

VISHAL RETAIL LIMITED

Regd. Office: Plot No. 332, Near Telco Service Station, Rangpuri, New Delhi 110 037

Dear Member,

NOTICE OF POSTAL BALLOT (Pursuant to Section 192A of the Companies Act, 1956)

Notice is hereby given pursuant to Section 192A of the Companies Act, 1956 (the "Act"), read with Section 293(1)(a) of the Act and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, that the Company is seeking the shareholders' consent to the enclosed Ordinary Resolution, proposed to be passed by Postal Ballot, details whereof are given below.

Your Company proposes to sell its following undertakings, which are currently being carried on by your Company in various parts of India: (a) the Retail Trading Undertaking, which will be transferred to a company owned by the Shriram Group, a diversified industrial group headquartered in Chennai ("Retail Company"), and (b) the Wholesale Trading, Institutional Sales and Franchise Operations Undertaking, which will be transferred to a 100% Indian subsidiary of TPG VW, Limited (the "Wholesale Company") (collectively the "Undertakings"), as going concerns, on a slump sale basis, together with all assets and certain identified liabilities pertaining to the Undertakings, as more particularly detailed in the Ordinary Resolutions and the Explanatory Statement contained in this Notice. The Retail Trading Undertaking and the Wholesale Trading, Institutional Sales and Franchise Operations Undertaking are more particularly defined in the Explanatory Statement contained in this Notice.

The transfer of the Undertakings will be ultimately subject to the vacation or suitable modification of the orders of the Hon'ble Delhi High Court, dated May 11, 2010, in Company Petition No. 176 of 2010, order dated June 02, 2010 in Company Petition No. 244 of 2010 and order dated July 13, 2010, in Company Petition No. 288 of 2010.

In accordance with the terms of Section 293(1)(a) of the Act, which, *inter alia*, provides that sale, lease or otherwise disposal of the whole or substantially the whole of an undertaking of a Company requires approval of the shareholders by way of an Ordinary Resolution, the Company is desirous of seeking your consent for such proposal as contained in the Ordinary Resolution appended below.

As per Section 192A of the Act, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the consent of the shareholders for the above purpose is required to be obtained by means of a Postal Ballot.



Pursuant to Section 173(2) of the Act, an Explanatory Statement pertaining to the said Ordinary Resolution, setting out all material facts and the reasons for which the resolution is being proposed, is also annexed herewith and accordingly, the Ordinary Resolution and the Explanatory Statement with reference thereto are being sent to you along with the Postal Ballot Form and a postage prepaid self-addressed envelope for your consideration.

The Board has appointed Mr. Deepak Kukreja as a Scrutinizer for conducting the Postal Ballot process. Mr. Kukreja is a company secretary and has over 15 years of experience in the area of corporate secretarial compliance.

You are requested to carefully read the instructions printed in the Postal Ballot Form and return the Form (no other Form or photocopy thereof is permitted) duly completed, in the attached postage pre-paid self-addressed envelope, so as to reach the Scrutinizer at the address given on the self-addressed envelope, not later than October 20, 2010.

The Scrutinizer will submit his report, addressed to the Chairman/Managing Director of the Company, after completion of the scrutiny in a fair and transparent manner. The result of the Postal Ballot will be announced by the Chairman/Managing Director of the Company, or in his absence by any person so authorized by the Chairman/Managing Director, on Friday, the 25th day of October, 2010 at 10.00 A.M. at the Registered Office of the Company situated at Plot No. 332, Near Telco Service Station, Rangpuri, New Delhi 110 037. Members who wish to be present at the time of declaration of result may do so at the above venue at the appointed time. The results of the Postal Ballot will also be posted on the Company's website (www.vishalmegamart.net), besides being communicated to the Bombay Stock Exchange and the National Stock Exchange.

The Resolutions, being Ordinary Resolutions, shall be declared as passed if votes cast in favour of the resolutions exceed the votes cast against the resolutions. The date of declaration of the results of the Postal Ballot i.e. October, 25, 2010 shall be the date on which the resolutions would be deemed to have been passed.

The Resolutions shall not, in any manner whatsoever, constitute a sale or transfer of, or an encumbrance on, the Undertakings or any assets of your Company, and that such sale, transfer or encumbrance will be subject to, *inter alia*, further orders of the Hon'ble Delhi High Court.

