II of Schedule II of the Act and Guidelines.

7. The sufficiency of the procedures performed, as set forth in the above paragraphs of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purposes for which this report has been requested or for any other purpose.

8. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other firm of chartered accountants nor should this report be construed as a new opinion on any of the financial statements referred to herein.
9. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed Right Issue of the company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For NGS & Co.
Chartered Accountants

Sanjay Toshniwal
Partner
Membership No. 104172
Mumbai
Date**: October 19, 2005**

ANNEXURE-I STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES, AS RESTATED

(Rs.in millions)

		Year ended 30th June		
		2004	**2003**	**2002**
A	**Fixed Assets**			
	Gross Block	1,891.10	2,455.64	2,004.33
	Less: Depreciation	271.19	176.83	106.48
	Net Block	1,619.91	2,278.80	1,897.84
	Less: Revaluation Reserve	-	-	-
	Net Block After Revaluation Reserve	1,619.91	2,278.80	1,897.84
	Capital Work in Progress	144.41	33.24	62.81
	Total	**1,764.33**	**2,312.04**	**1,960.65**
		-	-	-
		-	-	-
B	**Investment**	**3.93**	**2.42**	**0.67**
C	**Current Assets, Loans And Advances**	-	-	-
	Inventories	1,575.97	1,143.81	874.10
	Sundry Debtors	176.04	223.42	178.40
	Cash & Bank Balances	138.48	80.80	40.34
	Other Current Assets	-	-	-
	Loans & Advances	409.59	214.36	233.36
	Total	**2,300.08**	**1,662.39**	**1,326.20**
D	**Preference Share Capital**	-	-	-
E	**Liabilities And Provisions**	-	-	-
	Loan Funds	-	-	-
	Secured	2,152.86	1,409.35	1,095.27
	10% Unsecured Fully convertible Deb.	213.55	-	-
	Unsecured	0.08	42.93	3.58
	Total	**2,366.49**	**1,452.28**	**1,098.85**
F	**Deferred Tax (net)**	**51.02**	**23.05**	**17.95**
G	**Current Liabilities & Provisions**	-	-	-
	Current Liabilities	654.64	628.97	461.37
	Provisions	69.74	44.18	12.53
	Total	**724.38**	**673.14**	**473.90**
H	**Minority Interest**	**-**	**-**	**-**
H	**Total Net Worth (A+B+C-D-E-F-G-H)**	**926.44**	**1,828.37**	**1,696.82**
I	**Net Worth**	-	-	-
	Represented By:	-	-	-
J	Share Holder's Funds	-	-	-
	Share Application Money From Promoters	-	-	-
	Share Capital	191.37	181.84	173.19
	Warrant Application money	-	-	-
	Reserves & Surplus	739.18	1,652.08	1,530.26
	less: Revaluation Reserve	-	-	-
		930.55	**1,833.92**	**1,703.45**
K	Miscellaneous Expenditure	4.12	5.55	6.64
	(to the extent not written off or Adjusted)	-	-	-
	Net Worth	**926.44**	**1,828.37**	**1,696.82**

Note:

The above statement should be read with the notes on adjustment and significant accounting policies for restated financial statement in Annexure III, to this report.

As per our Report of even date attached

For NGS & CO .	For **PANTALOON RETAIL (INDIA) LIMITED**	
Chartered Accountants		
Sanjay Toshniwal	**Kishore Biyani**	**Rakesh Biyani**
Partner	*Managing Director*	*Whole Time Director*
Membership No.:104172		
	Shiraj Dej	
	Company Secretary	

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE II: SUMMARY STATEMENT OF CONSOLIDATED PROFITS AND LOSSES, AS RESTATED			
	Year ended 30th June (Rs.in million)		
	2004	**2003**	**2002**
Income			
Sales & Other Operating Income	6,583.12	4,448.34	2,853.09
Less: Excise duty	33.56	33.97	45.81
Net Sales	**6,549.56**	**4,414.37**	**2,807.28**
Other income	13.28	7.91	6.73
Total Income	**6,562.84**	**4,422.28**	**2,814.01**
Expenditure			
Raw Material Consumed	4,380.10	3,025.56	1,901.79
Employee Costs	277.05	191.32	135.94
Other Manufacturing Expenses	1,344.29	818.97	575.84
Interest/Finance charges	231.47	181.44	123.68
Depreciation	95.75	71.56	50.28
Expenses Before Adjustments	**6,328.65**	**4,288.84**	**2,787.52**
	-	-	-
Net Profit Before tax & Exceptional items	**234.19**	**133.44**	**26.48**
Exceptional items/income/expenses	-	(5.32)	40.67
Total of Extra-ordinary items	-	(5.32)	40.67
	-	-	-
Net Profits after Extra ordinary items before tax	**234.19**	**128.12**	**67.16**
Provision for taxation-current	14.50	8.50	3.90
Provision for taxation-deferred	27.97	8.43	17.95
Provision for Fringe Benefit Tax	-	-	-
Earlier year income tax	0.75	2.44	0.07
Total Provision for Taxation	**43.22**	**19.37**	**21.92**
Net Profit after Tax before adjustment and minority interest	**190.97**	**108.75**	**45.24**
Add: Share of loss of minority interest	-	-	-
Add: Share of Profit of Associate	1.48	0.11	-
Profit after Minority interest and share in Profit of Associates	**192.46**	**108.86**	**45.24**
Add: Transferred to Goodwill	-	-	-
Net Profit before Adjustment	**192.46**	**108.86**	**45.24**
ADJUSTMENTS	-	-	-
Other adjustments	-	-	-
Prior period items	6.90	(4.44)	(2.46)
	-	-	-
Total Impact of Adjustments	**6.90**	**(4.44)**	**(2.46)**
	-	-	-
Net Profit as restated	**199.35**	**104.42**	**42.78**
	-	-	-
Profit and Loss accounts at the beginning of the year	**319.27**	**235.36**	**192.58**
Balance available for appropriation, as restated	**518.62**	**339.78**	**235.36**
	-	-	-
Appropriations	-	-	-
Interim Dividend on Equity shares	-	-	-
Proposed Dividend on Equity Shares	28.71	18.18	-
Tax on Dividend	3.75	2.33	-
Transfer to General Reserve	9.89	-	-
Balance carried forward, as restated	**476.27**	**319.27**	**235.36**

Note:

The above statement should be read with the notes on adjustment and significant accounting policies for restated financial statement in Annexure III, to this report.

As per our Report of even date attached

For NGS & CO . *Chartered Accountants*	For **PANTALOON RETAIL (INDIA) LIMITED**	
Sanjay Toshniwal *Partner* *Membership No.:104172*	**Kishore Biyani** *Managing Director*	**Rakesh Biyani** *Whole Time Director*
	Shiraj *Company Secretary*	

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE III: NOTES ON ADJUSTMENTS AND SIGNIFICANT ACCOUNTING POLICIES FOR CONSOLIDATED RESTATED FINANCIAL STATEMENTS

III.NOTES ON ADJUSTMENTS

1. Changes in Accounting Policies and Estimates

a) Sales Tax

For and upto the year ended 30th June 2002, the Company was accounting sales net of sales tax. From 1st July 2002, Company has changed the method of accounting of sales to sales inclusive of sales tax. Accordingly the sales for the year ended June 30, 2001 and 2002 have been recomputed by including sales tax.

b) Interest Recognition

For and upto 30th June 2003, interest on overdue bills both receivable and payable was accounted on cash basis. From 1st July 2004, interest on overdue bills, both receivable and payable, was accounted on accrual basis. However the profit and loss account has not been adjusted, as this change in accounting had no material effect on the profitability for the years ended on June 30, 2001, 2002 and 2003.

2.Other Adjustments

d) Prior Period Items

In the Financial statements for the year ended June 30, 2004, 2003 and 2002, the company had classified certain items of expenditure as prior period. For the purpose of this statement, the said expenses have been appropriately adjusted in the respective years.

3.Material Regroupings

a) Raw material consumed

In years ended June 30, 2005 and 2002 raw material consumed/sold is reduced by Insurance claim receivable, which has now been shown separately as exceptional item for more clarity and accordingly raw material consumed has been enhanced by the same amount.

e) Interest income on Fixed deposit and others

Upto the year ended 30th June 2001,interest received on fixed deposit and other loans was disclosed under the head "Other Income". From 1st July 2001, interest received on fixed deposit and other loans has been reduced from interest/Finance charges. Accordingly classification in the summary statement of Profit and Loss Account as restated for the Previous year ended June 30, 2001 has been regrouped and disclosed accordingly.

f) Interest on Secured Loans

Upto the year ended June 30, 2004 accrued interest on secured loans but not due is classified with secured loans. During the current year ended June 30, 2005 the company has changed the classification and accordingly the same has been grouped under Other Liabilities.

g) Exchange fluctuation Gains/Loss

Upto the year ended 30th June 2004, exchange fluctuation gains/loss was classified either under "other Income" or "Manufacturing and other Expenses". However for the year ended June 30, 2005, exchange fluctuation gain has been deducted from Interest/Finance charges. Accordingly, classification in the summary statement of Profit and losses as restated for the previous years ended June 30, 2001, 2002, 2003 and 2004 have been regrouped and disclosed accordingly.

1. SIGNIFICANT ACCOUNTING POLICIES :

1 Basis of Consolidation:

i) The Consolidated Financial Statements relate to Pantaloon Retail (India) Ltd.('the Company'), its subsidiary company and its associate company. The Consolidated Financial Statements have been prepared on the following basis.

ii) The financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together the balances of like items of assets, liabilities, income and expenditure after fully eliminating the intra-group balances and intra-group transactions resulting in unrealized profit or loss.

iii) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

iv) In case of associate where the Company directly or indirectly through subsidiaries holds more than 20% of equity, investments in associate is accounted for using equity method in accordance with Accounting Standard (AS) 23- " Accounting for Investment in associates in Consolidated Financial Statements" issued by Institute of Chartered Accountants of India.

v) The Company accounts for its share in the change in the net assets of the associate, post acquisition after eliminating unrealised profits and losses resulting from transaction between the Company and its associate to the extent of its share, through its profit and loss account to the extent such change is attributable to the associates' profit and loss account and through its reserves for the balance, based on available information.

vi) The difference between the cost of investment in the associate and the share of net assets at the time of acquisition of share in the associate is identified in the financial statements as Goodwill or Capital Reserve as the case may be.

vii) 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**	**Percentage of Holding as on 30th June,2005**
1.	Home Solutions Retail (India) Limited	**66.66%**
2.	Pantaloon Food Product (India) Limited	**99.88%**
3.	Pan India Restaurant Limited	**98.46%**
4.	PFH Investment Advisory Company Limited	**76%**

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.

c.) During the year Company has sold 147 Shares of Mark Middle East (LLC), and consequently, Mark Middle East (LLC), has ceased to be an associate company. The management has not considered consolidation of accounts of the associate with that of the Company as the estimated impact on the accounts attributable to the operations of the associate upto the period is not significant.

As per our Report of even date attached

For **NGS & CO .**	For **PANTALOON RETAIL (INDIA) LIMITED**	
Chartered Accountants		
Sanjay Toshniwal	**Kishore Biyani**	**Rakesh Biyani**
Partner	*Managing Director*	*Whole Time Director*
Membership No.:104172		
		Shiraj Dej
		Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

ANNEXURE –IV: STATEMENT OF CONSOLIDATEDCASH FLOW STATEMENT, AS RESTATED

		For the year ended June (Rs.in millions)		
		2004	**2003**	**2002**
A	**Cash Flow from Operating Activities**			
	Net Profit Before Tax and Exceptional items	234.19	133.44	26.48
	Adjustments for:	-	-	-
	Depreciation	95.75	71.56	50.28
	Preliminary & Capital	-	-	-
	Issue expenditure w/o	1.44	1.44	1.40
	Interest (Net)	231.47	176.69	123.68
	Foreign Exchange loss	7.93	4.74	11.31
	Dividend Income	(0.05)	(0.11)	(0.05)
	Profit on sale of shares	(0.44)	-	-
	Insurance claim	-	(5.32)	40.67
	Loss on sale of assets	0.23	2.17	0.02
	Operating profit before working capital changes	**570.50**	**384.62**	**253.78**
	Adjustments for :	-	-	-
	Sundry Debtors	47.38	(45.02)	(47.84)
	Inventories	(432.16)	(269.71)	(310.82)
	Loans & advances	(172.07)	6.61	(120.51)
	Trade payables	36.40	174.62	200.81
	Other payables	3.35	2.71	1.86
	Cash generated from operations	53.40	253.82	(22.72)
	Direct taxes paid (Net)	(27.39)	(2.96)	(4.44)
	Cash flow before Exceptional items	26.02	250.86	(27.16)
	Prior period & Exceptional items	(0.75)	(2.44)	(0.07)
	Net Cash from Operating Activities	**25.27**	**248.42**	**(27.23)**
		-	-	-
B	**Cash Flow From Investing Activities**	-	-	-
	Purchase of fixed assets	(614.24)	(455.72)	(364.94)
	(Increase) / Decrease in capital work - in - progress	(111.18)	29.57	15.78
	Sale of fixed assets	0.16	1.13	0.01
	Sale of investments	(0.10)	-	-
	Purchase of investments	0.52	(1.75)	(0.01)
	Dividend Income	0.05	0.11	0.05
	Advance to Subsidiary Co.	-	-	-
	Capital Issue Expenses	-	(0.35)	-
	Net Cash used in Investing Activities	**(724.80)**	**(427.01)**	**(349.12)**
		-	-	-
C	**Cash Flow from Financing Activities**	-	-	-
	Payment of Dividend and Dividend Tax	(20.51)	-	-
	Corporate Dividend tax	-	-	-
	Working Capital from Banks/Institutions	90.67	67.59	115.44
	Conversion of Debentures into equity shares	-	-	-
	Proceeds from Issue of Share Capital	106.74	43.25	126.00
	Proceeds from Issue of Commercial Paper	132.50	-	-
	Proceeds from Issue of Unsecured FCDs	213.55	-	-
	Long Term Loans	512.06	247.95	290.92
	Proceeds from Other Borrowings	(38.40)	41.71	(4.50)
	Interest (Net)	(231.47)	(176.69)	(123.68)
	Net Cash used in financing activities	**765.16**	**223.80**	**404.18**

	-	-	-
Net Increase in Cash and Cash Equivalents (A+B+C)	**65.63**	**45.21**	**27.82**
Cash & Cash Equivalents (Opening balance)	**80.80**	**40.34**	**23.82**
	146.43	85.54	51.64
Effect of Exchange Rate Changes	(7.93)	(4.74)	(11.31)
Cash & Cash Equivalents (Closing balance)	**138.48**	**80.80**	**40.34**

Cash and Cash Equivalents include:			
Cash in Hand	16.51	13.59	18.54
Balance with Scheduled Banks in :	-	-	-
Current Accounts (including in transit)	46.65	23.81	8.54
Fixed deposit with IDBI	-	-	-
Fixed Deposit as Margin Money	74.51	42.96	12.80
Dividend Account	0.80	0.45	0.46
	138.48	80.80	40.34

As per our Report of even date attached

For NGS & CO.
Chartered Accountants

For **PANTALOON RETAIL (INDIA) LIMITED**

Sanjay Toshniwal
Partner
Membership No.: 104172

Kishore Biyani
Managing Director

Rakesh Biyani
Whole Time Director

Shiraj Dej
Company Secretary

PLACE: MUMBAI
DATE: October 19, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our audited, unconsolidated and consolidated financial statements under Indian GAAP including the schedules, annexure and notes thereto and the reports thereon, which appear in this Draft Letter of Offer beginning on page 120. The financial information used in this section is derived from our audited unconsolidated financial statements under Indian GAAP, as restated.

Business Overview

We are one of India's largest organised modern-format retailer and have been promoted by Kishore Biyani.

From our beginning in 1987, we have today evolved as one of the leading manufacturer-retailer and are one among the pioneers in setting up a nation-wide chain of large format stores in India. We believe that the various initiatives taken by us have played a key role in enhancing the standards of retail in the country. We are an entrepreneur driven, professionally managed retailer focused on meeting the customer requirements for a large component of their spend across fashion, food, general merchandise, home in both value and lifestyle segments.We have also entered into partnerships/joint ventures to expand our offerings from home to apparel to household products to durables. We believe our focus on customers supported by systems and processes and a committed work force are the key factors that have contributed to our success and will help us scale up as we embark on our strategic growth plan.

Our business has grown from one store in Kolkota in 1997 occupying an area of 8,000 Sq. ft. to 72 stores, apart from our 22 factory outlets located in multiple cities occupying an aggregate area of 21,07,608 Sq. ft. We focus on the Lifestyle segment through 14 Pantaloon stores, 3 Central Malls, 2 aLL stores, 2 Fashion Station and 1 MeLa store. In the Value segment, we have 21 Big Bazaar and 30 Food Bazaar outlets.

We believe that managing customer expectation by offering them all the requirements for their entire family under one roof is the key to being a successful retailer, and hence have built our business model around 'Family focus' rather than 'individual focus'.

We retail a range of branded and Private Label apparel, footwear, perfumes, cosmetics, jewellery, leather products and accessories, home products, books, music and toys in our stores. To complete the idea of a family store, besides garments, we also retail household items, consumer durables, home furnishings, apart form food and personal care products. This is complemented by cafes, food stalls, entertainment, personal care and various beauty related services. Promotions and events are an integral part of our service offering to our customer, which helps us create a unique shopping experience.

