

# Annual Results (FY 2009-10)

Conference Call  
August 31, 2010

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## Consumption Story Intact

- Refreshed optimism that consumer sentiments will remain buoyant
- Visible trends on ground
- Growth in product categories in modern retail environment
- Private Final Consumption Expenditure (PFCE) estimated to reach \$1 trillion and ~50% of GDP by 2020
- Combination of consumption and investment driven growth will drive growth



## Business Performance

- Robust consolidated revenue growth of ~29% over past 3 years
- Incremental revenue increase over lesser space expansion
- SSG trends healthy with home showing revival signs
- Essential retail productivity aspects addressed



## Refreshed Balance Sheet

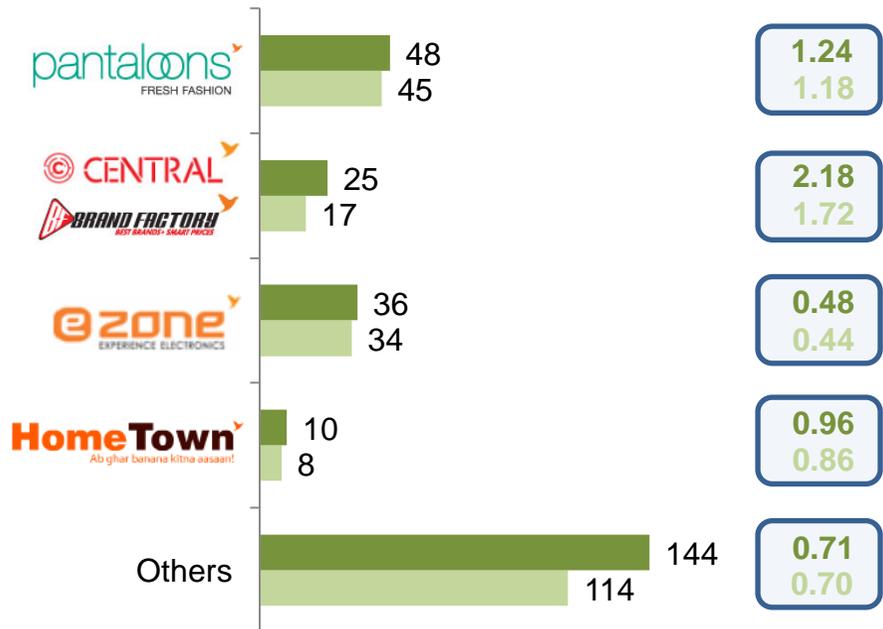
- Purist retail based; Re-alignment activities addressed
- Well capitalized to propel pure retail growth momentum
- Working capital efficiencies addressed; 10% improvement in inventory turns
- Moving towards longer maturity debt profile; enhanced to 3.9 years in FY10
- Lesser gearing
- Interest costs reduced by over 7.5% (as a % of sales) on a consolidated basis