Deepak Kukreja

ORDINARY RESOLUTION

To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and subject to such approvals and permissions, as may be required from any governmental, regulatory or judicial authority (including the permission of the Delhi High Court), the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “**the Board**,” which term shall include any duly authorised Committee thereof for the time being exercising the powers conferred on the Board by this Resolution) and/or the Managing Director of the Company (“**Managing Director**”) to sell and transfer as a going concern, on a slump sale basis and on such terms and conditions as are negotiated by the Board and/or the Managing Director (and deemed by them at their discretion to be in the best interest of the Company): (a) the Retail Trading Undertaking of the Company to a company owned by the Shriram Group, a diversified industrial group headquartered in Chennai (the “**Retail Company**”), and (b) the Wholesale Trading, Institutional Sales and Franchise Operations Undertaking to a 100% Indian subsidiary of TPG VW, Limited (the “**Wholesale Company**”) (each an “**Undertaking**” and collectively, the “**Undertakings**”), which amongst others is conducted by the Company under the name and style of “Vishal”, “Vishal Retail”, “Vishal Megamart” and “Vishal Fashion Mart”, together with all rights, assets and interests pertaining to the Undertakings (including but not limited to inventory, stock-in trade, cash and cash equivalents, store leases, leasehold improvements and fit-outs, information technology systems, rights to all trademarks and intellectual property used and/or owned by the Undertakings and contractual entitlements of the Undertakings) and certain identified liabilities pertaining to the Undertakings, but not including the freehold properties of the Company i.e. not including properties in Hubli, Kolkata, Dehra Dun and Jabalpur, for a consideration of approximately Rs 100 crores (Rupees Hundred Crores) to be discharged by the Wholesale Company and/or the Retail Company in the manner described in the Explanatory Statements and subject to such adjustments, which the Board and/or the Managing Director may deem appropriate.”

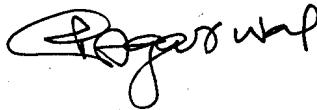
“RESOLVED FURTHER THAT the Board and/or the Managing Director be and is hereby, authorised to do all acts, deeds, matters and things for completing the sale and transfer of the Undertakings, with such modifications as it may deem necessary and expedient in its absolute discretion to give effect to this Resolution and to negotiate, finalise and execute such necessary agreement(s) or document(s) and writings relating to the sale and transfer of the Undertakings as it may deem necessary, proper, desirable or expedient (including, without limitation, to settle any questions, difficulties or doubts that may arise in regard to the sale and transfer of the Undertakings as it may in its absolute discretion deem fit, and give such customary representations and warranties, together with such indemnities as may be deemed necessary and/or

expedient, in their discretion) without requiring any further approval of the Members and that the Members shall be deemed to have given their approval thereto expressly by the authority of this Resolution and any such documents so executed and delivered or acts and things done or caused to be done shall be conclusive evidence of the authority of the Company in so doing and any such document so executed and delivered or acts and things done or caused to be done prior to the date hereof are hereby ratified, confirmed and approved as the acts and deeds of the Company, as the case may be.”

Regd. Office:

Plot No. 332,
Near Telco Service Station,
Rangpuri,
New Delhi 110 037

By Order of the Board of Directors
for VISHAL RETAIL LIMITED

RAM CHANDRA AGARWAL
MANAGING DIRECTOR

Date: September 10, 2010

NOTE: An Explanatory Statement, pursuant to Sections 173 and 192A of the Companies Act, 1956, is annexed hereto.

Explanatory Statement pursuant to Section 173 and Section 192A of the Companies Act, 1956

Sale of the Company's Undertakings to the Acquirers

As you may be aware, your Company's business and operations suffered highly in the global recession and economic slow down of 2008-2009. As a result of which your Company incurred losses during the last two financial years. Apart from such losses, your Company has also had to face (and is continuing to face) severe liquidity constraints and has therefore been unable to discharge its financial obligations to its lenders. This has, in turn, led to a decline in the Company's credibility in the financial markets, and has rendered the Company unable to obtain fresh funding from lenders and financial institutions – which has adversely affected the Company's ability to conduct its business. That apart, several creditors have filed winding-up petitions against your Company, as a result of which your Company faces the risk of being wound-up, a step which would have disastrous consequences for all stakeholders, including the shareholders of the Company, as the undertakings/operations of the Company are only likely to derive any real and meaningful value if they are sold as a going concern.