Our exclusive formats include;

1. Pantaloons : Lifestyle products under Private Labels and third party brands
2. Central: Seamless mall providing the customer with a wide range of lifestyle products across multiple national and international brands
3. Big Bazaar: Value retailing with a range of products from apparel, toys, accessories, consumer durables to household products and furnishing
4. Food Bazaar: Food and personal care products including dry groceries and FMCG products

We believe our offerings provides to our customers is a unique shopping experience, comprising of a vast range of lifestyle and value retail products, mix of retailing formats coupled with the facility of entertainment and leisure.

Our loyalty program, called 'Green Card' in our format Pantaloons, currently has 2,19,989 members as on August 31,2005. The Green Card programme accounted for about 31% of our sales in Pantaloon for the year ended June 30, 2005. We offer our Green Card holders rewards points on their purchases, special offers and discounts, and invitations to exclusive events and promotions.

We have four subsidiaries and have two joint venture entities supplementing our business. For more details please refer to section 'Subsidiaries' on page 109 of this Draft Letter of Offer.

Customer Entry, Conversion and Transaction Size

It is important for a retailer to know whether customer preference for a particular property is improving with more customers coming into the store year after year. Thus retailers measure customer entry as Footfalls, which is the number of people entering the stores. Conversion is the ratio of the number of transactions (Cash Memo) versus the total customer entry into the stores. Tracking conversion helps the retailer understand the productivity of his front-end store employees and the attractiveness of the offering (Merchandise and Services).

Transaction size is the average value of the cash memos, also referred to as 'Ticket Size', which is determined by Gross Sales (excluding shop in shop sales) divided by number of cash memos. Tracking this helps the retailer understand the value of purchase by the customer at one time (in one cash memo). Gross Sales is defined as the Sales including operating income.

The following tables give the Customer Entry, Conversion, and Transaction Size for the Company which has been obtained from internal MIS reports.

Customer Entry

Period ending	**June 30,2005**	**June 30,2004**	**June 30,2003**
Foot falls	4,22,80,682	2,32,00,650	1,12,87,734
Number of stores	63	37	21

Conversion Ratio

Period ending	**June 30,2005**	**June 30,2004**	**June 30,2003**
Conversion ratio	39.00%	37.00%	41.71%

Transaction Size

Period ending	**June 30,2005**	**June 30,2004**	**June 30,2003**
Ticket size	Rs.570.00	Rs. 604.02	Rs. 652.00

The revenue contribution from our formats such as Food Bazaar and Big Bazaar has increased over the years The average ticket size for these formats is comparatively less than the lifestyle format which has led to the decline in the average ticket size.

Stock Turns

Stock turns are the number of times the retailer is able to turn over his inventory in a year and is determined as the ratio of cost of goods sold during the year to average inventory. This helps the retailer better align supply chain planning and store wise demand for inventory.

Period ending	**June 30,2005**	**June 30,2004**	**June 30,2003**	**June 30,2002**
Stock Turns (no of times)	3.35	3.32	3.10	2.79

The above is calculated on average inventory.

Business Performance

Revenue:

Our unconsolidated Gross Sales and Profit after Tax for the year ended June 30, 2005 was Rs. 10,840.13 million and Rs.385.51 millions respectively as compared to Gross Sales and Profit after Tax twe should of Rs. 6,583.12 and Rs. 197.79 million respectively for the year ended June 2004. Our sales have grown at a CAGR of 56.04% from FY2002 to FY2005.

(Rs. Million)

Period ending	June 30,2005	June 30,2004	June 30,2003	June 30,2002
Gross Sales	10,840.13	6,583.12	4,448.34	2,852.89
% change over Last Year	64.67%	47.99%	55.92%	57.99%

We are present in both; Lifestyle as well as Value retailing segment. Our segmental breakup of revenues in both these segments given below;

Sales Mix %

(Rs. Million)

Period ending	June 30,2005	June 30,2004	June 30,2003	June 30,2002
Value Retailing	6,166.60	3,199.32	1,433.87	442.78
Value Retailing as a % of Gross Sales	56.89%	48.60%	32.23%	15.52%
Lifestyle Retailing	4,673.53	3,383.79	3,014.47	2,410.10
Lifestyle Retailing as a % of Gross Sales	43.11%	51.40%	67.77%	84.48%

Vendor Arrangements

As a retailer, we enter into various types of arrangements with our vendors, and business partners. These arrangements may have different revenue recognition norms and accounting policies governing them. These are as follows:

Concessionaires

We purchase the merchandise from the vendor under this arrangement. Some of the brands that we retail form part of this arrangement. The revenues are accounted in our books as a part of sales.

Consignment

The vendor provides the inventory under this arrangement, and hence we do not own the inventory. All unsold products can be sent back. Only the commission income which we earn on the sales of the merchandise sold is recorded in our books.

Shop-in-shop

These are arrangements under which we provide our vendors with a demarcated space within our store to sell products for which we receive a fixed percentage of their sales subject to a minimum amount. The vendor is responsible for inventory and also employs staff at counters. We monitor the product range as well as the sales staff to ensure consistency with our offering. Only the space hire charges and commission received by us is reflected in our accounts.

Gross Margins

As a retailer, we endeavor to enhance our Gross Margins. In retail, it is important to sell more value from the same area (Shelf Space) and earn higher margins from sales. We can do this by either retailing products that have very high margins, but lower inventory turns, alternatively buy products, which have very high sell through but contribute to volume expansion at lower margins. Similarly, we have to optimize our sales force deployment in the stores.

Most of the time, a retailer uses a combination of aforementioned to increase the Gross Margins. Since our cost of operations is largely fixed (once a store is opened, there is limited variable cost), maximizing Gross Margins becomes the key to enhancing profitability.

Gross Margins = (Gross Sales – Cost of Goods Sold)

Our Gross Sales, Cost of Goods Sold (COGS) and Gross Margins for the last 3 years are given below

			Rs. Million
Period ending	June 30,2005	June 30,2004	June 30,2003
Gross Sales	10,840.13	6,583.12	4,448.34
Cost of Goods Sold	7,270.98	4,513.41	3,131.96
Gross Margin	3,569.15	2,069.71	1,316.38
Gross Margin as % of Gross Sales	32.93%	31.44%	29.59%

Although our presence in value retailing space through food bazaar stores have increased over the years which work on thin margins, we have been able to maintain overall gross margins with an optimum sales mix. Increase in gross margins can also be attributed to the fact of increase in operating income which includes Shop-in-Shop commission and consignment commission. Operating Income was Rs. 74.78 millions, 109.84 millions and 345.31 millions respectively in the years 2003, 2004 and 2005.

Business Segments

We operate in two segments viz; Lifestyle retailing and value retailing.

Our Results of Operations

The table below sets forth various line items from our restated audited financial statements for FY 2003, FY 2004 and FY 2005.

Year ended 30th June (Rs. Million)

	2005	2004	2003
Gross Sales	**10,840.13**	**6,583.12**	**4,448.34**
Net Sales(net of excise)	**10,837.33**	**6,549.56**	**4,414.37**
Other income	**42.74**	**13.28**	**7.91**
Cost of Goods Sold	**7,270.98**	**4,513.41**	**3,131.96**
Cost of Goods Sold as a % to Gross Sales	67.07%	68.56%	70.41%
EBIDTA	**903.15**	**563.52**	**386.56**
EBIDTA as a % to Gross Sales	8.33%	8.56%	8.69%
Interest/Finance charges	**243.9**	**231.47**	**181.44**
Interest/Finance charges as a % of Gross Sales	2.25%	3.52%	4.08%
Depreciation	**133.33**	**87.93**	**63.53**
Depreciation as a % of Gross Sales	1.23%	1.34%	1.43%
Net Profit Before tax & Exceptional items	**525.92**	**244.12**	**141.59**
Net Profit Before tax & Exceptional items as a % of Gross Sales	4.85%	3.71%	3.18%
Net Profit after Tax	**385.51**	**197.79**	**114.07**
Net Profit after Tax as a % of Gross Sales	3.56%	3.00%	2.56%
Total Impact of Adjustments*		6.9	-4.44
Net Profit as restated	**385.51**	**204.68**	**109.63**
Net Profit as restated as a % of Gross Sales	3.56%	3.11%	2.46%

* Adjustments have been done on account of changes in Accounting Policies and estimates, adjustment towards prior period items and materital regroupings with regard to accounting for raw material consumed, interest on fixed deposits and secured loans.

Comparison of FY 2005 with FY 2004

<u>Gross Sales</u>

Our Gross Sales increased by 64.67 % in FY 2005 to Rs. 10,840.13 as compared to Rs. 6,583.12 in FY 2004. This was on account of revenues from new stores opened during the year and from increased sales in existing stores.

Other Income
Other income increased substantially by 221.93% to Rs.42.74 million in FY 2005 from Rs. 13.28 million in FY 2004. The increase was primarily due to profit on sale of our investments in Mark Middle East LLC and Pantaloon Retail Technologies Limited , increase in cash discount and sale of written down inventory.

Expenditure
The expenditure (raw material consumed, manufacturing cost and employee cost) grew by about 66.3% relative to a 64.67 % growth in sales to about Rs.9,976.92 in FY 2005. This was primarily on account of increase in personnel cost and advertising expenditure.

Earnings before Interest, Depreciation, Tax and Amortisation and exceptional items (EBIDTA)
EBIDTA increased substantially by about 60.27% to Rs.903.15 million in FY 2005 over 563.52 million in FY 2004. This was the direct result of increase in turnover.

Finance Charges
Finance charges increased marginally to Rs.243.90 million in FY 2005 from Rs.231.47 million in FY 2004 representing a 5.37% increase due to incremental debt. However the average cost of funds have come have reduced to 8.95 % in FY 2005 as against 11.82% in FY2004.

Depreciation
The depreciation expense on fixed assets increased substantially from Rs. 87.93 million in FY 2004 to Rs. 133.33 million in FY 2005. The increase in depreciation can be attributed to the addition in the gross block to the tune of Rs.663.97 millions during the year.

Income tax

We provided for income tax as our profits increased and had a tax charge of about Rs. 145.38 million in June 2005

Profit after tax as per Audited statement of Accounts

Our profit after tax, as a percentage of Gross Sales was about 3.56% ,our profits have increased to Rs.385.51 million in FY 2005 as against Rs.197.79 million in the prior year, an increase of 95% from last year.

Comparison of FY 2004 with FY 2003

Gross Sales
Our Gross Sales increased by 47.99% in FY 2004 to Rs. 6,583.12 million as compared to Rs. 4,448.34 million in FY 2003. This was on account of revenues from new stores opened during the year and from increased sales in existing stores

Other Income
Other income increased by 67.89 % to 13.28 million Rs. in FY 2004 as compared to Rs. 7.91 million in FY 2003. The increase was primarily due to increase in the sales of written down inventory and higher cash discounts availed during the year.

Expenditure
The expenditure (raw material consumed, manufacturing cost and employee cost) grew by about 48.65% relative to a 47.99% growth in sales to about Rs.5,999.32 million in FY 2004. This was mainly due to the substantial increase in the following heads of expenditures: Packing materials expenses increased from 31.03 miilion to 56.36 millions representing 81.64% increase, Mall maintenance charges increased from 41.32 millions to 101.27 millions representing 145% increase.Rent increased from 157.15 miilion to 275.88 million representing 75.55% increase Transportation and handling charges increased from 34.34 miilion to 59.52 million representing 73.32% increase as compared to the previous year.

Earnings before Interest, Depreciation, Tax and Amortisation and exceptional items (EBIDTA)
EBIDTA increased by about 45.78 % to Rs. 563.52 million in FY 2004 over 386.56 million in FY 2003. The increase is in line with the increase in our sales.

Finance Charges
Finance charges increased to Rs. 231.47 in FY 2004 from Rs. 181.44 in FY 2003 representing a 27.58% increase. This was mainly due to a higher bank borrowing utilization for increase in working capital needs due to addition of new stores and term loan acquisition for fixed assets.

Depreciation
The depreciation expense on fixed assets increased in value from Rs.63.53 in FY 2003 to Rs. 87.93 in FY 2004. This was the result of addition in the gross block during the year to the tune of Rs 61.73 millions.

Income tax
We provided for income tax as our profits increased and had a tax charge of about Rs. 45.59 million for the year ended June 30, 2004.

Profit after tax as per Audited statement of Accounts
Our profit after tax, as a percentage of Gross Sales was 3.00% , our profits increased to Rs. 197.79 million in FY 2004 as against Rs. 114.07 million in the prior year, an increase of 73% from last year.

Comparison of FY 2003 with FY 2002

Gross Sales
Our Gross Sales increased by 55.92% in FY 2003 to Rs. 4,448.34 million as compared to Rs. 2,852.89 million in FY 2002. The turnover was supplemented with sales from Food Bazaar and Gold Bazaar, the two new retail formats catering to food and grocery and gold retailing respectively which were launched during the year.

Other Income
Other income increased by 17.61 % to Rs. 7.91 million in FY 2003 as compared to Rs. 6.72 million in FY 2002. Other income primarily consists of dividend income , export benefit, rent received. The other income increased mainly due to increase in sale of written down inventory.

Expenditure
The expenditure (raw material consumed, manufacturing cost and employee cost) grew by about 42.66% relative to 55.42 % growth in sales to about Rs.4,035.72 in FY 2003. The increase in our expenditure is in line with the increase in sales.

Earnings before Interest, Depreciation, Tax and Amortisation and exceptional items (EBIDTA)
EBIDTA increased substantially by about 92.86% to Rs.386.56 million in FY 2003 over Rs.200.44 million in FY 2002. This was a result of increase in turnover and effective cost control measures.

Finance Charges
Finance charges increased to Rs.181.44 million in FY 2003 from Rs.123.68 milllion in FY 2002 representing a 46.81% increase. This was mainly due to a higher bank borrowing utilization for increase in working capital needs due to addition of new stores and term loan acquisition for purchase of fixed assets

Depreciation
The depreciation expense on fixed assets increased in value from Rs.42.17 million in FY 2002 to Rs. 63.53 million in FY 2003. This was the result of increased investment in expansion of retail outlets and investments in furnitures, fixtures, electrical intallation and equipment acquired at retail stores.

Income tax
Income tax provision increased from Rs. 4.91 million in FY 2002 to Rs.19.77 million in FY 2003.

Profit after tax as per Audited statement of Accounts

Our profit after tax , as a percentage of Gross Sales was 2.56 %, our profits increased to Rs. 114.07 million in FY 2003 as against Rs. 70.28 million in the prior year, an increase of 62.31% from last year.

Liquidity and capital resources

Our primary liquidity requirements have been to finance our working capital requirements and our capital expenditures. To fund these costs, we have relied on cash flows from operations ,working capital limits, equity capital contributions and long term borrowings and operating leases.

Net Working capital

As of June 30, 2005, our net working capital, defined as difference between (a) current assets, loans and advance and (b) current liabilities and provisions, is Rs.2,590.52 milion.

Current Assets, Loans and Advances

Current assets, loans and advances (or Total Current Assets) consist of inventories, sundry debtors, cash and bank balances and loans and advances. Total Current Assets as of June 30, 2004 and June 30, 2005 were Rs.2,299.84 million and Rs. 4,038.73 million, respectively.

The following table sets forth details of our Total Current Assets:

	As of June 30, (amounts in Rs. Million_)					
	2003		**2004**		**2005**	
		% of Total Current Assets		**% of Total Current Assets**		**% of Total Current Assets**
Inventories......................	1,143.81	68.82	1,575.97	68.53	2,759.26	68.32
Sundry Debtors (net of Provisions)	223.23	13.43	175.84	7.65	123.07	3.05
Loans and Advances (net of provisions).......	214.27	12.89	409.54	17.81	936.80	23.20
Cash and Bank Balances......................	80.72	4.86	138.48	6.02	215.00	5.32
Others	NIL	NIL	NIL	NIL	4.61	0.11
Total Current Assets.....	**1,662.03**	**100**	**2,299.84**	**100**	**4,038.73**	**100**

Inventory

Inventories, which comprises of raw materials, semi-finished goods, work-in-progress and finished goods as of June 30, 2003, 2004 and 2005 were valued at Rs. 1,143.81 million, Rs. 1,575.97 million and Rs. 2,759.26 million, respectively. The average inventory holding period was 117.74 days, 109.94 days and 108.95 days respectively for the year 2003, 2004 and 2005.

Sundry Debtors

Sundry debtors consist of receivables from customers. In turn, these receivables are divided into those that have been outstanding for periods up to six months and those that have remained outstanding for over six months. Receivables that have been outstanding for more than six months are sub-divided into those that are considered good based on our internal guidelines and those that are considered doubtful. Provisions are made for all receivables that management has determined are doubtful. The following table presents the details of our debtors:

	As of June 30,		
	2003	**2004**	**2005**
	(in Rs. Million, except for percentages)		
Amount due from debtors (net of provisions)	223.23	175.84	123.07
Gross amounts due from debtors outstanding for up to six months..	217.58	171.88	116.63
Gross amounts due from debtors outstanding for up to six months as a percentage of debtors (net of provisions)	97.47%	97.75%	94.77%

	As of June 30,		
	2003	2004	2005
	(in Rs. Million, except for percentages)		
Gross amounts due from debtors outstanding for more than six months	9.25	9.74	13.57
Gross amounts due from debtors outstanding for more than six months as a percentage of debtors (net of provisions)	4.14%	5.54%	11.03%
Provisions for doubtful debts as at end of the period	3.61	5.78	7.13
Amount of provisions for doubtful debts as a percentage of debtors (net of provisions)	1.62%	3.29%	5.79%

Loans and Advances

Loans and advances consist of unsecured loans and advances that are considered good. These include, among other items, deposits with landlords for properties taken on lease, customs, port trusts, excise authorities, advance income tax, export benefits receivables, etc. As of June 30, 2003, 2004 and 2005, loans and advances totaled Rs. 214.27 million, Rs. 409.54 million and Rs. 936.80 million, respectively.