# Store Network And Retail Space Evolution

## Number of stores and selling space evolution (2010 vs. 2009)

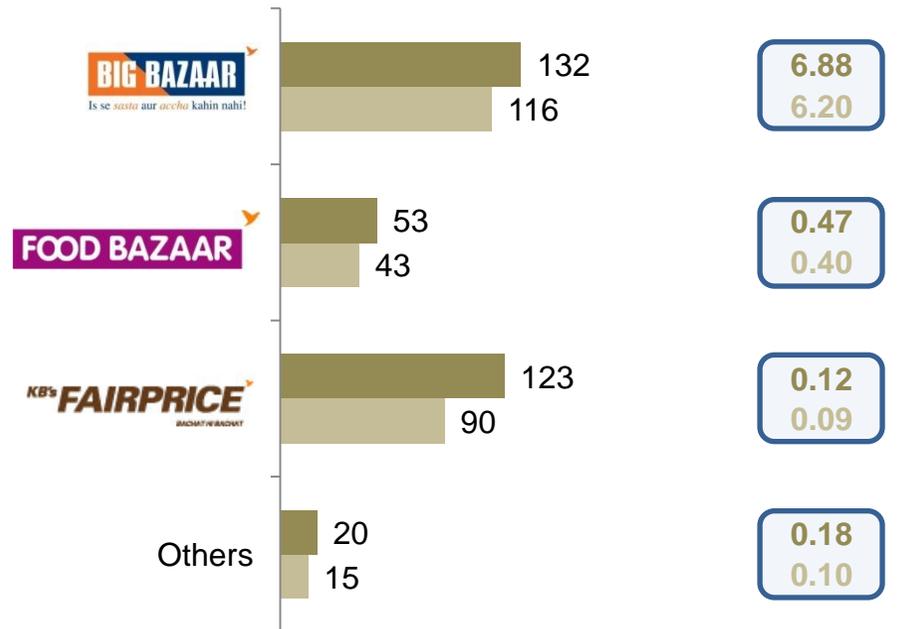
### PRIL

■ 2009-10 ■ 2008-09 □ Selling space – mn. sq. ft.

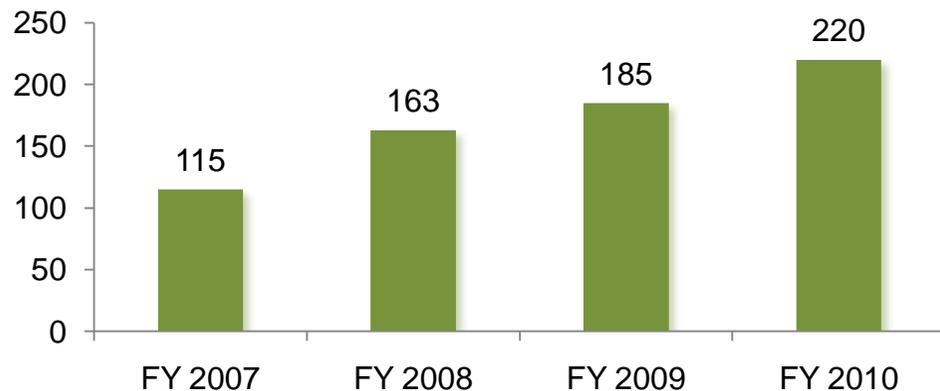


### FVRL

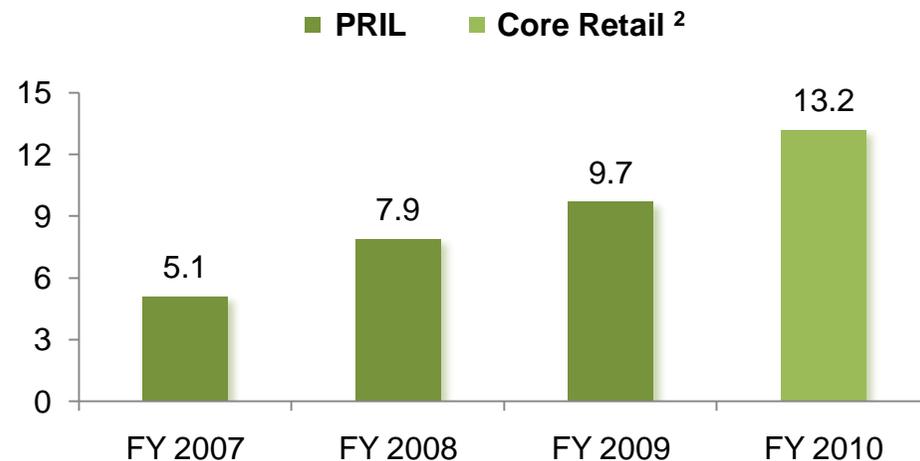
■ 2009-10 ■ 2008-09 □ Selling space – mn. sq. ft.



