

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The beginning of Financial Year 2004-05 started with some uncertainty due to the change of Government at the Centre followed by a significant crash in the stock market. This was however, short-lived and buoyancy in the economy returned with vigour, noticeably in the latter part of the year.

In spite of added competition, growth has been very satisfying across all departments and all locations, resulting in a 50% growth in sales. Two new stores were opened in Indore and Mumbai (Andheri) in September and October 2004, respectively. Both have had successful beginnings. However, the Company could not adhere to its store expansion programme due to non or late delivery of new premises by builders. Such stores are now due to open in the current year and the first one in Bangalore was commissioned in late April 2005, and the second one in Baroda is expected in second quarter of the current year. Also, our Mumbai Store at Kala Godha has been expanded.

It must be noted that with the advent of malls, which have the advantage of larger footfalls compared to "stand alone" stores, construction time is a very lengthy process over which the Company has no control.

The Company once again concentrated on its fashion image and won the Images Fashion Forum Award as the "Most Admired Large Format Retailer of the Year", thus confirming its objective of fashion leadership. Other clear objectives of quality and value for money, which are also part of the Company's culture, have received increased initiatives with further up-gradation in fabric and designs.

With the advent of some new stores where additional space is available, the Company has also introduced a range of footwear for men, women and children. Initial results have been encouraging. Similarly, the Company is expanding its household department with a variety of hard goods including small furniture.

The year under review also saw the introduction of its first TV campaign which generated increased footfalls and will be further pursued in the current year.

The Company opened its first hyper-market in Ahmedabad under the name of **Star India Bazaar** in October 2004, thus marking the entrance of the Company

in a new sector of retailing. In spite of initial losses the progress of this first store is now encouraging and new properties have been secured.

Treasury Income was lower by 16% over financial year 2003-04 as debt instruments continued to offer low returns. Therefore, your Company proposes to turn to a slightly more aggressive policy with a larger investment into the equity market.

OUTLOOK FOR 2005-06

Whilst India's international standing is at its highest, the country's economy continues to perform well. Disposable income in many classes of society has also reached new levels whilst the middle class is also fast expanding. All this augurs well for the Retail Sector and specifically for your Company.

As of now, the Company operates 18 Westside Stores and one Hyper-market. It will expand its footprints with the further addition of multiple stores in metro cities and also increase its presence in Class I towns. A number of new properties have already been signed. Growth will also be achieved by increasing walk-ins and bill size through focused and aggressive promotions targeted to the larger and more prosperous urban population.

On the "Star India Bazaar" front, a second unit is due to open in Bangalore. There is on-going progress in locating more premises. Strategies have been reviewed to give greater emphasis on your Company's private label goods as well as apparel and general merchandise.

RISKS AND CONCERNS

Competition from similar format stores is increasing as other chains such as Lifestyle, Shopper's Stop, Pantaloon etc., are also fast expanding in the same catchment areas, as well as entering smaller towns. In spite of this, your Company is confident of its ability to keep up with its growth due to its solid foundation, its systems and a rapidly expanding customer base. However, with a clear shift from "stand alone" stores to stores situated in malls, issues like increased cost of occupancy and delays in completion of malls have to be taken into consideration.

The hyper-market format is a recent and new concept. By and large, three players are in existence, i.e., Pantaloon

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Retail (India) Limited (Big Bazaar) and RPG Spencer, (earlier called Giant). Shoprite, a South African retailer has also opened in Mumbai recently and Shopper's Stop is planning a foray in this area. However, in spite of rather slow progress in the initial phase, your Company is committed to a faster expansion, hampered so far primarily and temporarily, by the availability of adequate premises.

Treasury Income which hopefully should see some resurgence, is also dependent on a good performance of the economy.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

There has been an enhancement in the scope of internal audit, both in our offices in Mumbai as also in our stores, where local Internal Auditors have been appointed, reporting to the Company's Internal Auditor. Besides, the Audit Committee of Directors is periodically reviewing

the Company's systems and their implementations and fully adhere to the requirements of the revised Clause 49 of the Listing Agreement with the Stock Exchange.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, Projections, Estimates and expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

Annexure to Directors' Report

Information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' report for the year ended 31st March, 2005.

Name	Designation/ Nature of Duties	Remuner- ation Received Rs.	Net Remuner- ation Rs.	Qualifications	Experi- ence	Date of Commence- ment of Employment	Age	Last Employment before joining the Company
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Anand P.K.	Vice- President - Operations	32,80,062	17,13,836	M.Com	30	17.08.1998	51	Vice President - Flora Cosmetics Ltd.
Newman Gary	Head - Buying	63,60,017	37,84,324	B.A. (Eco)	34	14.12.2000	56	Marketing Consultant - Blaxson Pvt. Ltd.
Phene S.V.	Vice-President - Corp. Planning	34,95,361	18,03,283	B.Com., A.C.A.	27	04.08.1986	49	Sr. Manager - Finance - Hindustan Construction Co. Ltd.
Tata N.N.	Managing Director	78,06,000	48,66,400	B.A. (Eco) Univ. of Sussex, IEP, INSEAD, France	22	03.02.1998	48	Managing Director - Lakme Exports Ltd.
Chadha S. *	Sr. General Manager	28,22,146	16,04,621	B.Sc. - Honours - Chem. P.G.D. in Rural Management	16	18.11.2002	38	SBU Head - Giant Hypermarket

NOTES :

1. 'Remuneration Received' includes salary, taxable value of perquisites and Company's contribution to Provident and Superannuation Funds, wherever applicable.
2. 'Net Remuneration' is arrived at by deducting from the Gross Remuneration, Income tax and Company's contribution to Provident and Superannuation Funds and the monetary value of non-cash perquisites, wherever applicable.
3. The Company has made a provision for contribution to the Employees' Gratuity Fund based on actuarial valuation. This amount has not been included in 'Gross Remuneration' as no separate figures are available for individual employees.
4. * The employee was in service only for part of the year.
5. All the employees have adequate experience to discharge the responsibilities assigned to them.
6. The nature of employment in all cases is contractual.
7. Mr. N.N. Tata is a relative of a Director of the Company.

On behalf of the Board of Directors,

SIMONE N. TATA
Chairman

Mumbai, 17th June, 2005