Current Liabilities and Provisions

Current liabilities and provisions consist primarily of liabilities to sundry creditors, advances from customers and liabilities for proposed dividends as well as provisions for dividend payments, wealth taxes, dividend taxes and income taxes.

The following table presents details of our current liabilities and provisions:

	As of June 30, (amounts in Rs. Million)					
	2003		2004		2005	
		% of Total Current Liabilities & Provisions		% of Total Current Liabilities & Provisions		% of Total Current Liabilities & Provisions
Current Liabilities:						
Sundry Creditors	590.38	87.45%	568.83	77.46%	1082.75	74.76%
Advances from Customers	36.28	5.33%	84.37	11.49%	160.16	11.06%
Interest accrued but not due	3.87	0.57%	5.28	0.72%	9.07	0.63%
Other Current Liabilities	0.96	0.14%	6.35	0.86%	12.76	0.88%
Provisions:						
Provision for Taxes	16.90	2.50%	27.17	3.70%	98.24	6.78%
Propsosed Dividend (incl. Dividend tax)	20.51	3.04%	32.46	4.42%	62.71	4.33%
Provision for Leave Encashment/Gratuity	6.55	0.97%	9.86	1.34%	15.88	1.10%
Other provisions					6.64	0.46%
Total Current Liabilities **& Provisions**	**675.46**	**100%**	**734.31**	**100%**	**1448.22**	**100%**

Net Cash Flows

The table below summarizes our cash flows for fiscal 2003, 2004 and 2005:

	For the year ended June 30, (in Rs. Million)		
	2003	2004	2005
Net Cash Generated from (Used in) Operating Activities ..	249.86	29.57	(182.88)
Net Cash from (Used in) Investing Activities	(428.53)	(729.63)	(939.29)
Net Cash Generated from (Used in) Financing Activities ..	223.80	765.75	1,168.04
Net Increase/(Decrease) in Cash and Cash Equivalents	**45.13**	**65.69**	**45.86**

Operating Activities

Cash flow from operating activities primarily depends upon our operating profits and changes in net working capital. The table below summarizes our cash flow from operations for fiscal 2003, 2004 and 2005:

	For the year ended June 30, (in Rs. Million)		
	2003	2004	2005
Operating Profits before Working Capital Changes (net of Tax)	381.75	545.08	826.69
Cash Flow from Exceptional and Extraordinary items...........	(2.44)	(0.75)	(0.32)
Change in net working capital..	(129.44)	(514.76)	(1,009.25)
Net Cash Generated from Operating Activities.................	**249.87**	**29.57**	**(182.88)**

Operating profits before working capital changes (net of tax) increased due to the growth of our operating income in fiscal 2005. Cash flow from exceptional and extraordinary items mainly represents outflow due to earlier year's tax liability.

Investing Activities

Net cash used in investing activities represents capital expenditure, investments, and income from dividends and interest. The table below summarizes our net cash used in investing activities for fiscal 2003, 2004 and 2005:

	For the year ended June 30, (in Rs. Million)		
	2003	2004	2005
Purchase of fixed assets	(457.05)	(619.09)	(668.57)
(Increase) / Decrease in capital work - in - progress	29.57	(111.18)	(13.50)
Sale of fixed assets	1.13	0.16	1.17
Sale of investments	(1.95)	(0.09)	64.00
Purchase of investments	-	0.52	(318.82)
Dividend Income	0.11	0.05	0.08
Advance to Subsidiary Co.	-	-	(3.65)
Capital Issue Expenses	(0.35)	-	-
Net Cash from (Used in) Investing Activities....................	**(428.53)**	**(729.63)**	**(939.29)**

Financing Activities

Net cash from financing activities is determined by the level of principal and interest payout on debts, new indebtedness and issue of new capital stock and dividend and interest payouts. The table below summarizes our net cash from investing activities for fiscal 2003, 2004 and 2005:

Particulars	For the year ended June 30 (Rs in Million)		
	2003	2004	2005
Payment of Dividend and Dividend Tax	-	(20.51)	(32.46)
Working Capital from Banks/Institutions	67.59	90.67	(80.75)
Conversion of Debentures into equity shares	-	0.00	(213.55)
Proceeds from Issue of Share Capital	43.25	106.74	913.55
Proceeds from Issue of Commercial Paper	-	132.50	17.50
Warrant Application money received	-	-	30.00

Proceeds from Issue of Unsecured FCDs	-	213.55	-
Long Term Loans	247.95	512.08	481.60
Proceeds from Other Borrowings	41.71	(37.81)	296.04
Interest (Net)	(176.69)	(231.47)	(243.90)
Net Cash Generated from (Used in) Financing Activities..	**223.80**	**765.75**	**1168.04**

Related Party Transactions

For details of related party transactions, please refer to the section entitled "Related Party Transactions" on page 117 of this Draft Letter of Offer.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks from changes in interest rates and inflation

Interest rate risk

Our interest rate risk results from changes in interest rates, which may affect our financial expenses. We bear interest rate risk with respect to indebtedness as on June 30,2005 as the interest rate could vary in the near future. We have a mix of fixed and variable loans. Our interest rates may vary with any change in the lending banks Prime Lending Rate (PLR).

Effect of Inflation

We are subject to inflationary forces on on our fixed costs.

Information required as per Clause 6.10.5.5 of SEBI Guidelines

1 **Unusual or infrequent events or transactions**

There are no unusual or infrequent events or transactions.

2 **Known trends or Uncertainties**

Other than as described in this section in this Draft Letter of Offer, to the best of our knowledge, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenue or income of the Company from continuing operations.

3 **Future relationship between costs and income**

We are continuously working to create efficient processes resulting in cost optimization and have a better control over our supply chain. We expect to continue our effort of improving our technology initiatives.

Other than as described in this section in this Draft Letter of Offer, to the best of our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

4 **Turnover for the industry segment in which we operate.**

Please refer to the discussions in the paragraphs entitled "Industry Overview" in this Draft Letter of Offer

5 **New Products or business segments**

We are in the business of retailing and have presence in both lifestyle and value retailing. In order to meet the changing requierments of our customers we may have to launch new products categories or new formats of delivery or new brands.

6 **Seasonality of business**

Our business exhibits seasonality due to the bunching of festivals like Durga Puja, Diwali, Christmas and Id in the second quarter of our financial year, in which historically we have reported higher sales. Other than as described in the "Business" section of this Draft Letter of Offer, to the best of our knowledge, there are no known factors, which are seasonal in nature and which we feel will have a material impact on the operations and finances of the Company.

7 **Dependence on single or few suppliers / customers**

We source our products from a very diverse group of suppliers and thus our operations are risk averse from supplier side. Similarly we sell our products to a wide variety of customer segments and do not foresee business risk arising from our customers.

8 Competitive Conditions

We believe that we are well positioned to enhance our position as a preferred shopping destination for customers in the business segments in which we operate. On account of our competitive strengths we feel we are well positioned to serve our customers. Such strengths include:

- Brand equity and early mover advantage
- Entrepreneur led, professionally managed by experienced team
- Project execution and operations capabilities
- Vast range of lifestyle and value retailing products and services
- Focus on systems and processses
- Adequate distribution and logistics network and supply chain
- Large base of loyal customers

9. Significant developments after June 30, 2005 that may affect our future results of operations

Save as stated in this section of this Draft Letter of Offer, to our knowledge, no circumstances have arisen since the date of the last financial statement as disclosed in the Draft Letter of Offer which materially and adversely affect or is likely to affect the trading or profitability of the Company, or the value of its assets, or its ability to pay its liability within the next twelve months.

MATERIAL DEVELOPMENTS

Significant developments after June 30, 2005 that may affect the future fo our operations

Our Board of Directors have at their meeting held on September 24, 2005 approved our financial statements and Auditors Report for the financial year 2005.

Except as stated in this Draft Letter of Offer and in compliance with AS4, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in the Draft Letter of Offer which materially and adversely affect or are likely to affect, the trading and profitability of the Company and its subsidiaries (taken as a whole), or the value of the consolidated assets or their ability to pay their material liabilities within the next 12 months.

Except as stated in this Draft Letter of Offer, there are no subsequent developments after the date of the Auditors Report dated October 19, 2005 which we believe are expected to have material impact on the reserves, profits, earnings per share or book value of our Company except as stated below.

DESCRIPTION OF CERTAIN INDEBTEDNESS

DETAILS OF BORROWINGS AS AT JUNE 30 , 2005									
									(Rs. In millions)
S.No	Lender	Nature of borrowing/ debt	Date of Withdrawal of Loan	Amount (Rs. in Millions)	Outstanding in Rs. (in Millions)	Repayment	Rate of Interest	Last Repayment Date of Loan	Security
1	Central Bank of India	Term Loan	January 20, 2004	24.00	19.355	Repayable in 20 quarterly installments of Rs.1.20 millions each. The first installment falls due after 6 months from the date of first disbursement.	10.00%	April 19, 2009	1.Exclusive 1st charge on fixed assets acquired out of proposed term loan and extention of existing pari-passu charge on the property situated at G-6, MIDC, Tarapur 2.Personal guarantee of existing guarantors Mr. Gopikishan Biyani, Mr.Rakesh Biyani and Mr. Kishore Biyani.
2	Central Bank of India	Term Loan	October 22, 2002	8.80	5.755	Repayable in 20 quarterly installments of Rs.440 millions each. The first installment falls due after 1st year from the date of first disbursement.	10.00%	July 21, 2008	1.Exclusive charge by way of hypothecation of all assets proposed to be acquired out of the term loan 2.Extention of charge on existing security I.e.: a.Plot no. 5B, Hissa No.3, Majas village, Jogeshwari b.Plot No. G-6, MIDC, Tarapur c.four Shops at 598, Budhwar peth pune. 3.Personal guarantee of existing guarantors Mr. Gopikishan Biyani, Mr.Rakesh biyani and Mr.Kishore Biyani.
3	Corporation Bank	Term Loan	08/07/2003	23.5	10.407	18 quarterly installments of Rs.1.22 millions each.	9.50%	07/01/2007	Exclusive Charge on assets acquired out of Term loan& Personal guarantee of Mr.Gopikishan Biyani,Mr.Rakesh Biyani and Mr.Kishore Biyani.
4	Corporation Bank	FCL	29/01/2004	US$ 0.44mn equivalent to 20.00 INR	12.721	10 quarterly installment of USD 29,832.40- each. Last installment of US$ 23,970.00	12m Libor+ 3.00%	29/10/2007	Exclusive Charge on assets acquired out of Term loan& Personal guarantee of Mr.Gopikishan Biyani,Mr.Rakesh Biyani and Mr.Kishore Biyani
5	Corporation Bank	Term Loan	19/8/2003	58.00	48.371	Repayable in 60 monthly equally installment of Rs 0.975 millions	9.50%	19/8/2009	Exclusive Charge on assets acquired out of Term loan& Personal guarantee of Mr.Gopikishan Biyani,Mr.Rakesh Biyani and Mr.Kishore Biyani
6	Corporation Bank	FCL	29/01/2004	US$1.2mn equivalent	46.228	Repayable in 53monthly of	12m Libor + 3.00%	19/8/2009	Exclusive Charge on assets acquired out of

				to 58.0 INR		US$ 21523.18. Last installment of US$ 10432.38			Term loan& Personal guarantee of Mr.Gopikishan Biyani,Mr.Rakesh Biyani and Mr.Kishore Biyani
7	Oriental* Bank of Commerce	Term Loan	02/07/2003	70.00	45.846	Repayable in 20 equal quarterly installments of Rs 3.50 Millions each	9.00%	30/09/2008	4) Hypothecation of assets acquired out of bank finance 5) Personal Guarantees of three Directors 6) Pledge of 150000 shares Corporate Guarantee of Pantaloon Industries Ltd.
8	Zoroastrian Co-op. Bank Ltd. *	Term Loan	01/06/2004	22.50	16.899	48 equal monthly installments of Rs 0.469 millions each	10.00%	06/05/2008	3) Hypothecation of assets acquired out of bank finance 4) Pledge of 51000/- shares
9	Zoroastrian Co-op. Bank Ltd. *	Term Loan	30/6/2004	7.50	3.562	36 equal monthly installments of Rs 0.208 millions each	10.00%	05/07/2007	1) Hypothecation of assets acquired out of bank finance 2) Pledge of 51000/- shares
10	Union Bank of India *	Term Loan	17/4/2003	1,80.00	1,30.330	60 Equal Monthly Installment of Rs 3.00 Millions each	10.00%	15/3/2009	Secured by hypothecation of specific assets and specific credit card Receivables
11	Bank of Punjab Ltd. *	Term Loan	10/01/2004	30.00	26.665	20 quarterly installments of Rs 1.50 millions each	9.00%	31/01/2010	1) First Charge on Assets Financed 2) Personal Guarantee of three Directors
12	Bank of Bahrain & Kuwait BSC	ECB	17/10/2003	US$ 2.60mn=117.832 INR	93.546	Repayment will be in quarterly installment as under: 1st-8th quarter = US$ 75000 each 9th -12th Quarter = US$ 100000 each 13-20th Quarter = US$ 200000 each	6mLibor + 2.00%	19/10/2008	First Pari passu charge on the following properties along with Central bank of India: 4. The corporate office of the company situated at Knowledge House, Shyam Nagar, Jogeshwri (E), Mumbai wherein the company has 50% property share 5. Factory premises, plant & machinary of the company situated at plot No. 6, MIDC, Tarapur 6. other movable assets,

									furniture and fixtures and miscellaneous assets and motor car and mortgage of land and building
13	ICICI	ECB	29/3/2004	US$ 4.00mn=176.14 INR	1,74.041	Repayable in 5 equal semi-annual installment of US$ 800000 and the first such installment will be due 24 months from the date of first draw down of the facility	6mLibor+ 2.00%	29/03/2008	1.Secured by exclusive mortgage and charge over the rights, titles, and interest of the borrower in the specific membership Establishment agreements of the 10 specified stores. 2.Exclusive charge over the receivables, the escrow a/c and the monies lying therein and a charge on the existing secured Receivables 3.First and exclusive mortgage/charge/security interest over the company's Trademarks thereto,and all the manufacturing,packging and other technical know-how related to the manufacture of all products manufactured and/or sold by the company under the said Trademark
14	IDBI	FCL	30/5/2003	US$ 1.79mn equivalent to 84.399INR	50.623	Loan shall be repayable in 20 equal quarterly installments of US$ 89500 commencing from June 1,2003	3mLibor+ 3.75%	01/07/2008	2nd charge over the credit cards receivables from specified stores (11 stores), the trust and Retention account maintained with ICICI Bank and the monies lying therein would be extended for the present loan in the manner as satisfactory to IDBI. 2. Personal guarantee of existing guarantors Mr. Gopikishan Biyani, Mr.Rakesh biyani and Mr.Kishore Biyani 3) Demand Promissory Note 4) Undertaking from the company for furnishing of corporate guarantee of Pantaloon Textiles Ltd. In the event of default.
15	SIDBI	FCL	31/3/2004	US$ 22.40mn=98.146INR	73.086	Loan shall be repayable in 20 equal quarterly installment of USD 112000	6mLibor+ 4.10%	03/01/2009	1) First charge on all movable assets of the company situated at their retail outlets at:- a)Pantaloon Abhjeet 3,Ahmedabad

						commencing from June01, 2004.Last installment of US$ 11753			b)Pantaloon, Spancer Plaza, Phase-2, Chennai c)Pantaloons,Kanpur d) Big Bazar Kolkata e) Pantyaloons, Lower Parel, Mumbai 2) Personal guarantee of existing guarantors Mr. Gopikishan Biyani, Mr.Rakesh biyani and Mr.Kishore Biyani. 3) Demand Promissory Note.
16	IDBI	Term Loan	15/2/2001	130.00	26.000	Repayment in 20 Quarterly installment of Rs.6.50 lmillions each Commencing from Sep 1,2001	11.00%	01/06/2006	1.Assignment of the Brands viz.Pantaloon Trouser (valued at Rs.320mn.) and John Miller shirts (valued Rs. 140 mn.) of the company to IDBI 2. First charge by way of the assets of the two Mega Stores to be acquired by the company at Calcutta and Hypothecation out of proceeds of the corporate loan.
17	Rabo India Finance P. Ltd.	Term Loan	02/03/2004	2,00.00	1,47.618	42 equal monthly installment of Rs. 4.762 lmillions starting 6 months from the date of first disbursement	8.85%	04/01/2008	1.First exclusive charge on entire movable fixed assets of the Four New stores being financed by lender i.e. a.Big bazar. Ahemdabad b.Big Bazar, Bhubaneshwer c. Food Bazar,Kolkata d. Food bazar. Kolkata 2.where entire debit/credit card receivable of the Hyper Market-'Big Bazar',located at Phoenix Mills, Mumbai will be directly credited by the discounting banks viz. ICICI bank
18	Standard Chartered Bank	Term Loan	18/6/2004	1,50.00	1,30.556	54 monthly equal installment of Rs, 2.7778 millions	7.90%	May, 2009	1)First charge on the movable fixed assets of the company with cover of 1.1 times. 2) Credit card receivables of specific store
19	Central Bank of India	Term Loan	26/8/2004	1,35.00	99.414	Repayable in 20equal quarterly installments of Rs. 6.750 millions each and	BPLR-2%	25/05/2010	1.Exclusive 1st charge on fixed assets acquired out of proposed loan. 2) Personal guarantee of existing guarantors Mr. Gopikishan Biyani, Mr.Rakesh biyani and Mr.Kishore Biyani. 3) Pledge of 100000/- Shares
20	State Bank of Travancore	Term Loan	30/11/2004	1,35.00	40.328	20 equal quarterly installment of Rs.6.750	9.00%	29/12/2010	Secured by pledge of shares held by promoters and group company, Personal

						millions each with a start up period of 12 months forms the date of first disbursement			Guarantee of some of the directors and exclusive first charges by hyptohecation of movable assets at specific stores
21	Allahabad Bank	Term Loan	12/04/2004	2,00.00	1,10.217	Repayable in 20 quarterly installment commencing at the end of 1 year from the date of first disbursement	PLR-3%	03/09/2010	Secured by exclusive charge on the fixed assets of the projects at specific Stores and Personal Guarantee of some of the directors
22	Central Bank of India	Term Loan	19/1/2005	1,72.50	56.191	Repayment will start after 12 month from date of disbursement: : 4 quarterly installment of 5.2 millions : 16 quarterly installment of 9.5 millions	BPLR-2%	18/10/2010	a)Personal guarantee of existing guarantors Mr. Gopikishan Biyani, Mr.Rakesh biyani and Mr.Kishore Biyani b) All those premises admeasuring about 5600 sq ft. (Built Up area) being whole of first floor of B wing and part of 2nd floor of B wing of the building known as Pantaloon knowledge house and 15% undividend share, right, title and interest in all that piece or parcel of land admeasuring about 3407 sq ft meters bearing CTS No. 27A 7 27B, situated at village Majas, jogeshwari (East) mumbai
23	State Bank of Hyderabad	Term Loan	24/2/2005	1,45.00	35.121	After a moratorium of 1 year from the date of First Withdrawal, repayable in 20 quarterly installment as under: a.1st 4 installments of Rs. 4.25 millions each. b. Resdidual16 installment of Rs. 8.00 millions each	SBHPLR-3%	23/11/2010	Secured by Pledge of shares held by promoters, Personal guarantee of some of the directors and exclusive first charge on the assets acquired out of bank finance.
24	Kotak Mahindra Bank Ltd	Term Loan	24/03/2005	1,22.50	1,18.000	Repayment will be as under: : 15 monthly installment of Rs.1.5 millions each : 21monthly installment of Rs.4.762 millions each	BPLR-6%	22/4/2008	Secured by Personal Guarantee of Mr.Kishore Biyani and Mr. Gopi Kishan Biyani
25	Other Secured loans(Vehicle loan)	Term loan			25.483	Repayment is spread over 36 months			Secured against specific assets
26	IDBI	FCL	14/3/05	US$ 5.00mn=217	2,17.550	One bullet payment in	3M Libor + 3.00%	21/04/2006	Secured by pledge of shares held by