You may also wish to note that while your Company has taken several corrective measures to revive its Undertakings (*inter alia* closed several loss making stores, renegotiated rental terms for several stores, shut down several warehouses, shut down its apparel manufacturing facilities and reduced its employee headcount) such measures only provided temporary respite and did not help in turning around the state of affairs of the Company. While your Company also explored several alternatives to revive its business (including inducting a strategic / financial investor to invest in the Company), none of these could be brought to fruition and your Company had as a last viable alternative approached several of its lenders to restructure its debts under the extant Corporate Debt Restructuring Guidelines issued by the Reserve Bank of India ("**CDR Guidelines**"), and the Corporate Debt Restructuring Cell approved a Corporate Debt Restructuring Package under the CDR Guidelines for your Company on March 30, 2010 ("**CDR Package**"). The majority of the lenders of the Company (State Bank of India, HDFC Bank, ING-Vysya Bank, UCO Bank, BOI and HSBC, collectively, the "**CDR Lenders**"), whose aggregate principal amount of debt exposure to the Company is Rs. 470.3 crores) (as of June 30], 2010) are participating in and have consented to the CDR Package.

To *inter alia* implement the terms of the CDR Package and ensure that fair value is obtained by your Company in relation to its existing business and assets, your Company has in consultation with the CDR Lenders agreed to sell the following undertakings which are currently being carried on by your Company in various parts of India viz. (a) the Retail Trading Undertaking, which will be transferred to a company owned by the Shriram Group, a diversified industrial group headquartered in Chennai ("**Retail Company**"); and (b) the Wholesale Trading, Institutional Sales and Franchise Operations Undertaking, which will be transferred



to a wholly owned subsidiary of TPG VW, Limited, a reputed and established international investor which has significant global experience in investing in and turning around distressed assets, especially those involving consumer industries ("**Wholesale Company**") (each an "**Undertaking**" and collectively the "**Undertakings**"), as a going concern, on a slump sale basis, together with all assets pertaining to the Undertakings (including but not limited to inventory, stock-in trade, cash and cash equivalents, store leases, leasehold improvements and fit-outs, information technology systems, rights to all trademarks and intellectual property used and/or owned by the Undertakings and contractual entitlements of the Undertakings) and certain identified liabilities pertaining to the Undertakings (collectively the "**Transaction**"). Please however note that the freehold properties of your Company in Jabalpur, Hubli, Dehra Dun and Kolkata will continue to remain with your Company.

Please note that "**Retail Trading Undertaking**" means the retail business and operations of your Company (including but not limited to store leases, leasehold improvements, furniture and fittings, identified employees, store level information technology systems, other movable assets pertaining to the business, contractual entitlements, cash & cash equivalents and certain identified liabilities of your Company), which will be transferred as a going concern to the Retail Company and "**Wholesale Trading, Institutional Sales and Franchise Operations Undertaking**" means the wholesale trading, institutional sales and franchise business and operations of your Company (including but not limited to warehouse & distribution center leases, leasehold improvements, furniture and fittings, identified employees, information technology systems, other movable assets pertaining to the business, franchise marketing and other contractual entitlements, cash and cash equivalents, certain identified liabilities and brands, trademarks and other intellectual property of your Company), which will be transferred as a going concern to the Wholesale Company.

You may wish to note that in considering the above Transaction, your Company and the CDR Lenders also examined competing offers for the Undertakings, and found the terms of the Transaction offered by the Wholesale Company and Retail Company to be superior to the terms of the competing offers.

The aforesaid consideration for the sale of the Undertakings on a slump sale basis will be discharged by the Retail Company and/or the Wholesale Company (collectively the "**Acquirers**") to your Company in the following manner, which will be further detailed in the definitive transaction documentation (a) partly by an upfront cash payment of Rs. 75 crores (Rupees Seventy Five Crores) to be paid to your Company; and (b) partly in the form of a bond of Rs. 25 crores (Rupees Twenty Five Crores), issued by the Wholesale Company, which is redeemable by the Company on April 1, 2015 with a yield-to-maturity of 7.5% (collectively, the "**Purchase Consideration**"). Please note that the Purchase Consideration is subject to such adjustments, which the Board and/or the Managing Director may deem appropriate.

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As part of the Transaction, it is contemplated that the Wholesale Company and/or Retail Company will (A) assume certain identified outstanding debts of the Company to certain secured and unsecured lenders of the Company and assume the obligation of discharging the same pursuant to restructuring terms being negotiated with such secured and unsecured lenders; and (B) assume certain identified liabilities of the Company relating to the Undertakings. Consequently, your Company expects that upon the completion of the Transaction, your Company will receive substantial relief from its existing debts and liabilities, which gives your Company the ability to revamp and rebuild its business and operations.