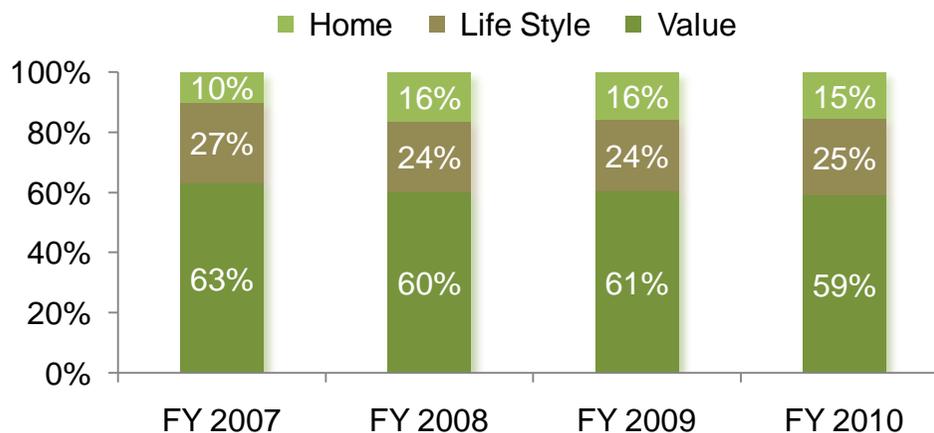
## Footfalls (millions) <sup>1</sup>



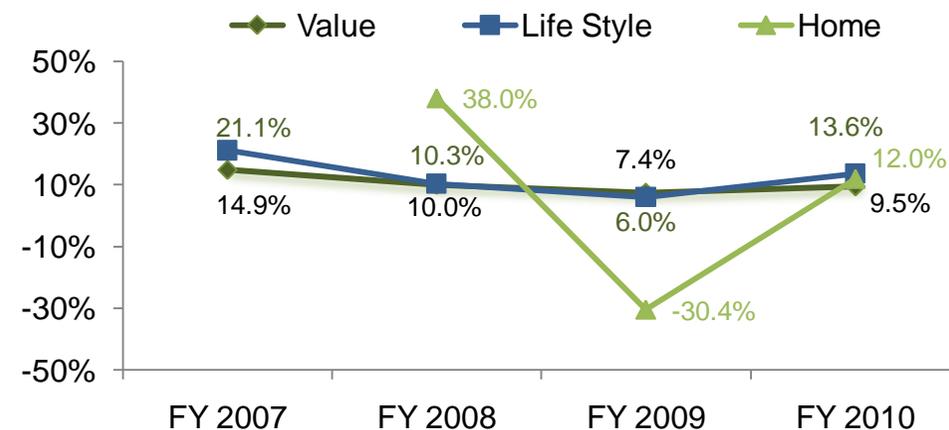
## Retail Space (mn. Sq. ft.)