				.795I NR		April of 2006			promoters, demand promissory notes and post dated cheques
27	Bank Of Bahrain	STL	19/11/2004	1,00.00	60.00	17 monthly installment of Rs. 3.529 millions from 19/07/06	BPLR-5%	19/11/2007	Secured by Post Dated Cheques
28	Corporation Bank	STL	21/06/05	1,50.00	1,50.00	3 equal installment of Rs.50 millions each starting from 13th month from the date of disbursement	COBAR-2.5%	20/9/2006	Secured by personal guarantees by some of the directors and continuing security of the assets financed
				3066.1621	**19,73.913**				

OUTSTANDING LITIGATIONS AND DEFAULTS

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors, our Promoters or group companies and there are no defaults, non payment of statutory dues, over dues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, and arrears on preference shares issued by our Company (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956).

Litigation

Cases filed against the Company

A. *Criminal cases*

1. The Local Health Authority, Ahmedabad Municipal Corporation has filed a criminal case bearing No. 14 of 2003 in the 6^{th} Court of the Metropolitan Magistrate, Ahmedabad against the Company, its then responsible assistant manager Alok Dave, Kishore Biyani and Sandip Modi and others in respect of a product supplied at the Company's retail outlet at Ahmedabad. The public analyst allegedly found the product to be adulterated as it did not conform to the standards and provisions of the Prevention of Food Adulteration Rules, 1955 and it was misbranded as per section 2(ix)(k) of the Prevention of Food Adulteration Act, 1954. Mr. Sandip Modi had resigned from the Board of Directors of the Company on March 16, 1989. The matter has been posted on November 11, 2005.

2. The Inspector of Legal Metrology had filed 14 cases before the 7^{th} Metropolitan Magistrate's Court at Dadar, Mumbai against the Company and its directors Kishore Biyani, Rakesh Biyani, Gopikishan Biyani, Shailesh Haribhakti, Darlie Koshy, S Doraiswamy, Anju Poddar, Bala Deshpande and Ved Prakash Arya for the alleged violation of Rule 23(1) of the Standards of Weights and Measures (Packaged Commodities) Rules, 1977 in the Big Bazaar premises in Lower Parel. These cases have been compounded by the Company by paying compounding fees aggregating Rs. 0.11 million.

B. *Civil cases*

1. A claim has been filed in Suit No. 1533 of 2003 before the Bombay High Court against the Company and another for restraint from using the trademark "RAYMEN". The claimant claimed that the Company aided and abetted the infringement of the said trademark by selling goods manufactured by the supplier in their stores and sought damages of an amount aggregating Rs. 0.5 million for the alleged use of the trademark. The court passed an ad-interim order dated June 16, 2003 restraining the Company from using the said trademark.The matter is pending disposal.

2. The Bombay Dyeing & Manufacturing Co. Ltd. has filed Suit No. 1535 of 2005 before the Bombay High Court against the Company seeking to restrain it from using the trademark "BEAUTYCALE" in respect of bed-sheets, textiles and other fabrics. The complainant has alleged that the packaging and advertising material represented in the artistic label bears a colour scheme, logo, font of writing, lay-out, get-up, style and representation identical with and/or is substantially similar to the colour scheme, logo, font of writing, lay-out, get-up, style and representation of the complainant's label "BEAUCALE". The complainant has sought damages for an amount aggregating approximately Rs. 50 million as well as interest at the rate of 21 per cent per annum from the date of filing of the suit till the date of payment. It also moved the Court by notice of motion No. 1642 of 2005 for interim relief. The Court passed an ad-interim order dated June 15, 2005 restraining the Company from using the impugned mark pending the hearing and final disposal of the suit. The Court Receiver has submitted its report after conducting its inventory of the goods as directed by the Court. The suit is pending disposal.

3. Trent Ltd. has filed contempt petition No. 81 of 2005 before the Bombay High Court against Amazon Developers, the Company and Kishore Biyani *inter alia* seeking to restrain the Company from entering a premises at Borivli, Mumbai and from opening any retail outlet at the said premises. The petitioner has alleged that the said Amazon Developers had entered into agreements with it to transfer the possession of the said premises to the petitioner. The petitioner had filed arbitration petition No. 221 of 2005 before the Bombay High Court against Amazon Developers to seek enforcement of these agreements. The High Court passed an Order dated July 18, 2005 restraining Amazon Developers from selling, transferring, or creating any third party rights in the said premises. In the contempt petition, the petitioner has alleged that the said premises have been transferred to the Company in wilful breach of the order dated July 18, 2005. The Court passed an order dated October 17, 2005 taking note of the statement of the respondents that no third party rights had been created in the said premises and the other respondents are carrying on the business as a franchisee of the Company without creating any third party rights in favour of the Company. The Court also directed the respondents to produce the franchisee agreements. The petitioner has filed an appeal No. 1184 of 2005 dated October 27, 2005 before a division bench of the High Court seeking the appointment of a court receiver in respect of the said premises. The appeal is pending disposal.

C. Consumer cases

1. A complaint No. 229 of 2004 has been filed before the District Consumer Disputes Redressal Forum at Bandra, Mumbai against the Company and M/s. Tops Detective and Security Services. The complaint claimed compensation for an amount aggregating to Rs. 0.5 million with interest at the rate of 18 per cent per annum. for the loss the loss of his laptop on September 6, 2003 from the Big Bazaar outlet operated by the Company in Mumbai. The complainant alleged deficiency in the services of safe custody provided by the Company and M/s. Tops Detective and Security Services which lead to the loss. The Company has filed its reply. The matter has been posted to November 19, 2005.

2. A compliant No. 47 of 2005 has been filed before the District Consumer Redressal Forum, Ahmedabad, against Cadbury India Ltd. and the Company claiming compensation of a sum of Rs. 0.5 million for the mental agony, health problems, costs and other expenses incurred by him in respect of a bar of chocolate manufactured by Cadbury India Ltd. and sold by the Company which allegedly contained a live worm and cobwebs. Both Cadbury India Ltd. and the Company have filed their respective replies and the matter is pending disposal.

3. A complaint No. 84 of 2005 has been filed before the District Consumer Disputes Redressal Forum, Shahajanpur against the Company and another for the alleged deficiency in service by failing to transfer 100 shares in the complainants' favour. The complainants have also claimed dividend and bonus since the alleged date of transfer and interest at the rate of 18 per cent per annum, Rs. 2000 as costs of the complaint and Rs. 5000 as compensation for mental agony. The Company has filed its written statement on August 19, 2005 and the matter has been adjourned till November 16, 2005.

4. A complaint No. 349 of 2005 has been filed before the District Consumer Redressal Forum, Dhanbad against the Company for the failure to transfer 500 shares in the complainant's favour. The matter has been posted on December 5, 2005 for filing the reply by the Company.

D. Tax proceedings

1. The Joint Commissioner of Income Tax passed an order against the Company requiring it to pay income tax of an amount aggregating approximately Rs. 0.35 million for the assessment year 1997-1998. The Company filed an appeal against this order before the Commissioner of Income Tax (Appeals), Mumbai who confirmed the order of the Joint Commissioner. The Company has filed an appeal dated January 31, 2004 before the Income Tax Appellate Tribunal, Mumbai disputing the amount ordered against the Company. The Company claims that an amount aggregating approximately Rs. 0.73 million being provisions for doubtful debts had been wrongly added back to the book profit while computing income under section 115J of the Income Tax Act, 1961 and that a portion of the staff welfare expenditure had been wrongly disallowed. The matter is pending disposal.

2. The Additional Commissioner of Income Tax passed an order against the Company requiring it to pay income tax of an amount aggregating approximately Rs. 0.07 million in respect of assessment year 1998-1999. The Company has filed an appeal dated February 13, 2001 against the order before the Commissioner of Income Tax (Appeals), Mumbai in respect of an amount aggregating approximately Rs. 0.19 million on the grounds that a portion of the capital issue expenses and preliminary expenditure incurred as well as interest paid on fixed deposits accepted had been wrongly disallowed. The matter is pending disposal.

3. The Deputy Commissioner of Income Tax passed an order against the Company requiring it to pay income tax of an amount aggregating approximately Rs. 1.83 million in respect of assessment year 2001-2002. The Company filed an appeal against the order before the Commissioner of Income Tax (Appeals), Mumbai disputing the tax amount of Rs. 1.83 million which was disposed partly in favour of the Company vide order passed by the Commissioner of Income Tax (Appeals) dated November 19, 2004. The Deputy Commissioner of Income Tax and the Company have appealed against the above order on March 11, 2005 and January 20, 2005 respectively before the Income Tax Appellate Tribunal, Mumbai.

E. Labour Dispute

1. Milind Monda has sought reinstatement in service with the Company with full back wages alleging that he was a clerical employee of the Company and that his services had been wrongly terminated. The dispute was referred to conciliation upon the failure of which the Government of Gujarat forwarded the reference No. 1943 of 2000 to the Labour Court, Ahmedabad, for adjudication. The Court passed an ex parte award dated February 18, 2005 directing the Company to reinstate Milind Monda and pay full back wages. The Company filed miscellaneous application No. 84 of 2005 dated April 25, 2005 before the Court praying that the ex parte award be set aside and the main reference No. 1943 of 2000 be restored on the file of the Court for disposal on merits. This application is pending disposal.

Litigation filed by the Company

1. The Company has filed criminal complaint No. 25/S/1999 before the 10th Metropolitan Magistrate's Court at Andheri, Mumbai against Narendra Pal Singla and Harvinder Pal Singla for offences under section 409 of the Indian Penal Code, 1860 in respect of unsold goods and sale proceeds aggregating approximately Rs. 3 million. The court has issued summons calling for the appearance of the accused. The next date of hearing is December 6, 2005.

2. The Company filed an FIR dated August 9, 2005 with the Kushambhi Chowk Police Station, Ghaziabad with regard to the theft of an amount aggregating approximately Rs. 4.5 million and some mobile phone handsets from its outlet at Ghaziabad.. The police are yet to file the charge sheet in the court.

3. The Company has filed FIR No. 170 of 2003 dated November 25, 2003 with the Meghwadi Police Station, Mumbai with respect to offences under sections 379, 467, 468, 471, 420 and 511 of the Indian Penal Code, 1860 relating to the forgery of its cheques for an amount aggregating Rs. 0.875 million. The matter is under investigation and no chargesheet has yet to be filed.

Against directors

1. The Food and Health Inspector, Pune Cantonment Board has filed criminal cases bearing Nos. 5729 of 2004, 5730 of 2004, 5731 of 2004, 5732 of 2004, 5733 of 2004 and 5734 of 2004 in Court of the Judicial Magistrate First Class Lashkar Court at Pune against Kishore Biyani as the Chairman and Managing Director of the Company under sections 210 and 213 of the Cantonments Act, 1924 for allegedly trading without license in respect of preparing and selling pop corn as well selling other pan masala eatables at the Pantaloon factory outlet operated and run by the Company at Pune from November 1, 2004 to November 6, 2004. The summons were received at the said factory outlet on February 26, 2005. Kishore Biyani filed an application dated September 13, 2005

before the court praying that the summons had been wrongly served on him as the actual activity of preparing and selling was carried on by M/s. Suruchi Foods. The cases will come up before the Court on November 16, 2005.

2. A Hiralal Malabhai Bharwad has filed applications bearing Nos. 1593 of 2004 and 1593(A) of 2004 before the Motor Accident Claims Tribunal at Mumbai against Mr. Gopikishan Biyani and National Insurance Co. Ltd. under sections 140 and 166 of the Motor Vehicles Act, 1988 for compensation of an aggregate sum of Rs. 0.1 million on account of an injury caused to him in a motor vehicle accident involving a motor car owned by Mr. Gopikishan Biyani and Rs. 0.025 million as no fault liability in respect of the same. The matter is being pursued by National Insurance Co. Ltd. The matter is currently pending.

3. A criminal complaint was filed by Richard Godhino against Tarik Masalmani, Abdul Rehman and Dhun Khambatta in which Anil Harish was also included as an accused. This complaint was filed under sections 403, 406 and 420 read with Section 34 of the Indian Penal Code, 1860 before the 8th Additional Chief Metropolitan Magistrate at Esplanade, Mumbai being criminal cases No. 16/S/ of 2000. The complainant alleged that he was to be paid brokerage of 3.5 per cent of the sale proceeds of a particular transaction and a further amount for vacating a premises, which were to be sold. He claimed that the three first named accused persons did not pay him the amount of Rs. 10 million due to him and that Anil Harish had connived with them and had induced him to deliver possession. The court vide its order dated March 2, 2001 exempted Anil Harish from appearance before the court. Anil Harish also made an application for discharge from the case matter but this has not yet been taken up for hearing.

Litigation Involving Group Companies

A. Pantaloon Industries Ltd.

1. Pantaloon Industries Ltd. has filed seven criminal cases bearing Nos. 3353/SS to 3359/SS of 2005 in the 6th Metropolitan Magistrate's Court at Mazgaon, Mumbai against Vaishnavi Textiles and its proprietor Satish Patil for offences punishable under section 138 of the Negotiable Instruments Act, 1881 in respect of amounts aggregating Rs. 1.075 million due to it for sale and delivery of goods . The cases have been clubbed together and the Court has issued a bailable warrant against the accused. The matter is next posted on December 12, 2005.

2. Pantaloon Industries Ltd has filed criminal case bearing No. 401/SS/2005 in the 33rd Metropolitan Magistrate's Court at Ballard Pier, Mumbai against Vaishnavi Textiles and its proprietor Satish Patil for offences punishable under section 138 of the Negotiable Instruments Act, 1881 in respect of amounts aggregating Rs. 0.1 million due to it as consideration for goods sold and delivered to Vaishnavi Textiles. The Court has issued summons against Satish Patil. The matter has been posted for hearing on October 4, 2005 for evidence of Pantaloon Industries Ltd. The matter is next posted on November 18, 2005.

3. Pantaloon Industries Ltd. has filed a criminal case No. 6912/S/2002 in the 10th Metropolitan Magistrate's Court at Andheri, Mumbai against a B. Raghunath Reddy, proprietor of Blue Bell Marketing for offence punishable under section 138 of the Negotiable Instruments Act, 1881 and section 420 of the Indian Penal Code, 1860 in respect of an amount aggregating Rs.0.04 milion due to it as part consideration for goods sold to Blue Bell Marketing. The matter is pending disposal.

