

FOR PRIVATE CIRCULATION ONLY

<p>IPO Overview</p> <p>Nandita Mehta nandita.mehta@jmfinancial.in</p>	 <p>Vishal Retail Limited</p>
<p>Sector: Retailing</p>	

The Issuer	Vishal Retail Limited
Transaction	Domestic Public Issue of shares – 100% Book Building
Issue Size	Public Issue of (*) equity shares of Re 10 each aggregating to Rs 110 crores (Net Issue (*)% of the fully diluted post issue paid up capital)
IPO Dates	June 11th 2007 – June 13th 2007
Acceptance Timing	Between 10 a.m. and 3 p.m. during bid/issue period Between 10 a.m. to 1 p.m. on bid/issue closing date
Price Band	Rs 230 to Rs 270 of Face Value Rs 10 each 23 times of the face value at the lower end of the band and 27 times of the face value at the higher end of the band
Minimum # of Shares	25 Equity shares
Stock Exchanges	Bombay Stock Exchange Limited (BSE), National Stock Exchange of India (NSE)
Book Running Lead Manager Registrar	Enam Financial Consultants Private Limited Intime Spectrum Registry Limited

The Company

The company is a retail house, located in 18 states in India, spread over 12,82,000 square feet with a strong presence in Tier II and Tier III cities. They have

- 50 retail stores (2 stores operated by their franchisees)
- 7 regional distribution centers (Kolkata (West Bengal), Thane (Maharashtra), Jaipur (Rajasthan), Ghaziabad (Uttar Pradesh), Ludhiana (Punjab), Gurgaon (Haryana) and Delhi.)
- an apparel manufacturing plant (Gurgaon)

They currently sell ready-made apparels and a wide range of household merchandise and other consumer goods such as footwear, toys, watches, toiletries, grocery items, sports items, crockery, gift and novelties.

One – Stop - Shop

They follow the concept of value-retailing i.e to sell quality goods at reasonable prices by either manufacturing themselves or directly procuring from manufacturers (primarily from small and medium size vendors and manufacturers).

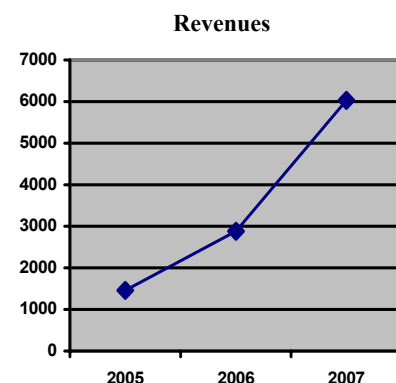
Their Stores



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Revenues - Geographic Segmentation

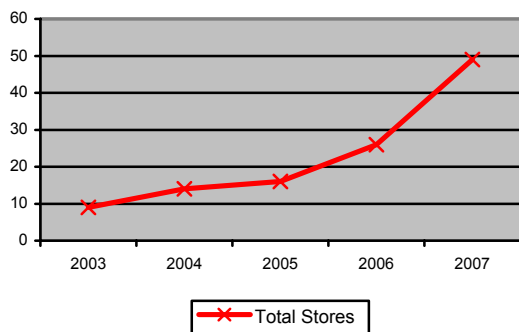
Region	Fiscal 2007		Fiscal 2006		Fiscal 2005	
	Rs. (in Million)	As % of total sales	Rs. (in Million)	As % of total sales	Rs. (in Million)	As % of total sales
North	3,732.12	61.93	2,124.12	73.64	1,164.59	79.60
East	1,181.47	19.60	501.52	17.39	260.61	17.81
West	886.89	14.72	201.64	6.99	Nil	Nil
South	226.05	3.75	57.15	1.98	37.92	2.59
Total	6,026.53	100.00	2,884.43	100.00	1,463.12	100.00



