

March 21, 2010

The National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai	Bombay Stock Exchange of India, "Phiroze Jeejeebhoy Towers", Dalal Street, Mumbai
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Subject: Management Comments/Reply to Auditors Limited Review for the quarter ended 31st December 2009

Dear Sir,

Pursuant to clause 41(l)(c)(ii) the auditors submitted its Limited Review Report to the unaudited financial results for the quarter ended 31st December 2009. The Board took note of the same and in reply thereto submits its explanation(s) to the observations/comments made by the Auditors.

The Board's reply to the observations/comments made is cited hereunder;

Auditor's Observation/Comment:

- (a) Net Profit from ordinary activities after tax for the quarter ended on 31st December 2008 is disclosed as Rs. 578.10 lakhs instead of Rs. 215.44 lakhs.
- (b) Net Profit from ordinary activities after tax for the nine months ending on 31st December, 2008 is disclosed as Rs. 4893.20 lakhs instead of Rs. 2024.12 lakhs.
- (c) Loss from ordinary activities before tax for the year ended on 31st March, 2009 is disclosed as Rs. (13,482.09) lakhs instead of Rs. (9,448.56) Lakhs
- (d) Loss from ordinary activities after tax for the year ended on 31st March 2009 is disclosed as Rs. (8,893.96) lakhs instead of Rs. (9,448.56) Lakhs.

Management's Explanation:

The figures were correctly calculated, disclosed and published in the reportable period. However while mentioning the figure in comparison to respective period the same were incorrect. It is a clerical error while printing hence this disclosure.

Auditor's Observation/Comment:

- (e) Non-Compliance with AS (Accounting Standard)-2 "Valuation of Inventories" as the 'cost' for valuation of inventories does not include octroi, mandi tax, entry tax, relevant input vat, inward freight and discount received on the purchases.

Management's Explanation:

Octroi, mandi tax, entry tax, input Vat, inward freight etc are recorded as expense and the same has been followed consistently by the Company. For valuation of inventory the company follows cost price method and does not load the above said components on each item as it is practically difficult

due to nature/size of inventory. This was subject matter of qualification in the Statutory Auditors report for the previous limited review reports and continues to be subject matter of qualification in their current quarter's Limited Review Report. Hence, this disclosure.

Auditor's Observation/Comment:

Further, during the quarter, the Company has written off Rs. 133.57 crores on account of shrinkages, slow-moving, non-moving, obsolete, damaged goods, etc. The Company has further written off Rs. 143 crores on this account between 1st January 2010 & till the date of issue of this report. This amount has not been provided for in the result for the quarter/period. The basis of such write-offs has not been explained. Hence, we are unable to comment on the adequacy of the amount written off and /or further provision/write-off required in this regard

Management's Explanation:

The stock exercise has been undertaken by the company for all the stores scattered across India and also for its warehouses from the commencement of calendar year 2009. The Company has done extensive analysis of slow moving, pilferages, seasonality, damages. Shortages etc with the help of an outside agency to verify the level of inventory at each store and warehouse. The write off was also necessitated on account of loss of inventory post withdrawal of expansion program after the economic meltdown. Based on the interim analysis of the stock, further write down of stocks was undertaken in Dec.09 and January, 2010 quarter. As per reasonable estimates, no further provisioning will be required. The company has put in suitable control mechanism to prevent such occurrence again in future and with SAP already in use at all the places; reports have been created to help company to do preventive checks as a periodic/ perpetual exercise.

Auditor's Observation/Comment:

(f) Non-compliance with AS (Accounting Standard)-9 "Revenue Recognition" with regards to recognition of Income from display charges and interest on fixed deposits which are not accounted for on accrual basis.

Management's Explanation:

The income from fixed deposits and display charges shall be considered at end of the financial year.

Auditor's Observation/Comment:

(g) Non-compliance with AS (Accounting Standard)-29 "Provisions, Contingent Liabilities and Contingent Assets" as the Company has not provided for the liability that may arise on account of unutilized gift vouchers issued/sold by the Company.

Management's Explanation:

The company has booked sale of vouchers as liability in the books of accounts. But it is difficult to quantify unutilized vouchers as at the quarter end. This was subject matter of qualification in the statutory auditors report since 31st March 2009 and continues to be subject matter of qualification in their current quarter's Limited Review Report.



Auditor's Observation/Comment:

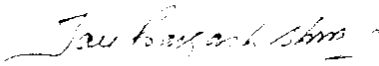
(h) In the absence of confirmation of balances and pending reconciliation, the balances in sundry debtors, sundry creditors, deposits, loans and advances, are as per the books of accounts only and the consequential effect thereof on the result for the quarter/period is not quantifiable. This qualification on the Financial statements of the Company for the year 2008-09 has also not been disclosed as per the requirement of sub clause (IV) (c) of the clause 41 of the listing agreement.

Management's Explanation:

The company has taken note of the same. The process of reconciliation of books of accounts for debtors, creditors, advances and deposits etc. is already on and company expects majority of its accounts to get reconciled before the yearly audit.

This is for your information.

Yours truly,
For Vishal Retail Limited



Jay Prakash Shukla
Director



Enclosure: as above