B. PFH Entertainment Ltd.

1. Famous Cine Equipments had initiated arbitration proceedings against PFH Entertainment Ltd. (**"PFH"**) before the Association of Motion Picture Studios (**"the Association"**) vide a claim dated January 3, 2003 for an amount aggregating Rs. 1.43 million in respect of equipment hire charges allegedly due from PFH. The Association passed an award dated January 22, 2003 for an amount aggregating Rs. 1.2 million against PFH Entertainment Ltd. as well as Rs. 0.12 million as service charges of the Association. Famous Cine Equipments filed an execution application No. 272 of 2003 before the Bombay High Court. The Association has advised Studio One and Empire Audio Centre Private Ltd. not to deal with PFH or part with any work done without the clearance of the Association. Accordingly these two concerns refused to part possession of the goods of PFH

despite contracts to the contrary. PFH filed suit No. 822/2003 before the Bombay High Court against Studio One, Empire Audio Centre Private Ltd., the Association and Famous Cine Equipments Ltd. seeking a direction to Studio One and Empire Audio Centre Private Ltd. to hand over to it its goods. The Court passed an order dated March 7, 2003 directing the two concerns to hand over to PFH the goods entrusted to them upon receipt of payment due from PFH Entertainment Ltd. upon an undertaking given by PFH to furnish a bank guarantee by March 11, 2003 for a sum of approximately Rs. 1.32 million. PFH Entertainment Ltd. furnished a bank guarantee bearing No. C.F.B. 2003/67 dated April 24, 2003 for a sum of Rs. 1.35 million from Central Bank of India and got the goods released. PFH Entertainment Ltd. and Famous Cine Equipments Ltd. have entered into a memorandum of understanding dated August 8, 2005 for a full and final settlement in respect of all the claims against each other. The parties are in the process of filing the consent terms before the Bombay High Court after which the bank guarantee will be released.

2. Saregama India Limited has filed criminal complaint No. 6854/S/2002 before the 10th Metropolitan Magistrate's Court at Andheri, Mumbai against PFH and its chief executive officer and director for an offence punishable under section 138 read with section 141 of the Negotiable Instruments Act, 1881 in respect of an amount aggregating Rs. 1.075 million due to it as alleged consideration for the additional promotion of the sound recordings, literary and musical works of a film. The court had issued summons against the chief executive officer requiring him to appear in person before it on April 21, 2003. Bail of Rs. 0.025 million has been deposited by Vivek Singhania on April 19, 2004. The next date of hearing is December 1, 2005.

3. Atul Kadam, a professional make-up artist, has filed summary suit No. 2459 in the Bombay High Court against PFH for an amount aggregating Rs. 0.083 million allegedly due to him from PFH as the outstanding amount of professional fees for work undertaken by him with respect to a a film produced by PFH. The Court passed an ex-parte order dated June 9, 2005 decreeing the suit in favour of Atul Kadam. The company has filed notice of motion dated September 2005 for setting aside this order.

4. PFH has filed a criminal case bearing No. 6913/S/2002 in the 10th Metropolitan Magistrate's Court at Andheri, Mumbai against one Hemant Vyas, the proprietor of Shree Mohan Enterprises for an offence punishable under section 138 of the Negotiable Instruments Act, 1881 in respect of an amount aggregating Rs. 0.25 million due to it as consideration for distribution of a film. PFH Entertainment Ltd. has to serve summons against the accused by the next date of hearing, November 8, 2005.

5. PFH Entertainment Ltd has filed a criminal complaint bearing No. 3740/M/2002 in the 10th Metropolitan Magistrate's Court at Andheri, Mumbai against Vishwa Jyothi Films, for offences punishable under section 138 of the Negotiable Instruments Act, 1881 and section 420 of the Indian Penal Code, 1860 in respect of an amount aggregating Rs. 0.5 million due to it as consideration for distribution a filmproduced by the company. The matter was last listed on September 19, 2005 when the Court issued warrants against the proprietor. The next date of hearing is November 30, 2005.

Notices

1. The Company issued a legal notice dated April 27, 2005 to M/s. Dhakuria Big Bazaar calling upon it to *inter alia* cease and desist from infringing the mark/name/label "BIG BAZAAR *Sabse Kam Bhav Sabse Achcha Chiz*" or any other identical and/or deceptively similar mark/label to its trade mark. The Company has also sought damages of an amount aggregating Rs. 1 million from M/s. Dhakuria Big Bazaar.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further material approvals are required from any Government authority or the RBI to continue such activities. We have received the following Government approvals that are material to our business:

General

1. PAN Number AAACP6317L
2. Certificate of Importer Exporter Code, 0389048224 issued on December 31, 1998 by the Office of Joint Director General of Foreign Trade.
3. Central Excise Registration Certificate No. AAACP6317LXM001 dated September 12, 2005

RBI

4. Approval CO.FID(II)/3176/10.02.50(118)99-2000 dated December 13, 1999 from RBI to the Company approving the issue, on a preferential basis of 500,000 equity shares of Rs. 10 each for cash at premium of Rs. 33 each to Advantage Advisers Inc.

Factory Approvals

Tarapur Factory

Our factory is located at Plot No G-06, MIDC, Tarapur, Taluk Palghar, Dist Thane. We require several licenses in relation to our manufacturing activities as well as labour related approvals/licenses. The details of the relevant approvals/licenses are given below:

5. Consent for manufacture of 1000 trousers a day from the Maharashtra Pollution) Act, 1974 and S.21, Air (Prevention and Control of Pollution) Act, 1981 , No ROT/SAT/R/C-9, and authorization from the Maharashtra Pollution Control Board under Rule 5, Hazardous Wastes (Management and Handling) Rules, 1989 for the manufacture of 1000 trousers a day upto September 30, 2010
6. Factory License issued by the Factory Inspector for establishment of and running a factory valid upto December 31, 2005.
7. License granted by the Office of the Deputy Commissioner of Labour, No DC/THN/CLA/BRR/Amend under the Contract Labour (Abolition and Regulation) Act, 1971 dated January 4, 2005.
8. Certification of Standing orders Under S.3, Industrial Employment (Standing Orders) Act, 1946 issued by the Office of the Deputy Commissioner of Labour, No. DC/THN/SOS/RSG/3/2004
9. License under the Weights and Measures Act in respect of bench dial scale , License No 1160363 , valid upto December 10, 2005 and License No 2453080 in respect of electronic platform scale valid upto February 22, 2006

Stores Approvals

Ahmedabad

Gujarat Labour and Employment Department dated May 20, 2004 grants exemption from S. 18, Bombay Shops and Establishments Act, 1948 for Pantaloon Retail India Limited , Ahmedabad subject to the condition that every employee gets turn by turn a weekly holiday.

Kankaria

1. Registration No. 0072102 under Shops and Establishment Act granted to Food Bazaar and Big Bazaar, Kankaria , Ahmedabad valid till December 31, 2007
2. Certificate bearing Registration No. 1326 under Prevention of Food Adulteration Act granted to Food Bazaar, Kankaria, Ahmedabad valid till December 31, 2010.

Abhijeet III

3. License No. 5726 valid from January 1, 2005 to December 31, 2006 \for selling, stocking or exhibiting for sale or distributing insecticides
4. Registration No. PII/EL/00/0009592 under Shops and Establishment Act valid till December 31, 2006
5. Registration No. No 58/04/Zone 2 as principal employer valid from April 20, 2004 to hire contract labour from VRX Hospitality Contractors Services Pvt Ltd

Akashganga

6. Registration No. PII/SHE/09/0000012 under Shops and Establishment Act granted to Big Bazaar, Akashganga, Ahmedabad valid till December 31, 2007
7. Certificate bearing Registration No. PII/SHE/09/0000012 granted to Big Bazaar, Akashganga, Ahmedabad, which is valid till December 31, 2007.

Bangalore

Banshankari

8. License No 54/189/2005 for Big Bazaar, Banashankari, Bangalore dated May 17, 2005 under Karnataka Shops and Establishments Act, 1961 to employ 250 persons valid upto December 31, 2009
9. License No PFA/HN/0497 /2005-06 under Prevention of Food Adulteration Act granted to outlet/store Big Bazaar, Banshankari, Bangalore valid upto March 31, 2006
10. Registration No. No ALC-2/CLA/P-17/2005-06 granted to Big Bazaar, Banashankari, Bangalore as Principal Employer to hire contract labour from Contractors M/s Cleanco and Kirti Detective Agency

Central

11. License No 76/S/342/04 under the Karnataka Shops and Commercial Establishments Act, 1961 to employ 500 persons granted to outlet/store at Bangalore Central valid till December 31, 2008
12. License No PFA/SNR/201/2005-06 dated May 17, 2005 for Bangalore Central under Prevention of Food Adulteration Act valid upto March 31, 2006
13. Registration No ALCB-4/CLA/P-19/2004-05 granted to Bangalore Central as Principal Employer to hire contract labour from Contractors Force 1 Security and Cleanco.

Hosur Road

14. License No BST/0679 for Food Bazaar, Hosur Road, Bangalore under Karnataka Shops and Establishments Act, 1961 valid upto December 31, 2007.
15. Registration No. No ALCB-4/CLA/P-18/2004-05 granted to Big Bazaar, Hosur Road , Bangalore as Principal Employer to hire contract labour from Contractors Kirti Detective Agency and Bharat Vikas Utility Services.
16. License No PFA/08/2005-06 for Food Bazaar, Hosur Road under Prevention of Food Adulteration Act valid upto March 31, 2006.

Bhubhaneshwar

17. Registration No. I/795 granted to outlet/store Big Bazaar, Bhubaneshwar valid till December 31, 2007
18. Registration No. K-181/04 granted to Big Bazaar, Bhubhaneshwar as Principal Employer to hire contract labour from Contractors Cleaning Arts National Investi-Security Services
19. Certificate bearing Registration No. 362-12 under Prevention of Food Adulteration Act granted to Big Bazaar, Bhubhaneshwar, which is valid till December 31, 2005

Delhi

East Delhi Mall

20. Certificate bearing Registration No. THA(SK) 362 under Prevention of Food Adulteration Act granted to East Delhi Mall, Wazirpur, Delhi, which is valid till March 31, 2006

Inderlok

21. Health trade license No 75 granted to Big Bazaar,Inderlok, New Delhi

Durgapur

22. Registration No. BDN/DGP/DGP/PI/1818 under Shops and Establishments Act granted to outlet/store Big Bazaar, Durgapur valid till December 31, 2008
23. Trade License No 5149 granted by the Durgapur Municipal Corporation valid upto March 31, 2006

Ghaziabad

24. Registration No. 1/6260 F under Shops and Establishments Act granted to outlet/store Big Bazaar, Shipra Mall, Ghaziabad valid till March 31, 2010
25. Certificate bearing Registration No. THA(SK)372 under Prevention of Food Adulteration Act granted to Food Bazaar, Shipra Mall, Ghaziabad, which is valid till March 31, 2006

Gurgaon

26. Registration No. 1/2003/252 under Shops and Establishments Act granted to outlet/store Big Bazaar,Sahara Mall, Gurgaon valid till March 31, 2006
27. Certificate bearing Registration No. PFA/2005/93 under Prevention of Food Adulteration Act granted to Food Bazaar, Sahara Mall, Gurgaon, which is valid till December 31, 2005

Hyderabad

Vide letter dated April 28, 2005 , the outlets in Hyderabad have been granted exemption under the Andhra Pradesh Shops and Establishments Act, 1988 from the operation of Ss 7(1), 12 (1) and 31 for a period of 2 years

Abid Mal

28. Registration No. HMD/1/2001 under Shops and Establishments Act granted to Big Bazaar, Abid Malls, Hyderabad valid till December 31, 2007
29. Certificate bearing Registration No. 010/FI/PFA/CVI/MCH/2005-06 under Prevention of Food Adulteration Act granted to Big Bazaar, Abid Mall, Hyderabad, which is valid till March 31, 2006

Himayat Nagar

30. Registration No. 49/3761/2001 under Shops and Establishments Act granted to outlet/store Pantaloons, Himayat Nagar, Hyderabad valid till December 31, 2005.

Central

31. Registration No. Challan No 9907 granted to Hyderabad Central, as principal employer valid from October 20, 2004, to hire contract labour from contractors M/s CAERE and Tops Security Ltd.
32. Certificate bearing Registration No. 037/FI/PFA/CV/MCH/2005-06 under Prevention of Food Adulteration Act granted to Hyderabad Central, which is valid till March 31, 2006.
33. Registration No. ACL3/HYD/11/2004 under the Andhra Pradesh Shops and Establishments Act 1988 valid upto December 31, 2005.

Kanpur

34. Registration No. 1/19/398 under Shops and Establishments Act granted to Pantaloons, Kanpur valid till December 31, 2006

Kolkata

Alipore

35. Certificate bearing Registration No. Kol/Ali/PI/2583 under Prevention of Food Adulteration Act granted to Food Bazaar, Alipore, Kolkata, which is valid till December 31, 2005

Highland Park

36. Registration No. Kol/Jud/P-I/9777 under Shops and Establishments Act granted to Big Bazaar, Highland Park, Calcutta valid till December 31, 2008

VIP Road

37. Registration No. N/24P/Rajarhat/P1/53929 granted under Shops and Establishments Act to Big Bazaar, VIP Road, Calcutta valid till December 31, 2005

Gariahat

38. Registration No. D/1178/04 under Shops and Establishments Act granted to Pantaloons, Gariahat, Calcutta valid till December 31, 2007
39. Registration No. 186/P-18/2001/LCS granted to Pantaloons, Gariahat, Calcutta as Principal Employer to hire contract labour from Contractors Orient Security and Detective Agency Cleaning Arts

Mumbai

Vashi

40. Registration No. 000463 granted under Shops and Establishments Act to Gold Bazaar, Vashi, Mumbai valid till December 31, 2006.
41. Registration No. S 14309 under Shops and Establishments Act granted to Food Bazaar, Vashi, Mumbai valid till December 31, 2006.
42. Registration No. S/14308 granted under Shops and Establishments Act to Pantaloons, Vashi, Mumbai valid till December 31, 2006.
43. Registration No. 92/11 granted to Food Bazaar, Vashi, Mumbai as Principal Employer valid from January 30, 2004 to hire contract labour from Contractors Cleaning Arts.
44. Certificate bearing Registration No. S/NM/R/722/5356/2003 under Prevention of Food Adulteration Act granted to Food Bazaar, Vashi, Mumbai, which is valid till December 31, 2007.

Kandivali

45. Registration No. RS-1/013682 under Shops and Establishments Act granted to outlet/store Big Bazaar, Kandivali valid till December 31, 2007.

Nirmal Lifestyle

46. Registration No. 1195/C/grocery/2005 under the Prevention of Food Adulteration Act granted to outlet Nirmal Lifestyle, Mulund, Mumbai valid till December 31, 2005.
47. Registration No. T-1/007480 under the Bombay Shops and Establishments Act 1948 granted to outlet/store Nirmal Lifestyle, Mulund, Mumbai valid till June 5, 2007.

Lower Parel

48. Registration No. GS -1/1008795 under the Bombay Shops and Establishments Act 1948 granted to outlet/store Big Bazaar, Lower Parel, Mumbai valid till December 31, 2007.
49. Registration No. GS-1/003248 under the Bombay Shops and Establishments Act 1948 granted to outlet/store Pantaloons, Lower Parel, Mumbai valid till December 31, 2007.
50. Certificate bearing Registration No. 057111 under Maharashtra Prevention of Food Adulteration Act granted to Big Bazaar, Lower Parel, Mumbai, which is valid till December 31, 2006.
51. Registration No. CL/CLA/Regn./Pvt/91/G ward/Desk 21 granted to Pantaloons, Lower Parel, , Mumbai as Principal Employer valid from May 22, 2004 to hire contract labour from Contractors Cleaning Arts.

Andheri

52. Registration No. KW -1/018402 under the Bombay Shops and Establishments Act 1948 granted to outlet/store Food Bazaar, Andheri, Mumbai valid till December 31, 2007
53. Certificate bearing Registration No. 062548 under Prevention of Food Adulteration Act granted to Food Bazaar, Andheri, Mumbai, which is valid till December 31, 2006
54. Registration No. KW-1/019445 dated October 11, 2005 under the Bombay Shops and Establishments Act 1948 granted to outlet/store aLL, Andheri, Mumbai valid till December 31, 2007

Malad

55. Registration No. PN-1/019137 granted to outlet/store Food Bazaar, Malad, Mumbai valid till December 31, 2007
56. Certificate bearing Registration No. 102384 under Prevention of Food Adulteration Act granted to Food Bazaar, Malad, Mumbai, which is valid till December 31, 2009
57. Trade License No 909390 granted by the Municipal corporation to Food Bazaar, Malad valid upto January 31, 2008

Mulund

58. Registration No. No. CL/CLA/Regn/Pvt/41/T ward granted to Big Bazaar, Mulund, Mumbai as principal employer till December 31, 2005 (estimated or actual date of termination of employment of contract labour) to hire contract labour from Contractors Sanjay Maintenance Pvt Ltd
59. License No. 0101/12333/H/P valid from August 31, 2005 to August 30, 2007 granted to Big Bazaar, Mulund, Mumbai for selling, stocking or exhibiting for sale or distributing insecticides
60. Certificate bearing Registration No. 7520 under Prevention of Food Adulteration Act granted to Big Bazaar, Mulund, Mumbai, which is valid till December 31, 2007
61. License No 003410 granted by Municipal Corporation to Big Bazaar, Mulund dated December 31, 2007.
62. Registration No. T-1/006560 issued under the Bombay Shops and Establishments Act, 1948 valid until December 31, 2005.

Nagpur

63. Registration No. I-91-657 granted to outlet/store Big Bazaar, Nagpur valid till December 31, 2006
64. License No. 2701/1566/H/K valid from December 31, 2004 to December 30, 2006 granted to Big Bazaar, Nagpur for selling, stocking or exhibiting for sale or distributing insecticides
65. Certificate bearing Registration No. 14709 under Prevention of Food Adulteration Act granted to Big Bazaar, Nagpur, which is valid till December 31, 2007

Nasik

66. Registration No. NSK No 0083100 under Shops and Establishments Act granted to Big Bazaar, Nasik valid till December 31, 2005

67. Certificate bearing Registration No. A1513 under Prevention of Food Adulteration act granted to Big Bazaar, Nasik, which is valid till December 31, 2008

Pune

Central

68. Registration No. Station/T/4281under Bombay Shops and Establishments Act granted to Pune Central valid till December 31, 2007

Inox

69. Registration No. Station/I/3981 Bombay Shops and Establishments Act granted to Inox, Pune valid till December 31, 2007

Thane

70. Registration No. S50723 granted to outlet/store Big Bazaar, Thane valid till December 31, 2007
71. License No. 0201/06372/H/L valid from September 1, 2005 to August 31, 2007 granted to Big Bazaar, Thane for selling, stocking or exhibiting for sale or distributing insecticides
72. Certificate bearing Registration No. 1195/C/grocery/2005 under Prevention of Food Adulteration Act granted to Big Bazaar, Thane, which is valid till December 31, 2009.