## Retail Sales Split



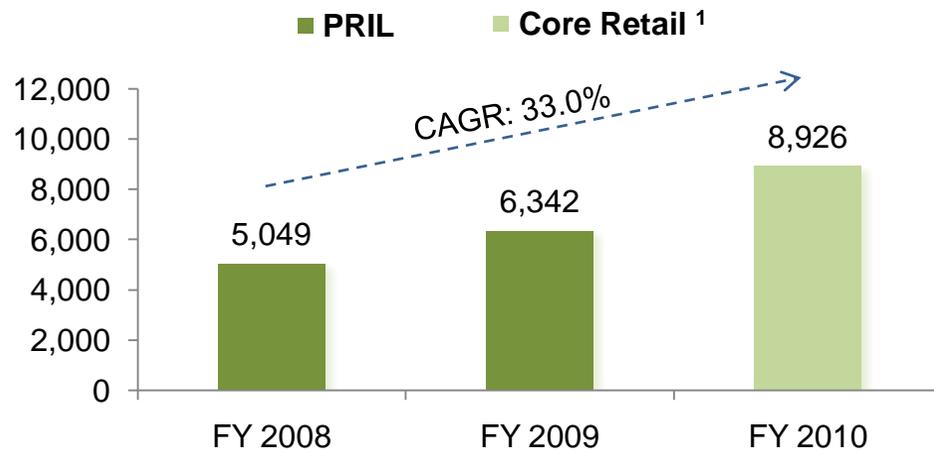
## Same Store Sales Growth



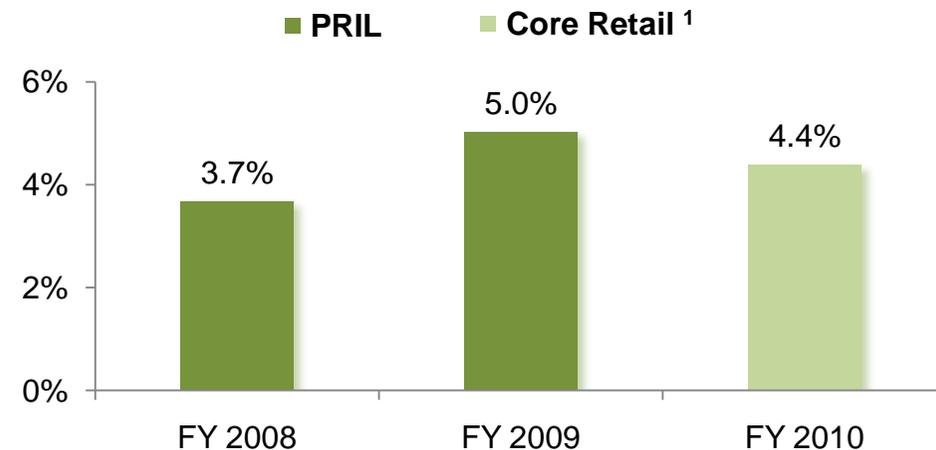
<sup>1</sup> Data for PRIL and FVRL only and excludes HSRIL

<sup>2</sup> Core Retail indicates summation of PRIL with demerged HSRIL and FVRL

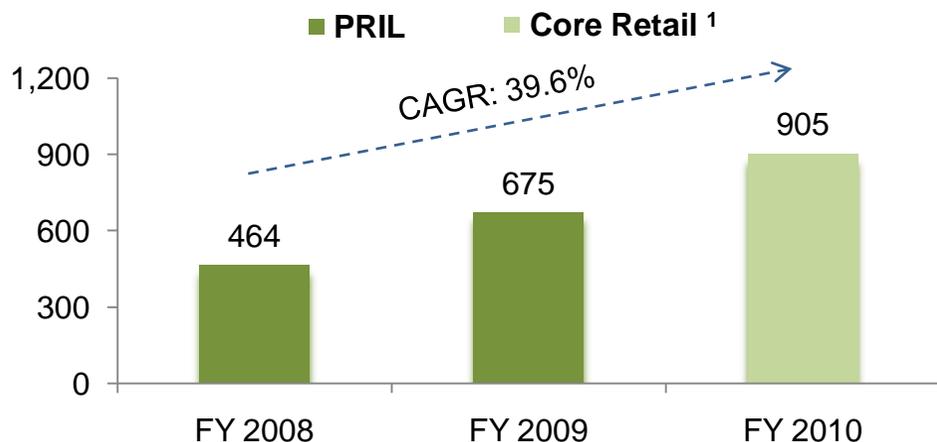
## Sales Evolution (Rs. Cr.)