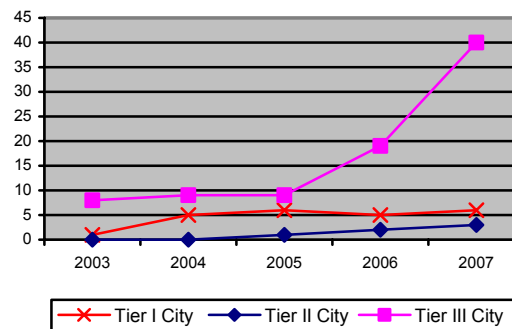
Revenues - Category Wise

Category	Fiscal 2007		Fiscal 2006		Fiscal 2005	
	Rs. (in Million)	As % of total sales	Rs. (in Million)	As % of total sales	Rs. (in Million)	As % of total sales
Apparel	3,806.09	63.16	2,044.28	70.87	1,249.48	85.40
Non-apparel	1,314.56	21.81	581.27	20.15	170.99	11.69
FMCG	905.88	15.03	258.88	8.98	42.65	2.91
Total	6,026.53	100.00	2,884.43	100.00	1,463.12	100.00

Total No of Stores



No of Stores (Tier I, Tier II and Tier III cities)



Strengths

- Understanding of the 'value retail' segment
- Supply chain management
- Logistics and distribution network
- Geographical spread
- Identifying new locations
- Private labels
- Information technology systems
- Experienced and skilled management team

Strategy

- Increasing our penetration in the country by leveraging our supply chain, distribution and logistics network
- Emphasis on Backward Integration
- Expansion of FMCG
- Procurement from low-cost production centres outside India
- Increasing customer satisfaction and our base of loyal customers
- Continue to upgrade information technology systems and processes
- Continue to train employees and seek entrepreneurship from employees

Objects of the Issue

S. No.	Particulars of expenditure	Amount (Rs. in million)
1.	Expenditure on establishment of new retail stores	1,041.51
2.	Issue Expenses*	[]
	Total	[]

Promoters and Shareholding Pattern**Promoter and Promoter Group Shareholding****Individual Promoters**

- Mr. Ram Chandra Agarwal – *Chairman and Managing Director with about 2 decades of experience exclusively in readymade garments including manufacturing, retailing and marketing.*
- Mrs. Uma Agarwal – *more than 5 year of experience in the retail industry*
- Mr. Surendra Kumar Agarwal

Promoter Companies

- Vishal Water World Private Limited (“Vishal Water World”) - *business of operating an amusement centre and sports complex*
- Unicon Marketing Private Limited (“Unicon”) - *non-banking financial company*
- Ricon Commodities Private Limited (“Ricon”) - *a non-banking financial company*

Shareholding Pattern

Name of Shareholder	Pre Issue		Post Issue	
	Number of Equity Shares	Percentage of Equity Share Capital (%)	Number of Equity Shares	Percentage of Equity Share Capital (%)
Promoters	14,072,000	76.80	14,072,000	[]
Promoter Group	248,000	1.35	248,000	[]
Public Shareholders	4,004,795	21.85	[]	[]
Total	18,324,795	100.00	[]	100.00

Registered Office:

RZ-A-95 & 96, Road No.4, Street No.9, Mahipalpur Extension, New Delhi 110 037, India.

Key Concerns

- BCCL (*Bennett, Coleman & Co. Ltd*) holds 2,054,795 Equity Shares representing 11.21% of the total paid up pre-Issue capital of their Company and they also have an agreement with BCCL for the purpose of advertisement of their product or services, in BCCL print publications and non-print media (*for five years starting from September 1, 2005 and ending on August 31, 2010 for a total value of Rs 300 million*), which may lead to conflict of interest.
- In last one year, they have issued Equity Shares at a price less than the Issue Price.
 - (i) 1,250,000 Equity Shares on June 5, 2006 at a price of Rs. 200 to certain investors,
 - (ii) 384,190 Equity Shares on July 3, 2006 upon conversion of Preference Shares of Rs. 146 each
 - (iii) 200,000 Equity Shares on July 21, 2006 at a price of Rs. 200 to HDFC Limited,
- Their business depends on their ability to obtain and retain quality retail spaces.
- Except their store situated at Kolkata, none of the properties on which their retail stores are situated, are owned by them, but are leased or licensed in their favour under various agreements.
- The success of their business is highly dependent on their ability to attract customers to their stores.
- The success of their business is dependent on supply chain management.