Vadodara

73. Registration No. A-4 182 under the Bombay Shops and Establishments Act,1948 granted to Inox, Vadodara valid till December 31, 2007
74. Gujarat Labour and Employment Department letter dated July 19, 2005 for Pantaloon Retail (India) Limited, Vadodara exempts the store under Section 18 of the Bombay Shops and Establishments, 1948 subject to the condition that every employee gets turn by turn a weekly holiday.

Warehouse Approvals

We have 1 central warehouse and 12 regional warehouses. We are required to obtain licenses in respect of some of these warehouses under different regional legislations.

Hyderabad

1. License No ACL1/HYD/8/2001 under Andhra Pradesh Shops and Establishments Act, 1988 for warehouses located at 207-A, Tarbund, Secundarabad valid upto December 2005.

Pune

2. Permission granted by Pune Municipal Corporation, Fire Department for Central Warehouse, Pune vide letter dated July 21, 2005 for storing readymade garments
3. License No 1029 for Central Warehouse, Pune under Maharashtra Shops and Establishments Act valid upto December 31,2007

Gurgaon

4. License No 1/2003/252 under Punjab Shops and Establishments granted for warehouse at Sahara Mall, Gurgaon valid upto December 31, 2005

Factory Outlets Approvals

1. License No AL032/Hyd/29/1993 under AP Shops and Establishments for Pantaloons Factory Outlet, Secunderabad valid upto December 31,2005

2. License No Pune/Camp/I/2229 to Pantaloons Factory Outlet, Pune at 3 Casteeline Road under Bombay Shops and Establishments Act valid upto December 31, 2005
3. License No 18569 under Bombay Shops and Establishments Act for Pantaloons Factory Outlet, Thane valid upto December 31, 2005
4. License No I-88-129 for Pantaloons Factory Outlet, Nagpur under Bombay Shops and Establishments Act valid upto December 31, 2006
5. License No 0056433 for Pantaloons Factory Outlet , Navrangpura, Ahmedabad under Bombay Shops and Establishments Act valid upto December 31, 2007

Pending Approvals

1. Hyderabad Central, ACL3/HYD/11/2004, application filed for renewal of license under Shops and Establishment Act
2. Pantaloons, Camac Street, Calcutta, application filed for renewal of license under West Bengal Shops and Establishments Act
3. Big Bazaar, Thane , application letter dated August 29, 2005 for registration under Contract Labour (Regulation and Abolition) Act
4. Application has been filed for renewal of license No. 207/2004 under the Bombay Shops and Establishments Act for Big Bazaar, Rudra Point, Ahmedabad.
5. Applications have been filed to obtained trade licenses from the Municipal Corporation in respect of our stores at Kandivali and Goregaon.
6. Big Bazaar/Food Bazaar at Sangli, recently opened stores in respect of which applications have been filed for grant of licenses under Shops and Establishments Act and the Prevention of Food Adulteration Act.
7. We have applied for permission to work extended hours and to keep the store open 365 days in a year in respect of the following outlets:
    (a) Pantaloons, Thane
    (b) Pantaloons, Vashi, Mumbai
    (c) Pantaloons, Lower Parel, Mumbai
    (d) Pantaloons, Inox, Pune
    (e) Pantaloons Factory Outlet, Pune
    (f) Pantaloons Factory Outlet,Nagpur
    (g) Big Bazaar, Lower Parel, Mumbai
    (h) Big Bazaar, Mulund, Mumbai
    (i) Big Bazaar, Landmark, Nagpur
    (j) Big Bazaar, College Road, Nasik
    (k) Food Bazaar, Goregaon, Mumbai
    (l) Food Bazaar, Vashi, Mumbai
    (m) Food Bazaar, Andheri , Mumbai
    (n) Food Bazaar, Malad, Mumbai
    (o) Gold Bazaar, Vashi, Mumbai

Sales Tax Approvals

We are required to register under the Central Sales Tax Act as well as the relevant state legislations in respect of our stores for the business of reseller and manufacturer.

1. Registration No 4000060/C/1999 obtained on July 1, 2004 under the Central Sales Tax (Registration and Turnover) Rules, 1957 in respect of stores/factory outlets/warehouses in Maharashtra.

2. Registration No TNGST No 0861662 under the Tamil Nadu General Sales Tax Act,1959 and CST 722902 under the Central sales Tax Act, 1956 obtained under the Central Sales Tax Act,1956 in respect of :

    a. Pantaloons, Spencer Plaza, Chennai
    b. Pantaloons Warehouse, Mount Road, Chennai
    c. Pantaloons, Gandhinagar, Chennai

3. Registration No GRE 27766(Central) obtained on December 12, 2003 and valid till March 31, 2007 under the Central Sales Tax Act, 1956 in respect of stores at Sahara Mall, Gurgaon.

4. Registration No WBST BH 6834 under the West Bengal Sales Tax Act, 1994 and Registration No CST BH 5972 under the Central Sales Tax Act, 1956 March 27, in respect of :

   a. Pantaloons, Gariahat, Kolkata;
   b. Pantaloons, Camac Street, Kolkata;
   c. Pantaloon City Warehouse located at GT Road, Kolkata;
   d. Big Bazaar-Calcutta Stores, VIP Road, Kolkata;
   e. Pantaloons City Warehouse, Parvati Vihar, VIP Road, Kolkata;
   f. Food Bazaar-Calcutta, Camac Street, Kolkata;
   g. Food Bazar Warehouse, Ramkristopur, Howrah, Kolkata;
   h. Big Bazaar VIP Warehouse, VIP Road, Tangra, Kolkata; and
   i. Food Bazaar Alipore, Alipore Road, Kolkata.

5. Registration No GST- 0734034954 dated October 6, 1992 obtained under the Gujarat Sales Tax Act, and Registration No CST-GUJ 10R 4580 dated October 6, 1992 in respect of :

   a. Pantaloons, Law Garden, Ahmedabad;
   b. Pantaloon City Warehouse, Ahmedabad;
   c. Pantaloons Factory outlet, Navarangapura, Ahmedabad;
   d. Pantaloons , Inox Multiplex, Upper and Lower Plaza ,Ellora Park, Baroda;
   e. Pantaloons, Inox Multiplex, Shop R8& R8/A, Ellora Park, Baroda;
   f. Big-Bazaar Ahmedabad, Gandhinagar-Sarkhej Highway, Ahmedabad; and
   g. Big-Bazaar –Ahmedabad Warehouse, Sharkhaj Sanand Road, Sharkhaj, Ahmedabad.

6. Registration No APGST: SEC/03/01/3585/93-94 under the Andhra Pradesh General Sales Tax Act, 1957 and Registration No CST:SEC/03/01/3382/93-94 under the Central Sales Tax Act, 1956 in respect of:

   a. Pantaloons Tirumala Estate, Himayat Nagar, Hyderabad;
   b. Pantaloon City Warehouse, Tarbund, Secunderabad;
   c. Pantaloons-Begumpet, Begumpet Main Road, Secunderabad;
   d. Big Bazaar-Abids, Abids, Hyderabad; and
   e. Pantaloons Factory Outlet, S.D Road, Secunderabad.

7. Registration No UPTT-KR-0851893 UP Trade Tax Act, 1948 dated May 21, 2001 and Registration No. CST-KR-5211112 dated May 23, 2001 in respect of

   a. Kanpur Megastore, Parvati Bagla Road, Tilak Nagar, Kanpur
   b. Pantaloon Kanpur City Warehouse, Kanpur

8. Registration No KST NO.90311395 dated June 29, 1995 under the Karnataka Sales Tax Act, 1957and Registration No CST NO. 90361398 under Central Sales Tax Act, 1956 dated June 29, 1995 in respect of:

   a. Big-Bazaar-Bangalore, Hosur Road, Bangalore
   b. Big-Bazaar Bangalore Warehouse, Hosur Road, Bangalore
   c. Bangalore Central, Residency Road, Bangalore
   d. Food-Bazaar- Bangalore, Main Commercial, Hosur Road, Bangalore

9. Registration No KST 20400974 under Karnataka Sales Tax Act, 1957 and Registration No CST 20450977 under Central Sales Tax Act, 1956 in respect of The Pantaloon Shoppe, D. Devraj Urs Road, Mysore.

10. Registration No LST 06791823266 under the Haryana Value Added Tax Act, 2003 and Registration No CST GRE23266 (CTRL) dated March 8, 2003 in respect of:

    a. Sahara Mall, Main Mehrauli, Gurgaon Road, Haryana

b. Big Bazaar Warehouse, Udyog Vihar, Gurgaon

11. Registration No OST: BH II-7302 dated July 9, 2004 under the Orissa Sales Tax Act, 1947 and Registration No CST: BHC-II-5381 under Central Sales Tax Act, 1956 dated July 9, 2004 in respect of

    a. Big-Bazaar-Bhubaneshwar, Kharvel Nagar, Bhubaneshwar, Orissa
    b. Big-Bazaar-Bhubaneshwar-Warehouse, Unit III, Bhubaneshwar, Orissa.

STATUTORY AND OTHER INFORMATION

Authority for the Issue

Pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on August 25, 2005 it has been decided to make the following offer to the Equity Shareholders of the Company with a right to renounce.

Prohibition by SEBI

Neither we, nor our Directors or the Promoter Group Companies, or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

Pantaloon Retail (India) Limited is an existing company registered under the Indian Companies Act, 1956 whose Equity Shares are listed on BSE, NSE , DSE and ASE. It is eligible to offer this Issue in terms of Clause 2.4.1(iv) of the SEBI DIP Guidelines. The Company, its Promoter, its Directors or any of the Company's associates or group companies are currently not prohibited from accessing the capital market under any order or direction passed by SEBI. Further the Promoter, their relatives (as per Companies Act, 1956), the Company, group companies, associate companies are not detained as wilful defaulters by RBI / Government authorities.

Disclaimer Clause

AS REQUIRED, A COPY OF THIS DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI). IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED/ CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPOSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT LETTER OF OFFER. THE LEAD MANAGERS ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED AND HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED OCTOBER 31, 2005 WHICH READS AS FOLLOWS:

1. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE**

OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY;

WE CONFIRM THAT:

THE DRAFT LETTER OF OFFER FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS ETC., ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;

THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE;

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID; AND**

4. **IF UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS – NOT APPLICABLE**

5. **WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER – NOT APPLICABLE**

The filing of this Draft Letter of Offer does not, however, absolve the Company from any liabilities under Section 63 or Section 68 of the Companies Act, 1956 or from the requirement of obtaining such statutory or other clearance as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up, at any point of time, with the Lead Managers any irregularities or lapses in this Draft Letter of Offer.

Caution

The Company and the Lead Managers accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Managers and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer with SEBI.

Disclaimer with respect to jurisdiction

This Draft Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that this Draft Letter of Offer has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Letter of Offer may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Draft Letter of Offer has been filed with SEBI, Mittal Court, 'A' Wing, Nariman Point, Mumbai 400021, for its observations. After SEBI gives its observations, the final Draft Letter of Offer will be filed with the Designated Stock Exchange as per the provisions of the Act.

Disclaimer Clause of the BSE

The Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated **[•]** permission to this Company to use the Exchange's name in this Draft Letter of Offer as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this Draft Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Letter of Offer; or
(ii) warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
(iii) take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company;

and its should not for any reason be deemed or construed that this Draft Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Draft Letter of Offer has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter dated **[•]** permission to the Issuer to use the Exchange's name in this Draft Letter of Offer as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this Draft Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Draft Letter of Offer has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Letter of Offer; nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its Promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of the Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the DSE

The Delhi Stock Exchange Association Limited, ("The Exchange" for this para or DSE), has, vide their letter dated **[•]** given permission to this Company (the Issuer) to use the name of the Exchange in this offer document (Draft Letter of Offer) as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. DSE has scrutinized this offer document (Draft Letter of Offer) for its limited

internal purpose of deciding on the matter of granting the aforesaid permission to this company (the Issuer).
The exchange does not in any manner:

(a) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document (Draft Letter of Offer); or
(b) warrant that this company's (Issuer's) securities will be listed or will continue to be listed on the Exchange; or
(c) take any responsibility for the financial or other soundness of this Issuer, its Promoters, its Management or any scheme or project of this company (Issuer);

and it should not for any reason be deemed or construed that this offer document (Draft Letter of Offer) has been cleared or approved by the exchange (DSE). Every person who desires to apply for or otherwise acquires any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the exchange (DSE), whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated herein or any other reason whatsoever.

Disclaimer Clause of the ASE

The Stock Exchange of Ahmedabad ("The Exchange" for this para or ASE), has, vide their letter dated **[•]** given permission to this Company (the Issuer) to use the name of the Exchange in this offer document (Draft Letter of Offer) as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. ASE has scrutinized this offer document (Draft Letter of Offer) for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this company (the Issuer).
The exchange does not in any manner:

(a) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document (Draft Letter of Offer); or
(b) warrant that this company's (Issuer's) securities will be listed or will continue to be listed on the Exchange; or
(c) take any responsibility for the financial or other soundness of this Issuer, its Promoters, its Management or any scheme or project of this company (Issuer);

and it should not for any reason be deemed or construed that this offer document (Draft Letter of Offer) has been cleared or approved by the exchange (ASE). Every person who desires to apply for or otherwise acquires any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the exchange (ASE), whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated herein or any other reason whatsoever.

Filing

This Draft Letter of Offer was filed with SEBI, Mittal Court, Nariman Point, Mumbai 400 021. All the legal requirements applicable till the date of filing the Draft Letter of Offer with the Stock Exchanges have been complied with.

A copy of the Draft Letter of Offer, required to be filed under SEBI DIP Guidelines would be filed with the Designated Stock Exchange

Listing

The existing Equity Shares are listed on the BSE, NSE ,DSE and ASE. The Company has made applications to the BSE, NSE, DSE and ASE for permission to deal in and for an official quotation in respect of the Equity Shares being offered in terms of this Draft Letter of Offer. The Company has received in-principle approvals from BSE, NSE, DSE and ASE by letters dated **[•]**, respectively. The

Company will apply to the BSE, NSE, DSE and ASE for listing of the Equity Shares to be issued pursuant to this Issue.

If the permission to deal in and for an official quotation of the securities is not granted by any of the Stock Exchanges mentioned above, within 42 days from the Issue Closing Date, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Draft Letter of Offer. If such money is not paid within eight days after the Company becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under the Section 73 of the Act.

Consents

Consents in writing of the Auditors, Lead Managers, Legal Advisors, Registrar to the Issue and Banker to the Issue to act in their respective capacities have been obtained and filed with SEBI, along with a copy of the Draft Letter of Offer and such consents have not been withdrawn up to the time of delivery of this Draft Letter of Offer for registration with the stock exchanges.

The Auditors of the Company have given their written consent for the inclusion of their Report in the form and content as appearing in this Draft Letter of Offer and such consents and reports have not been withdrawn up to the time of delivery of this Draft Letter of Offer for registration to the Registrar of Companies, Maharashtra.

NGS & COMPANY, auditors have given their written consent for inclusion of income tax benefits in the form and content as appearing in this Draft Letter of Offer, accruing to the Company and its members.

To the best of our knowledge there are no other consents required for making this Issue. However, should the need arise, necessary consents shall be obtained by us.

Expert Opinion, if any

In this Draft Letter of Offer, no expert opinion has been obtained by the Company.

Expenses of the Issue

The expenses of the Issue payable by the Company including, fees and reimbursement to the Lead Managers, Registrars, printing and distribution expenses, publicity, listing fees, stamp duty and other expenses are estimated at Rs. **[•]** million (around **[•]**% of the total Issue size) and will be met out of the proceeds of the Issue.

Fees Payable to the Lead Managers to the Issue

The fees payable to the Lead Managers to the Issue are set out in the Memorandum of Understanding entered into by the Company with Enam and KMCC, copies of which are available for inspection at the Registered Office of the Company.

Fees Payable to the Registrars to the Issue

The fee payable to the Registrars to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Registered Office of the Company.

Previous Issues by the Company

The Company has not undertaken any previous public or rights issue during the last five years.

Promise versus performance

a) For Initial Public issue in 1992

The Company made the initial public offering in 1992. The main object of the issue was to set up seven retail outlets as against which the company could open only two retail stores. The Company could not achieve the financial projections for the year 1992-93 as estimated in the prospectus. Against estimated turnover of Rs. 116.00 million the company achieved a turnover of 48.08 million. The Company has not declared any dividend for the year 1992-93 as envisaged in the prospectus.

b) For Rights issue made in 1998

Main Objects of the issue

The main object for the Right Issue was:

a. To set up an EOU for the manufacture of trousers having an installed capacity of 4,80,000 pieces p.a
b. To set up 3 mega stores at Calcutta, Hyderabad and Nagpur
c. To acquire office appliances like integrated computer system, EDP system , and other miscellaneous fixed assets
d. To meet the requirements of additional working capital margin and expenses for the issue

As against the above, the company has achieved the following

a. An EOU for the manufacture of trousers having an installed capacity of 4,80,000 pieces p.a was commissioned in the year 2001 at a cost of 70.25 million.
b. We have set up the following stores
   Hyderabad Himaytnagar got operational in June 1998
   Kolkata Camac street got operational in May 2001
   Nagpur store got operational in January 1998
   The total cost incurred on the above was 39.17 million
c. We have acquired the integrated computer system, EDP system, and other miscellaneous fixed assets for Rs.31.4 million
d. We had used the balance amount for meeting our additional working capital needs and expenses for the issue.