In light of the above, the Board of Directors of your Company ("**Board**") is of the opinion that the proposed sale of the Undertakings is in the overall best interests of the stakeholders in the Company. The Transaction will provide your Company with the ability to settle its outstanding debts (which it is otherwise not in a position to satisfy) and the net proceeds from the sale of the Undertakings would also open up various avenues for the Company to undertake new business opportunities. In this regard, please note that (a) the Promoters of the Company are as part of the proposed transaction not receiving any separate fees from the Acquirers (whether in the form of a non-compete or otherwise); and (b) the non-compete is limited in nature, and only restricts the Company from *inter alia* (x) soliciting and employing its existing employees (who will be transferred to the employment of the Acquirers) for a period of 6 months from the completion of the Transaction, (y) from conducting any business activities from the premises currently occupied by the Undertakings, and (z) using the word 'Vishal' (or any colorable imitation thereof) in its future business activities.

Closing of the Transaction is conditional *inter alia* upon passing of the Ordinary Resolution(s) by the shareholders of your Company, vacation of the stay orders passed by the Hon'ble Delhi High Court in Company Petition No. 176 of 2010, Company Petition No. 244 of 2010 and Company Petition No. 288 of 2010, satisfactory conclusion of negotiations with lenders of your Company which are not participating in the CDR Package, execution of mutually agreed transaction documents, the receipt by the Acquirers of certain governmental authorisations and registrations necessary for the operation of the Undertakings, the effective assignment to the Acquirers of certain contracts to which the Company is a party in connection with the Undertaking and there being no material adverse effect in relation to the Undertakings prior to completion of the Transaction.

As part of the Transaction, your Company has also agreed to provide certain warranties and indemnities to the Acquirers relating to, *inter alia*, title to the assets being transferred, accuracy of financial statements, liabilities relating to the Undertakings, compliance with law, validity of contracts, and litigation. In addition, upon the completion of the Transaction, it is also contemplated that the services of identified

employees engaged in the Undertakings would be transferred to the Retail Company and the Wholesale Company respectively.

The Board has on September 10, 2010 approved the proposal to transfer the Undertakings as above, on a going concern basis to the Acquirers. The proposed Ordinary Resolution(s) contained in this Notice give adequate flexibility and discretion to the Board and/or the Managing Director to finalise the terms of the sale of the Undertaking to the Acquirers in consultation with the legal advisors to the Company and experts or such other authority or authorities as need to be consulted in accordance with a manner the Board and/or the Managing Director may deem fit.

Stay Orders of the Delhi High Court

In the above context, your Company wishes to remind you that pursuant to the winding-up petitions filed by certain lenders of your Company viz. Barclays, SICOM Ltd. and DBS Bank Ltd., the Hon'ble Delhi High Court has granted a stay order, *inter alia*, restraining the Company from disposing its assets, which would preclude the Company from undertaking the Transaction. While your Company will only undertake the Transaction with the prior approval of the Hon'ble Delhi High Court (or if the stay orders are otherwise disposed off by the Hon'ble Delhi High Court), given that any further delays in implementing the Transaction would (i) have a highly detrimental impact on the continued viability and operations of your Company; and (ii) result in the only viable alternative available presently for turning around the businesses of the Company being jeopardized and put at risk, the Board has in the interest of time requested you to approve the Ordinary Resolution(s) in favour of the Transaction. In order to preserve value for its various stakeholders (shareholders, creditors and 6000+ employees), your Company is at present taking steps to have the stay orders vacated by the Hon'ble Delhi High Court and is hopeful of an early and favourable resolution of these winding-up petitions.

If the prior approval of the Hon'ble Delhi High Court is not received (or if the stay orders are otherwise not disposed off by the Hon'ble Delhi High Court), the Ordinary Resolution(s) shall not be acted upon by your Company.

Other Matters

Since the transfer of the Undertakings amounts to the sale / disposal of an undertaking of the Company in terms of Section 293 (1)(a) of the Companies Act, 1956, the consent of the shareholders is being sought, pursuant to the provisions of Section 293(1)(a) and other applicable provisions of the Companies Act, 1956,

provisions of the Memorandum and Articles of Association of the Company, the provisions of the listing agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed, and any other appropriate and / or concerned authorities, institutions or bodies to sell, transfer the Undertaking and to pass an effective good title to the Acquirers thereof as stated in the Ordinary Resolution at item no. 1. The approvals are sought to be obtained under the provisions of Section 192A of the Companies Act, 1956, read with provisions of Companies (Passing of Resolution by Postal Ballot) Rules, 2001, through Postal Ballot as set out in the accompanying Notice.

The Board recommends the passing of the Ordinary Resolution for the disposal of the Company's Undertakings as contained in the Notice of Postal Ballot.