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Product Note

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- Presently, majority of their stores are located in northern part of India and have contributed 61.93% to their total sales in fiscal 2007. Their growth strategy to expand into new geographic areas poses risks. Expansion in unfamiliar locations may affect their result of operations and growth plans. (As of April 30, 2007, 27 of 50 of their stores are located in North India.)
- They rely on their manufacturing facilities. The loss of or shutdown of operations at any of their manufacturing facilities may have a material adverse effect on their business, financial condition and results of operations. (a number of private labels for apparels (i.e. apparels manufactured by us) such as Zeppelin, Paranoia, Chlorine, Kitaan Studio, Famenne, Fleurier Women and Roseau.)
- Their annual results are significantly dependent on their third quarter sales (due, in part, to the festival season).
- They have limited ability to protect their brands and private labels and may be subject to third party claims in respect to certain of their brands and if they are unable to obtain intellectual protection for some of their brands, their business could be adversely affected. (They own only one trademark, i.e. "Vishal Mega Mart", and have presently 17 applications pending for registration of several trademarks including the ones for "Vishal" and "Vishal Garments")

Issue Size & Issue Structure

Issue Size

	Number of Shares		Price Band (Rs in crores)		
	230	270	230	270	
Fresh Issue	47,82,609	40,74,074	110.00	110.00	
Reservation for Employees	3,00,000	3,00,000	6.90	8.10	
Net Issue	44,82,609	37,74,074	103.10	101.90	
QIBs (*)	60% of the Issue	26,89,565	22,64,444	61.86	61.14
Non Institutional Investors	10% of the Issue	4,48,261	3,77,407	10.31	10.19
Retail Individual Investors	30% of the Issue	13,44,783	11,32,222	30.93	30.57

(*)5% Reservation for Mutual Funds

Allotment is compulsorily made in dematerialised mode

Equity Shares outstanding prior to the Issue	1,83,24,795 Equity shares of Rs 10 each
Equity Shares outstanding after the Issue @ Rs 230	2,31,07,404 Equity Shares of Rs 10 each
Equity Shares outstanding after the Issue @ Rs 270	2,23,98,869 Equity Shares of Rs 10 each

Financials

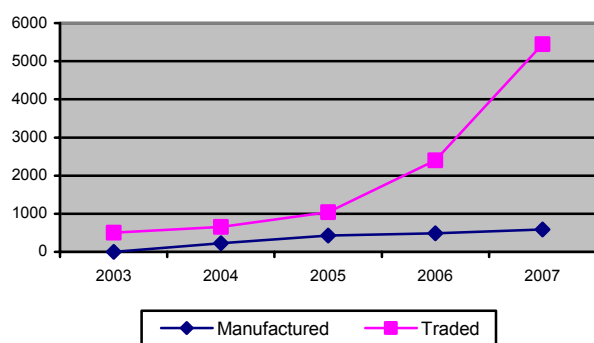
Extracts of the Statement of restated Profits and Losses

(Rs in millions)

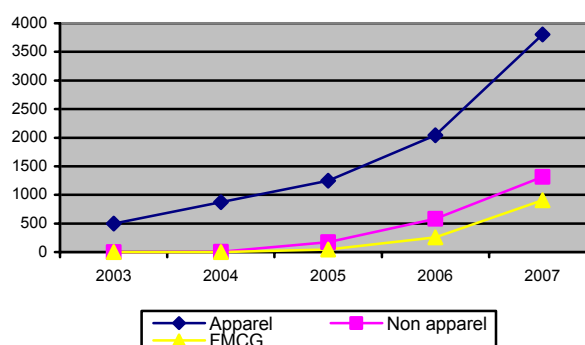
Particulars	For the Financial Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
Sales:					
Of products manufactured by the Company	583.58	483.50	425.60	229.00	0.00
Of products traded by the Company	5442.95	2400.93	1037.52	652.04	499.59
Total	6026.53	2884.43	1463.12	881.04	499.59
Other income	22.92	6.46	1.43	1.05	35.64
Increase/ (Decrease) in inventory	1662.12	407.02	153.70	80.15	43.19
Total Income	7711.57	3297.91	1618.25	962.24	578.42
Total Expenditure	7318.66	3110.81	1568.30	948.93	570.32
Net Profit Before Tax and Extra Ordinary Items	392.91	187.10	49.95	13.31	8.10
Net Profit After Tax & Before Extra Ordinary items	249.83	124.74	30.20	3.82	5.47
Net profit after extraordinary items	249.83	124.74	30.20	3.82	5.47
Balance carried to Balance Sheet	416.63	166.85	42.11	11.91	8.09