Cost of the project

The total cost of the project as estimated by the company at the time of earlier right issue was 111.50 million for EOU project and setting up of mega stores. Sanjay Toshniwal, Chartered Accountant has vide their certificate dated November 8, 2001 certified that the Company has incurred an amount of 109.42 as on November 8, 2001 on the objects of the Rights Issue.

Date of listing on the Stock Exchange

The Equity Shares of our Company were first listed on BSE, DSE and ASE, on July 30, 1992. Thereafter, the Equity Shares were listed on the National Stock Exchange of India Limited on February 20, 2001

Capital Structure

Issues for consideration other than cash

The Company has not issued Equity Shares for consideration other than cash or out of revaluation reserves within the two years preceding the date of this Draft Letter of Offer.

Option to Subscribe

Other than the present rights Issue the Company has not given any person any option to subscribe to the shares of the Company.

Stock market data for equity shares of the Company

Please refer to page 215 of the Draft Letter of Offer for further information pertaining to stock market data for the equity shares of the Company.

Impersonation

As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of subsection (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

"Any person who makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years"

Government Approvals

Our Company was incorporated on October 12, 1987 under the Indian Companies Act, 1956. We have obtained all necessary approvals to undertake our activities and we do not propose to enter into any new activities through this Issue, for which further approvals may be required to be obtained, except as may be required to be obtained in the normal course of our business and for intended use of Objects of the Issue. For further details, please refer to the section on "Government Approvals" on page 192 of this Draft Letter of Offer.

Important

- This Issue is pursuant to the resolution passed by the Board of Directors at its meetings held on August 25, 2005.

- This Issue is applicable to those Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and on the Register of Members of the Company at the close of business hours on the Record Date

- Your attention is drawn to the section entitled 'Risk Factors' appearing on Page 5 of this Draft Letter of Offer.
- Please ensure that you have received the Composite Application Form ("CAF") with this Draft Letter of Offer.

- Please read the Draft Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of this Draft Letter of Offer and must be carefully followed. An application is liable to be rejected for any non-compliance of the provisions contained in the Draft Letter of Offer or the CAF.

- All enquiries in connection with this Draft Letter of Offer or CAF should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAF.

- All information shall be made available to the Investors by the Lead Managers and the Issuer, and no selective or additional information would be available by them for any section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports, etc.

- The Lead Managers and the Company shall update this Draft Letter of Offer and keep the public informed of any material changes till the listing and trading commences.

Issue Schedule

Issue Opening Date:	[●]
Last date for receiving requests for split forms:	[●]
Issue Closing Date:	[●]

Allotment Letters / Refund Orders

The Company will issue and dispatch letters of allotment/ share certificates/ demat credit or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of 42 days from the date of closure of the Issue. If such money is not repaid within eight days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Act.

Letters of allotment/ share certificates/ demat credit/ refund orders above the value of Rs. 1,500 will be dispatched by registered post/ speed post to the sole/ first applicant's registered address. However, refund orders for value not exceeding Rs. 1,500 shall be sent to the applicants by way of under certificate of posting. Such cheques or pay orders will be payable at par at all the centres where the applications were originally accepted and will be marked 'A/c payee' and would be drawn in the name of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Issue for dispatch of the letters of allotment/ share certificates/ demat credit/ refund orders.

In case the Company issues letters of allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Companies Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the share certificates.

Investor Grievances and Redressal System

The Company has adequate arrangements for redressal of Investor complaints. Well-arranged correspondence system developed for letters of routine nature. The share transfer and dematerialization for the Company is being handled by Intime Spectrum Registry, Share Transfer Agents. Letters are filed category wise after having attended to. Redressal norm for response time for all correspondence including shareholders complaints is ten days. However, the Company endeavours to redress all the complaints within five days of the receipt of complaint.

A Shareholders/Investors Grievances Committee was constituted on October 16,2000. The Committee consists of three directors; S Doreswamy is the Chairperson of the Committee. The role of the Committee is to resolve investor grievances. Shiraj Dej, Company Secretary, is the compliance officer of the Company. Meeting of Shareholders/Investors Committee is scheduled once in every four months.

There no complaints pending redressal as on September 30, 2005. During the period from July 1, 2004 to June 30, 2005, 221 complaints were received. All 221 complaints were resolved to the satisfaction of the shareholders.

Status of Complaints

No. of shareholders complaints as of October 24, 2005: 99
Total number of complaints received during last financial year (2004-05): 221
Status of the complaints: All complaints received during last financial year have been resolved
Time normally taken by it for disposal of various types of Investor grievances: 30 days

Investor Grievances arising out of this Issue

The Company's investor grievances arising out of the Issue will be handled by Intime Spectrum Registry Limited, Registrars to the Issue. The Registrars will have a separate team of personnel handling only our post Issue correspondence. Investor grievances are settled expeditiously and satisfactorily by us. The agreement between us and the Registrars will provide for retention of records with the Registrars for a period of at least one year from the last date of dispatch of Letter of Allotment/ share certificate / warrant/ refund order to enable the Registrars to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrars to the Issue giving full details such as folio no., name and address of the first applicant, number and type of shares applied for, Application Form serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the renouncee should be furnished.

The average time taken by the Registrar for attending to routine grievances will be 30 days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrars to attend to them as expeditiously as possible. We undertake to resolve the Investor grievances in a time bound manner.

Investors may contact the Compliance Officer in case of any pre-Issue/ post -Issue related problems such as non-receipt of letters of allotment/share certificates/demat credit/refund orders etc.

Changes in Auditors during the last three years

There have been no changes in our Statutory Auditors over the last three years

Capitalisation of Reserves or Profits

The Company has not capitalized any of its reserves or profits for the last five years.

Revaluation of Fixed Assets

There has been no revaluation of the Company's fixed assets for the last five years.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue, the entire subscription shall be refunded to the applicants within forty-two days from the date of closure of the Issue. If there is a delay in the refund of subscription by more than eight days after the Company becomes liable to repay the subscription amount, i.e. forty-two days after closure of the Issue, the Company will pay interest for the delayed period, at the rates prescribed in sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

STOCK MARKET DATA

The Company's shares are listed on BSE, NSE, ASE and DSE.The Equity Shares of our Company were first listed on BSE, DSE and ASE , on July 30, 1992. Thereafter, the Equity Shares were listed on the National Stock Exchange of India Limited on February 20, 2001.The performance of the shares on the Stock Exchanges are given below:

BSE

Year ending June	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2003	89.9	30/06/2003	17,609	36.6	31/07/2002	9,833	49.64
2004	448.8	19/04/2004	116,180	84.0	1/07/2003	52,264	246.44
2005	1,408.0	30/06/2005	18,377	313.1	8/07/2004	21,156	684.56
July 1, 2005 to September 30, 2005	2,090.0	13/09/2005	53,736	1,336.0	1/07/2005	9,200	1,658.48

NSE

Year ending June	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2003	89.0	30/06/03	25,221	35.0	3/10/2002	13,322	49.60
2004	441.0	17/04/04	51,860	84.5	1/07/03	97,482	246.34
2005	1,407.6	30/06/05	57,602	301.7	09/07/04	10,835	1,658.16
July 1, 2005 to September 30, 2005	2,088	13/09/2005	231,849	1,331.5	1/07/05	25,773	1642.00

ASE

Year ending June	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2003	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2004	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2005	NIL	NIL	NIL	NIL	NIL	NIL	NIL
July 1, 2005 to September 30, 2005	NIL	NIL	NIL	NIL	NIL	NIL	NIL

There has been no trading of shares in ASE

DSE

Year ending June	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2003	NIL	NIL	NIL	NIL	NIL	NIL	NIL

2004	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2005	NIL	NIL	NIL	NIL	NIL	NIL	NIL
July 1, 2005 to September 30, 2005	NIL	NIL	NIL	NIL	NIL	NIL	NIL

There has been no trading of shares in DSE

The high and low prices and volume of shares traded on the respective dates during the last six months is as follows:

BSE

Year ending June	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)
April 2005	972.0	22/04/05	33,419.0	760.0	1/04/05	22,565
May 2005	1,346.0	27/05/05	75,678.0	885.0	5/05/05	4,681
June 2005	1,408.0	30/06/05	50,143.0	1,170.0	1/06/05	28,712
9,200	1,640.0	26/07/05	43,143.0	1,336.0	1/07/05	9,200
August 2005	2,035.0	23/08/05	152,385.0	1,499.0	01/08/05	6,550
September 2005	2,090.0	13/09/05	53,736.0	1,575.1	1/09/05	56,397

NSE

Year ending June	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)
April 2005	971.8	22/04/05	67,556	770.25	1/04/05	41,936
May 2005	1,346.0	27/05/05	250,802	870.0	4/05/05	15,202
June 2005	1,407.6	30/06/05	57,602	1,167.0	1/06/05	135,840
July 2005	1,638.0	26/07/05	113,029	1,331.5	1/07/05	25,773
August 2005	2,040.0	23/08/05	441,194	1,350.0	31/08/05	70,242
September 2005	2,088.0	13/09/05	231,849	1,578.0	1/09/05	194,582

DSE

Year ending June	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)
April 2005	NIL	NIL	NIL	NIL	NIL	NIL
May 2005	NIL	NIL	NIL	NIL	NIL	NIL
June 2005	NIL	NIL	NIL	NIL	NIL	NIL
July 2005	NIL	NIL	NIL	NIL	NIL	NIL
August 2005	NIL	NIL	NIL	NIL	NIL	NIL
September 2005	NIL	NIL	NIL	NIL	NIL	NIL

There has been no trading of shares in DSE

ASE

Year ending June	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)
April 2005	NIL	NIL	NIL	NIL	NIL	NIL
May 2005	NIL	NIL	NIL	NIL	NIL	NIL
June 2005	NIL	NIL	NIL	NIL	NIL	NIL
July 2005	NIL	NIL	NIL	NIL	NIL	NIL
August 2005	NIL	NIL	NIL	NIL	NIL	NIL
September 2005	NIL	NIL	NIL	NIL	NIL	NIL

There has been no trading of shares in DSE

The market price was Rs. 1,654.25 on BSE on August 26, 2005, the trading day immediately following the day on which Board meeting was held to finalize the offer price range for the right Issue.

The market price was Rs, 1,653.95 on NSE on August 26, 2005, the trading day immediately following the day on which Board meeting was held to finalize the offer price range for the right Issue.

TERMS OF THE ISSUE

The Equity Shares, now being issued, are subject to the terms and conditions contained in this Draft Letter of Offer, the enclosed Composite Application Form ("CAF"), the Memorandum and Articles of Association of the Company, approvals from the RBI, the provisions of the Companies Act, 1956, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate and rules as may be applicable and introduced from time to time.

Authority for the Issue

This Issue is being made pursuant to the resolution passed by the Board of Directors of the Company under Section 81(1) of Companies Act at its meeting held on August 25, 2005.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and on the Register of Members of the Company in respect of shares held in the physical form at the close of business hours on the Record Date, fixed in consultation with the Stock Exchanges.

The Equity Shares are being offered for subscription in the ratio of one Equity Shares for every five Equity Shares held by the Equity Shareholders.

Nomination facility

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

A sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders being individual(s) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A Person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Share by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Share is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at the registered office of the Company or such other person at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion of the CAF.

Only one nomination would be applicable for one folio. Hence, in case the Shareholder(s) has already registered the nomination with the Company, no further nomination needs to be made for Equity Shares to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective DP of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective DP.

Offer to Non-Resident Equity Shareholders/Applicants

Applications received from NRIs and non-residents for allotment of Equity Shares shall be inter alia, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 2000 (FEMA) in the matter of refund of application moneys, allotment of Equity Shares, issue of letter of allotment / share certificates, payment of interest, dividends, etc. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the non-resident shareholders. The rights shares purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original shares against which rights shares are issued.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, overseas corporate bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. On providing such approval to the Company at its registered office, the OCB shall receive the Draft Letter of Offer and the CAF.

Principal Terms and Conditions of the Issue

Equity Shares

Face value

Each Equity Share shall have the face value of Rs. 10

Issue Price

Each Equity Share is being offered at a price of Rs. 500 (including a premium of Rs. 490)

Rights Entitlement Ratio

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of one Equity Share for every five Equity Shares held as on the Record Date.

Market lot

The market lot for the Equity Shares in de materialised mode is one. In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio ("Consolidated Certificate").

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue, the entire subscription shall be refunded to the applicants within forty-two days from the date of closure of the Issue. If there is a delay in the refund of subscription by more than eight days after the Company becomes liable to repay the subscription amount, i.e. forty-two days after closure of the Issue, the Company will pay interest for the delayed period, at the rates prescribed in sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

The Issue will become undersubscribed after considering the number of shares applied as per entitlement plus additional shares. The undersubscribed portion shall be applied for only after the Issue Closing Date. The Promoter or any other person shall subscribe to such undersubscribed portion as per the relevant provisions of the law. Allotment to the Promoter of any unsubscribed portion, over and above their entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

The above is subject to the terms mentioned under the sub-section entitled 'Basis of Allotment' under section "Terms of the Issue" page 218 of this Draft Letter of Offer.

Fractional entitlements

For Equity Shares being offered on rights basis under this Issue, if the shareholding of any of the Equity Shareholders is less than 5 or is not in the multiples of 5, then the fractional entitlement of such holders shall be ignored. Shareholders whose fractional entitlements are being ignored would be given preferential allotment of ONE additional share each if they apply for additional shares(s).

Terms of payment

Full amount of Rs. 500 shall be payable on Application.

Ranking of the Equity Shares

The Equity Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects including dividends with the existing Equity Shares of the Company.

Option available to the Equity Shareholders

The Composite Application Form clearly indicates the number of Equity Shares that the Equity Shareholder is entitled to.

If the Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his entitlement in part;
- Apply for his entitlement in part and renounce the other part;
- Apply for his entitlement in full;
- Apply for his entitlement in full and apply for additional Equity Shares.

Renouncees for Equity Shares can apply for the Equity Shares renounced to them and also apply for additional Equity Shares.

Utilisation of Issue Proceeds

The Board of Directors declares that:

(i) The funds received against this Issue will be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 73 of the Act.

(ii) Details of all moneys utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such moneys has been utilised.

(iii) Details of all such unutilised moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised moneys have been invested.

The funds received against this Issue will be kept in a separate bank account and the Company will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company.

Undertakings by the Company

1. The complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.

2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities are to be listed will be taken within seven working days of finalization of basis of allotment.

3. The funds required for dispatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue.

4. The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.

5. No further issue of securities affecting equity capital of the Company shall be made till the securities issued/offered through the Issue are listed or till the application moneys are refunded on account of non-listing, under-subscription etc.

6. The Company accepts full responsibility for the accuracy of information given in this Draft Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Draft Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.

7. All information shall be made available by the Lead Managers and the Issuer to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.

How to Apply

Resident Equity Shareholders

Applications should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Managers or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given in the Draft Letter of Offer.

Non-resident Equity Shareholders

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, inter alia, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment/ certificates/ payment of dividends etc.

The CAF consists of four parts:
Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares
Part B: Form for renunciation
Part C: Form for application for renouncees
Part D: Form for request for split application forms

Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares offered, either in full or in part by filling Block III of Part A of the enclosed CAF and submit the same along with the application money payable to the Bankers to the Issue or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centres not covered by the branches of collecting banks can send their CAF together with the cheque drawn on a local bank at

Mumbai/demand draft payable at Mumbai to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

Renunciation

As an Equity Shareholder, you have the right to renounce your entitlement for the Equity Shares in full or in part in favor of one or more person(s). Your attention is drawn to the fact that the Company shall not allot and/or register any renounced Equity Shares in favor of:

- FIIs/Non residents (Unless the copy of RBI permission/approval is enclosed alongwith the application)
- More than three persons including joint holders
- Partnership firm(s) or their nominee(s)
- Minors
- Hindu Undivided Family
- Any Trust or Society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorized under its Constitutions to hold Equity Shares of a Company)

The right of renunciation is subject to the express condition that the Board/ Committee of Directors shall be entitled in its absolute discretion to reject the request for allotment to renouncee(s) without assigning any reason thereof.

Renunciation in favour of non residents / FIIs

Currently, foreign direct investment ("FDI") in the retail trading sector is prohibited. However, a registered foreign institutional investor ("FII") is permitted to purchase the shares of an Indian company under the portfolio investment scheme under FEMA so long as the total holding by each FII or sub account of an FII does not exceed 10% of the total paid up equity capital of an Indian company and the aggregate holding of all FIIs and sub accounts of FIIs does not exceed 24% of the paid up equity capital of the Company.

Currently non residents and FIIs hold approximately 30.29% of the paid up equity capital of the Company. Renunciation in favour of non-residents or FIIs may require RBI permission by the renouncee.

Procedure for renunciation

To renounce the whole offer in favour of one renouncee

If you wish to renounce the offer indicated in Part A, in whole, please complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favor renunciation has been made should complete and sign Part C of the CAF. In case of joint renouncees, all joint renouncees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of two or more renouncees, the CAF must be first split into requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with the Company, the application is liable to be rejected.

Renouncee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the Application Form and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money.

Change and/ or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that the Board of Directors of the Company shall be entitled in its absolute discretion to reject the request for allotment from the renouncee(s) without assigning any reason thereof.