Copies of the Memorandum and Articles of Association of the Company and the Register of Directors' Shareholding are available for inspection at the Registered Office of the Company between 1100 hrs and 1300 hrs on all the working days upto the date and time of announcement of the results of the Postal Ballot.

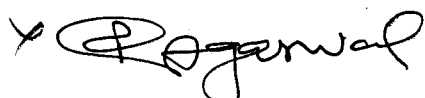
The Directors of the Company may be deemed to be concerned or interested in the resolution as set out in the Notice pursuant to Section 192A of the Companies Act, 1956 to the extent of shares held by them in the Company.

Regd. Office:

Plot No. 332,
Near Telco Service Station,
Rangpuri,
New Delhi 110 037

Date: September 10, 2010

By Order of the Board of Directors
for VISHAL RETAIL LIMITED



RAM CHANDRA AGARWAL
MANAGING DIRECTOR

VISHAL RETAIL LIMITED**Regd. Office: Plot No. 332, Near Telco Service Station, Rangpuri, New Delhi 110 037****POSTAL BALLOT FORM****SERIAL NO.**

- (1) Name(s) of Shareholder(s) /
Beneficial Owner(s)
(Including Joint-holders, if any)
(IN BLOCK LETTERS)
- (2) Registered Address of the Sole /
First named Shareholder /
Beneficial Owner
- (3) Registered Folio No.
*DPID No. / Client ID No.
(* Applicable to shareholders holding
Shares in dematerialized form)
- (4) No. of Shares held
- (5) I/We hereby exercise my/our vote in respect of the **Ordinary Resolution** to be passed through Postal Ballot for the business stated in the notice of the Company by sending my/our assent or dissent to the said resolution by placing tick (✓) mark at the appropriate box below:

Description	No. of Shares held	I/We assent to the resolution	I/We dissent to the resolution
Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956, for the disposal of the Company's Undertakings			

Place:

Date:

Signature of the Shareholder / Beneficial Owner

INSTRUCTIONS:

1. A member desiring to exercise vote by Postal Ballot may complete this Postal Ballot Form and send it to the Company in the attached postage prepaid self-addressed envelope. Postage will be borne and paid by the Company. However, envelopes containing Postal Ballots, if sent by courier at the expenses of the member will also be accepted.
2. Delivery of the Postal Ballot Form can also be effected by depositing the sealed envelope containing the Ballot Forms on or before the close of working hours on October 20, 2010 in the Special Box kept for the purpose at the Registered Office of the Company.
3. The Board of Directors has appointed Mr. Deepak Kukreja as the Scrutinizer for conducting the Postal Ballot process. The postage prepaid self-addressed envelope bears the address of the Scrutinizer so appointed by the Board of Directors of the Company.



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4. This form should be completed and signed by the shareholder. In case of joint holding, this form should be completed and signed (as per specimen signature registered with the Company) by the first named shareholder and in his absence, by the next named shareholder.
 5. In case of Shares held by companies, trusts, societies etc., the duly completed Postal Ballot Form should be accompanied by a certified true copy of the Board Resolution / Authority.
 6. The votes should be cast either in favour or against by putting the tick mark (✓) in the column provided for assent or dissent. Ballot papers bearing tick marks in both the columns will render the Postal Ballot Form invalid. Incomplete, unsigned or incorrectly filled Postal Ballot Form will be rejected.
 7. The Managing Director and the Company Secretary shall be responsible for the entire Postal Ballot voting process.
 8. Duly completed Postal Ballot Form should reach the Company not later than the close of working hours on October 20, 2010. Postal Ballot Form received after this date will not be considered and treated as if the reply from the member has not been received.
 9. There shall be one Postal Ballot for every folio, irrespective of the number of joint holders. A proxy shall not exercise the Postal Ballot. Voting rights shall be reckoned on the paid up value of the shares registered in the name of the Shareholders/Beneficial Owners on September 10, 2010.
 10. Members are requested not to send any other paper along with the Postal Ballot Form in the enclosed postage prepaid self addressed envelope as all such envelopes will be sent to the Scrutinizer and any extraneous paper found in such envelope would be destroyed by the Scrutinizer.
 11. The results of the Postal Ballot will be announced at the registered office of the Company situated at Plot No. 332, Rangpuri, Near Telco Workshop, New Delhi - 110037. The date of declaration of the result of the Postal Ballot will be taken to be date of passing of the resolutions.
 12. A shareholder need not use all his votes nor does he need to cast all his votes in the same way.