(Source: Red Herring Prospectus)

Sales – (manufactured vis-à-vis traded)



Sales (Apparel / Non apparel / FMCG)



Extracts of the Consolidated Statement of Assets and Liabilities, as restated

(Rs in millions)

Particulars	As at				
	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
A Fixed Assets:	1081.50	401.31	185.85	97.92	49.82
B Investments :	-	-	-	9.81	-
C Current Assets, Loans and Advances:	3307.02	1191.50	457.21	255.38	169.78
D Grand Total (A+B+C)	4388.52	1592.81	643.06	363.11	219.60
E Liabilities & Provisions:					
Share Application	-	-	0.91	79.96	38.95
Secured Loans	2162.96	476.11	195.61	9.72	18.36
Unsecured Loans	269.11	74.38	31.03	71.34	59.78
Deferred Tax	18.02	11.58	11.22	6.74	0.86
Current liabilities & provisions:					
(a) Current Liabilities	467.06	224.34	85.55	58.01	44.96
(b) Provisions	203.75	78.57	15.73	5.60	2.05
F Total	(3120.90)	(864.98)	(340.05)	(231.37)	(164.96)
G Preference Share Capital	-	(56.09)	-	-	-
H Net worth (D+F+G)	1267.62	671.74	303.01	131.74	54.64
I Represented by:					
Equity Share Capital	183.25	164.91	148.20	120.00	46.80
Reserves & surplus	1084.37	506.85	154.91	11.91	8.09
Less: Revaluation reserve	-	-	-	-	-
Less: Miscellaneous expenditure not written off	-	(0.02)	(0.10)	(0.17)	(0.25)
Net reserves & surplus	1267.62	506.83	154.81	11.74	7.84
Net worth	1267.62	671.74	303.01	131.74	54.64

(Source: Red Herring Prospectus)

JM FINANCIAL SERVICES PRIVATE LIMITED

Product Note

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Particulars	As at				
	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Basic Earning per Share (Rs.)	13.92	7.98	2.28	0.81	2.49
Diluted Earning per Share (Rs.)	13.92	7.88	2.27	0.30	0.90
Return on Net worth (%)	19.71%	18.57%	9.97%	2.90%	10.02%
Net Asset Value per Share (Rs.)	69.18	40.73	20.45	10.98	11.68

(Source: Red Herring Prospectus)

	Pre- Dilution	Post – Dilution @ Rs 230	Post – Dilution @ Rs 270
EPS (Of 31 st March 2007)	13.63	10.81	11.15
P/E Ratio			
At Rs 230	36.67	46.25	--
At Rs 270	40.34	--	49.31

Peer Group Comparisons

	EPS (Rs)	P/E	RONW%	NAV (Rs.)
Vishal Retail Limited	13.92	[]	19.71%	69.18
Peer Group¹				
Pantaloon Retail Limited*	4.4	87.6	17.20%	55.90
Shopper's Stop Limited	7.6	65.4	14.90%	77.70
Trent (India) Limited	14.2	35.70	10.00%	233.70

* For year ended June 30, 2006.

The EPS, RONW and NAV figures are based on the latest audited results for the year ended March 31, 2006 and P/E is based on trailing twelve months (TTM) and Market data.

(1) Source: Capital Market Volume XXII/05 Category – May 07 - 20, 2007. Electronic Media Software

(Source: Red Herring Prospectus)

JM FINANCIAL SERVICES PRIVATE LIMITED

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Tel: 91 22 5630 3030 Fax: 91 22 5630 1689

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