Please note that:

- Part A of the CAF must not be used by any person(s) other than those in whose favour this Offer has been made. If used, this will render the application invalid.
- Request for split form should be made for a minimum of 100 Equity Shares or in multiples thereof and one Split Application Form for the balance Equity Shares, if any.
- Request by the applicant for the Split Application Form should reach the Company on or before [•].
- Only the person to whom this Draft Letter of Offer has been addressed to and not the renouncee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.
- Split form(s) will be sent to the applicant(s) by post at the applicant's risk.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided that you have applied for all the Equity Shares offered without renouncing them in whole or in part in favor of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be in the manner prescribed under the sub-section entitled 'Basis of Allotment' under section 'Terms of the Issue 'on page 218 of this Draft Letter of Offer. The renouncees applying for all the Equity Shares renounced in their favor may also apply for additional Equity Shares.

In case of application for additional Equity Shares by non-resident equity shareholders including FIIs, the allotment of additional securities will be subject to the permission/approval of the RBI. Non-resident equity shareholders including FIIs need to enclose the copy of the approval/permission from RBI alonwith the application for the additional shares.

Where the number of additional Equity Shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

The summary of options available to the equity shareholder is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

	Option Available	Action Required
	Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A *(All joint holders must sign)*
	Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares *(All joint holders must sign)*
3.	Renounce your entitlement in full to one person *(Joint renouncees are considered as one)*.	Fill in and sign Part B *(all joint holders must sign)* indicating the number of Equity Shares renounced and hand it over to the renouncee. The renouncees must fill in and sign Part C *(All joint renouncees must sign)*
4.	Accept a part of your entitlement and renounce the balance to one or more renouncee(s) OR Renounce your entitlement to all the Equity Shares offered to you to more than one renouncee	Fill in and sign Part D *(all joint holders must sign)* requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once. **On receipt of the Split Form take action as indicated below.** For the Equity Shares you wish to accept, if any, fill in and sign Part A. For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the renouncees. Each of the renouncees should fill in and sign Part C for the Equity Shares accepted by them.
5.	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the renouncees must fill in and sign Part C.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within 15 days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he / she shall face the risk of rejection of both the applications.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with an Account Payee Cheque drawn on a local bank at Mumbai/ Demand Draft payable at Mumbai which should be drawn in favor of the Company and send the same by registered post directly to the Registrar to the Issue.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being Pantaloon Retail (India) Limited
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number/ DP and Client ID no.

- Number of shares held as on Record Date
- Number of Rights Equity Shares entitled
- Number of Rights Equity Shares applied for
- Number of additional Equity Shares applied for, if any
- Total number of Equity Shares applied for
- Total amount paid at the rate of Rs. 500 per Equity Share
- Particulars of cheque/draft
- Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order
- PAN/GIR number, Income Tax Circle/Ward/District, photocopy of the PAN card/ PAN communication / Form 60 / Form 61 declaration where the application is for Equity Shares of a total value of Rs. 50,000 or more for the applicant and for each applicant in case of joint names, and
- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company

Payments in such cases, should be through a cheque/ demand draft payable at Mumbai be drawn in favor of the Bankers to the Issue marked 'A/c Payee' and marked 'Bankers to the Issue - Pantaloon Retail (India) Limited Rights Issue'.

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

Last date of Application

The last date for submission of the duly filled in CAF is [•]. The Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 60 (sixty) days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the offer contained in this Draft Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the section entitled "Basis of Allotment".

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

Basis of Allotment

Subject to the provisions contained in this Draft Letter of Offer, the Articles of Association of the Company and the approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:

(a) Full allotment to those Equity Shareholders who have applied for their rights entitlement either in full or in part and also to the renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.

(b) For Equity Shares being offered on rights basis under this Issue, if the shareholding of any of the Equity Shareholders is less than 5 or is not in the multiples of 5, then the fractional entitlement of such holders shall be ignored. Shareholders whose fractional entitlements are being ignored would be given preferential allotment of ONE additional share each if they apply for additional shares(s). Allotment under this head shall be considered if there are any un-subscribed equity shares after allotment under (a). If number of equity shares available for allotment under for this head are less than number of shares available after allotment under (a), the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

(c) Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares except to FIIs who canot apply for additional shares. The allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) above. The allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.

(d) Allotment to the renouncees who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/ Committee of Directors but in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential allotment.

After taking into account allotment to be made under (a) and (b) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of regulation 3(1)(b) of the Takeover Code which would be available for allocation under (c) and (d) above. After considering the above allotment, if the Issue does not have subscription to the extent of 90% of the Issue size, the Promoter and the promoter group shall subscribe to such portion to ensure that the Issue is successful. After such allotments as above and to the Promoters and the promoter group, including the application for rights/renunciation and additional equity shares, any additional Equity Shares shall be disposed off by the board or committee of the Board of Directors authorised in this behalf by the Board of Directors of the Company, in such manner as they think most beneficial to the Company and the decision of the Board or committee of directors of the Company in this regard shall be final and binding. In the event of oversubscription, allotment will be made within the overall size of the issue.

Allotment to Promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement and the other applicable laws prevailing at that time.

Underwriting

The present Issue is not underwritten.

Allotment / Refund

The Company will issue and dispatch letters of allotment/ share certificates/ demat credit and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of six weeks from the Issue Closing Date. If such money is not repaid within eight days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Act.

In case of those shareholders who have opted to receive their Right Entitlement Shares in dematerialised form by using electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately.

In case the Company issues letters of allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Companies Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which would be exchanged later for the share certificates. For more information, please refer to the sub-section entitled 'Letters of Allotment / Share Certificates / Demat Credit' under section ' Terms of the Issue'on page no. 218 of this Draft Letter of Offer.

Letters of allotment/ share certificates/ demat credit/ refund orders above the value of Rs. 1,500 will be dispatched by registered post/ speed post to the sole/ first applicant's registered address. However, refund orders for value not exceeding Rs. 1,500 shall be sent to the applicants by way of under certificate of posting. Such cheques or pay orders will be payable at par at all the centres where the applications were originally accepted and will be marked 'A/c payee' and would be drawn in the name of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Issue for the dispatch of such letters of allotment/ share certificates/ demat credit and refund orders.

As regards allotment/ refund to non-residents, the following further conditions shall apply:

In case of non-residents, who remit their application monies from funds held in NRE/ FCNR accounts, refunds and/ or payment of interest/ dividend and other disbursement, if any, shall be credited to such accounts, details of which should be furnished in the CAF. Subject to the approval of the RBI, in case of non-residents, who remit their application monies through Indian Rupee draft purchased from abroad, refund and/ or payment of dividend/ interest and any other disbursement, shall be credited to such accounts (details of which should be furnished in the CAF) and will be made net of bank charges/ commission in US Dollars, at the rate of exchange prevailing at such time. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupee amount into US Dollars. The share certificate(s) will be sent by registered post at the Indian address of the non-resident applicant.

Letters of Allotment / Share Certificates / Demat Credit

Letter(s) of allotment/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within 6 (six) weeks, from the date of closure of the subscription list. In case the Company issues letters of allotment, the relative share certificates will be dispatched within three months from the date of allotment. Allottees are requested to preserve such letters of allotment (if any) to be exchanged later for share certificates. Export of letters of allotment (if any)/ share certificates/ demat credit to non-resident allottees will be subject to the approval of RBI.

Option to receive Equity Shares in Dematerialized Form

Applicants to the Equity Shares of the Company issued through this Issue shall be allotted the securities in dematerialised (electronic) form at the option of the applicant. The Company signed a tripartite agreement with National Securities Depository Limited (NSDL) and Intime Spectrum Registry Limited on June 19, 2000 and and with Central Depository Services (India) Limited (CDSL) and and Intime Spectrum Registry Limited on June 19, 2000, which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

In this Issue, the allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Applications, which do not accurately contain this information, will be given the securities in physical form. No separate applications for securities in physical and/or dematerialized form should be made. If such applications are made, the application for physical securities will be treated as multiple applications and is liable to be rejected. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares.

The Equity Shares of the Company will be listed on the BSE, NSE, DSE and ASE.

Procedure for availing the facility for allotment of Equity Shares in this Issue in the electronic form is as under:

- Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as with the Company). In case of Investors having various folios in the Company with different joint holders, the Investors will have to open separate accounts for such holdings. *Those equity shareholders who have already opened such Beneficiary Account (s) need not adhere to this step.*

- For equity shareholders already holding Equity Shares of the Company in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Offer by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of securities arising out of this Issue may be made in dematerialized form even if the original Equity Shares of the Company are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of the Company.

Responsibility for correctness of information (including applicant's age and other details) filled in the CAF vis-à-vis such information with the applicant's depository participant, would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be the same as registered with the applicant's depository participant.

If incomplete / incorrect beneficiary account details are given in the CAF the applicant will get Equity Shares in physical form.

The Equity Shares pursuant to this Offer allotted to Investors opting for dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's depository participant will provide to him the confirmation of the credit of such Equity Shares to the applicant's depository account.

Renouncees will also have to provide the necessary details about their beneficiary account for allotment of securities in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

Utilisation of Proceeds

Subscription received against this Issue will be kept in a separate bank account(s) and the Company would not have access to such funds unless it has received minimum subscription of 90%, of the Issue and the necessary approvals of the Designated Stock Exchange, to use the amount of subscription.

General instructions for applicants

a) Please read the instructions printed on the enclosed CAF carefully.

b) Application should be made on the printed CAF, provided by the Company and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Draft Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's / husband's name must be filled in block letters.

c) The CAF together with cheque / demand draft should be sent to the Bankers to the Issue / Collecting Bank or to the Registrar to the Issue and not to the Company or Lead Managers to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Company for collecting applications, will have to make payment by Demand Draft payable at Mumbai and send their application forms to the Registrar to the Issue by REGISTERED POST. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.

d) Applications for a total value of Rs. 50,000 or more, i.e. where the total number of securities applied for multiplied by the Issue price, is Rs. 50,000 or more the applicant or in the case of application in joint names, each of the applicants, should mention his/ her PAN number allotted under the Income-Tax Act, 1961 and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Bidders who do not have PAN are required to provide a declaration in Form 60 / Form 61 prescribed under the I.T.Act along with the application. **Bid cum Application Forms without this photocopy/ PAN Communication/ declaration will be considered incomplete and are liable to be rejected.**

e) Applicants are advised to provide information as to their savings/current account number and the name of the Company with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.

f) The payment against the application should not be effected in cash if the amount to be paid is Rs. 20,000 or more. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon. Payment against the application if made in cash, subject to conditions as mentioned above, should be made only to the Bankers to the Issue.

g) Signatures should be either in English or Hindi or in any other language specified in the Eight Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company.

h) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Offer and to sign the application and a copy of the Memorandum and Articles of Association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected.

i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are renouncees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

j) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.

k) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to the Registrar and Transfer Agents of the Company Amtrac Management Services Limited in the case of Equity Shares held in physical form and to the respective depository participant, in case of Equity Shares held in dematerialized form.

l) Split forms cannot be re-split.

m) Only the person or persons to whom Equity Shares have been offered and not renouncee(s) shall be entitled to obtain split forms.

n) Applicants must write their CAF number at the back of the cheque / demand draft.

o) Only one mode of payment per application should be used. The payment must be either in cash or by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.

p) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above)

q) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

Grounds For Technical Rejections

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable for;
- Bank account details (for refund) are not given;
- Age of First Applicant not given;
- PAN photocopy/ PAN Communication/ Form 60 / Form 61 declaration not given if Application is for Rs. 50,000 or more;
- UIN Number not given as applicable;
- In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- If the signature of the existing shareholder does not match with the one given on the Application Form and for renouncees if the signature does not match with the records available with their depositories;
- If the Applicant desires to have shares in electronic form, but the Application Form does not have the Applicant's depository account details;

- Application Forms are not submitted by the Applicants within the time prescribed as per the Application Form and the Draft Letter of Offer;

- Applications not duly signed by the sole/joint Applicants;

- Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;

- Applications accompanied by Stockinvest;

- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's identity;

- FIIs applying on forms used for accepting shares renounced in their favour or applications for additional shares, without the copy of RBI pemission/approval enclosed will be rejected

- Applications by US persons.

- Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided.

Mode of payment for Resident Equity Shareholders/ Applicants

- All cheques / drafts accompanying the CAF should be drawn in favour of the Collecting Bank (specified on the reverse of the CAF), crossed 'A/c Payee only' and marked 'Bankers to the Issue A/c Pantaloon Retail (India) Limited Rights Issue'

- Applicants residing at places other than places where the bank collection centres have been opened by the Company for collecting applications, are requested to send their applications together with Demand Draft for the full application amount favouring the Bankers to the Issue, crossed 'A/c Payee only' and marked 'Bankers to the Issue A/c Pantaloon Retail (India) Limited Rights Issue' payable at Mumbai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Mode of payment for Non-Resident Equity Shareholders/ Applicants

As regards the application by non-resident equity shareholders, the following further conditions shall apply:

Payment by non-residents must be made by demand draft / cheque payable at Mumbai or funds remitted from abroad in any of the following ways:

Application with repatriation benefits

- By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or

- By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Mumbai; or

- By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Mumbai; or FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

Application without repatriation benefits

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents should be drawn in favour of the Bankers to the Issue and marked 'Bankers to the Issue A/c Pantaloon Retail (India) Limited Rights Issue – NR' payable at Mumbai and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

Applicants may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

Note:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.

- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.

- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

Disposal of application and application money

No acknowledgment will be issued for the application moneys received by the Company. However, the Bankers to the Issue / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

The Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the applicant within six weeks from the close of the Issue.

For further instruction, please read the Composite Application Form (CAF) carefully.

Important

- Please read this Draft Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of this Draft Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.

- All enquiries in connection with this Draft Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and superscribed 'Pantaloon Retail (India) Limited - Rights Issue' on the envelope) to the Registrar to the Issue at the following address:

  Intime Spectrum Registry Limited
  C – 13, Pannalal Silk Mills Compound
  L.B.S. Marg, Bhandup (West), Mumbai 400 078
  Tel: +91 22 5555 5491
  Fax: +91 22 5555 5499
  Email: pantaloon@intimespectrum.com

- It is to be specifically noted that this Issue of Equity Shares is subject to the section entitled 'Risk Factors' beginning on page 5 of this Draft Letter of Offer.

The Issue will not be kept open for more than 30 days unless extended, in which case it will be kept open for a maximum of 60 days.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by us or entered into more than two years before the date of this Draft Letter of Offer) which are or may be deemed material have been entered or are to be entered into by us. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company situated at Pantaloon Knowledge House, Shyam Nagar, Off. Jogeshwari Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060 from 11.00 a.m. to 2.00 p.m. from the date of this Draft Letter of Offer until the date of closure of the Subscription List.

A. Material Contracts

1. Memorandum of Understanding between the Company, Enam Financial Consultants Private Limited and Kotak Mahindra Capital Company dated October 27, 2005.

2. Memorandum of Understanding between the Company and Intime Spectrum Registry Limited dated October 5, 2005.

B. Documents

1. Memorandum and Articles of the Company.

2. Certificate of Incorporation of the Company dated October 12, 1987.

3. Fresh certificate of incorporation consequent on change of name from Manz Wear Private Limited to Manz Wear Limited on September 20, 1991.

4. Fresh certificate of incorporation consequent on change of name from Manz Wear Limited to Pantaloon Fashions (India) Limited on September 25, 1991.

5. Fresh certificate of incorporation consequent on change of name from Pantaloon Fashions (India) Limited to Pantaloon Retail (India) Limited on July 7, 1999.

6. Shareholders Resolution passed at the Annual General Meeting held on June 24, 2004 appointing Price Waterhouse as statutory auditors for the financial year 2004-2005.

7. Copy of the Board Resolution dated March 12, 2005 approving this Issue.

8. Consents of the Directors, Auditors, Lead Managers to the Issue, Legal Counsel to the Issue, Bankers to the Issue and Registrars to the Issue, to include their names in the Draft Letter of Offer to act in their respective capacities.

9. Appointment of Company Secretary as Compliance Officer

10. Letter dated October 19, 2005 from the Auditors of the Company confirming Tax Benefits as mentioned in this Draft Letter of Offer.

11. The Report of the Auditors, NGS & Company as set out herein dated October 19, 2005 in relation to the restated financials of the Company for the last five financial years

12. Annual Report of the Company for the last five Financial Years.

13. Application made for In-principle listing approval dated [•], [•], and [•] to the BSE, NSE DSE and the ASE.

14. In-principle listing approval dated [•], [•],[•] and [•] respectively from BSE, NSE, DSE and ASE respectively.

15. Letter No. [•] dated [•] issued by SEBI for the Issue.

16. Due Diligence Certificate dated Ocober 31, 2005 from Enam Financial Consultants Private Limited.

17. Tripartite Agreement dated June 19, 2000 between the Company, Intime Spectrum Registry Limited and NSDL to establish direct connectivity with Depository.

18. Tripartite Agreement dated June 19, 2000 between the Company, Intime Spectrum Registry Limited and CDSL to establish direct connectivity with Depository.

DECLARATION

No statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, 1956 and the rules made thereunder. All the legal requirements connected with the said issue as also the guidelines, instructions etc. issued by SEBI, Government and any other competent authority in this behalf have been duly complied with.

Yours faithfully
On behalf of the Board of Directors of Pantaloon Retail (India) Limited

Kishore Biyani	Gopikishan Biyani	Rakesh Biyani
Shailesh Haribhakti	Darlie Koshy	S. Doreswamy
Anju Poddar	Bala Deshpande	Ved Prakash Arya
Anil Harish		

Chief Financial Officer

Place: Mumbai
Date: October 28, 2005

Enclosure: Composite Application Form

(* through their Constituted Power of Attorney)