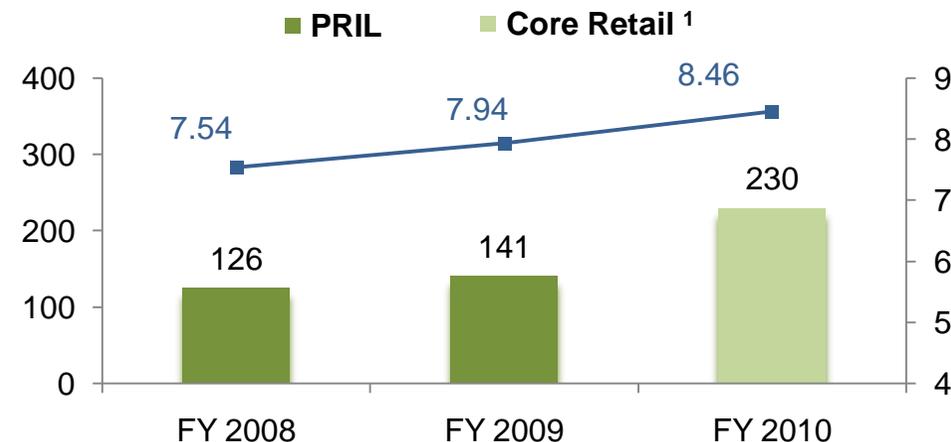
## Interest Costs As a % Of Sales



## EBITDA Evolution (Rs. Cr.)

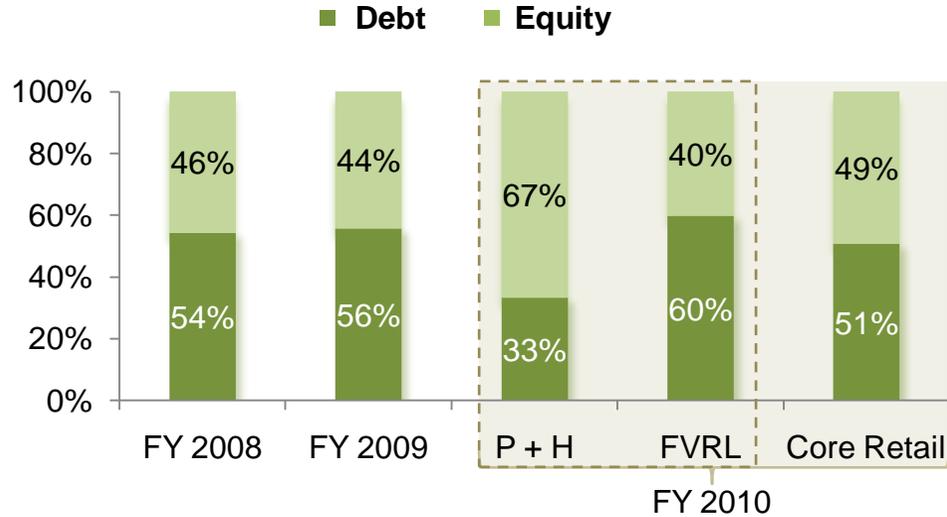


## PAT (Rs. Cr.) and EPS

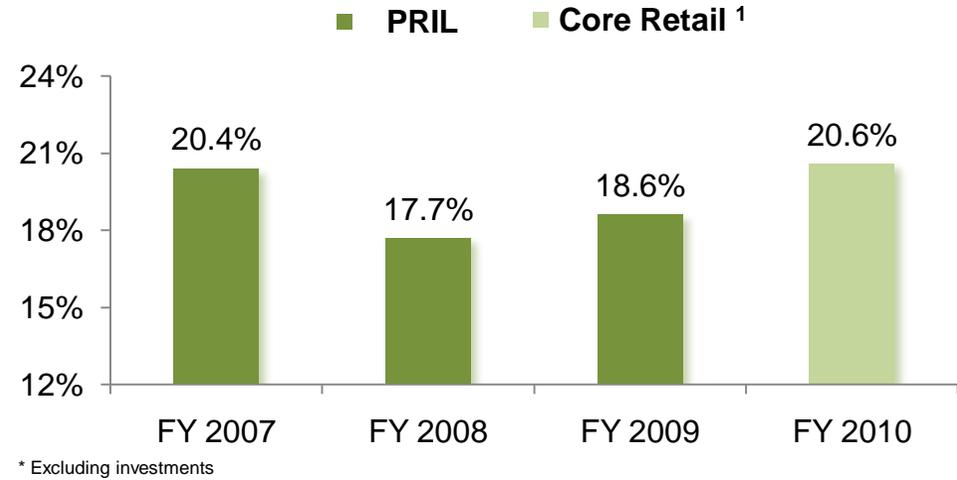


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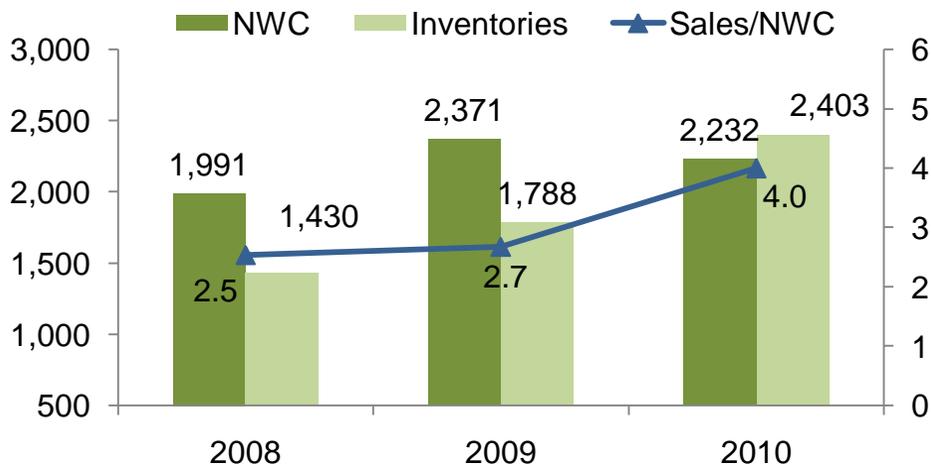
## Debt/Equity Ratio evolution



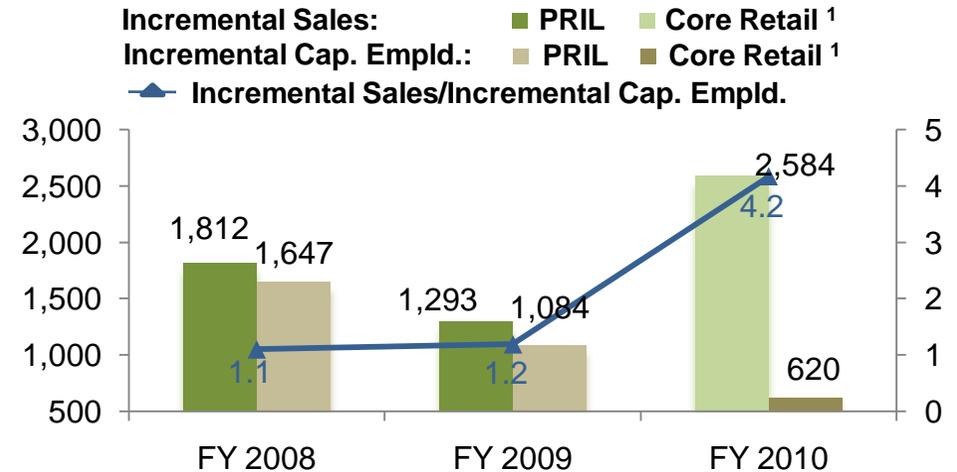
## ROCE \*



## Working Capital Efficiency<sup>2</sup>



## PRIL Incremental Sales vs. incremental Cap. Empld.



<sup>1</sup> Core Retail indicates summation of PRIL with demerged HSRIL and FVRL  
<sup>2</sup> NWC = Net Working Capital

# Reorganization And Increased Focus On Core Businesses



## Core Retail

### Value



### Lifestyle



- ❑ Retail business is present in 4 consumption categories in both the
  - Value segment :- Big Bazaar/ Food Bazaar and KB's FairPrice
  - Lifestyle segment. :- Pantaloons/ Central/Home Town/eZone

Volume & consumption play

## Allied Services



- ❑ Allied businesses in retail services are mainly present in supply chain and logistics, sourcing, retail media and digital commerce

Value add businesses

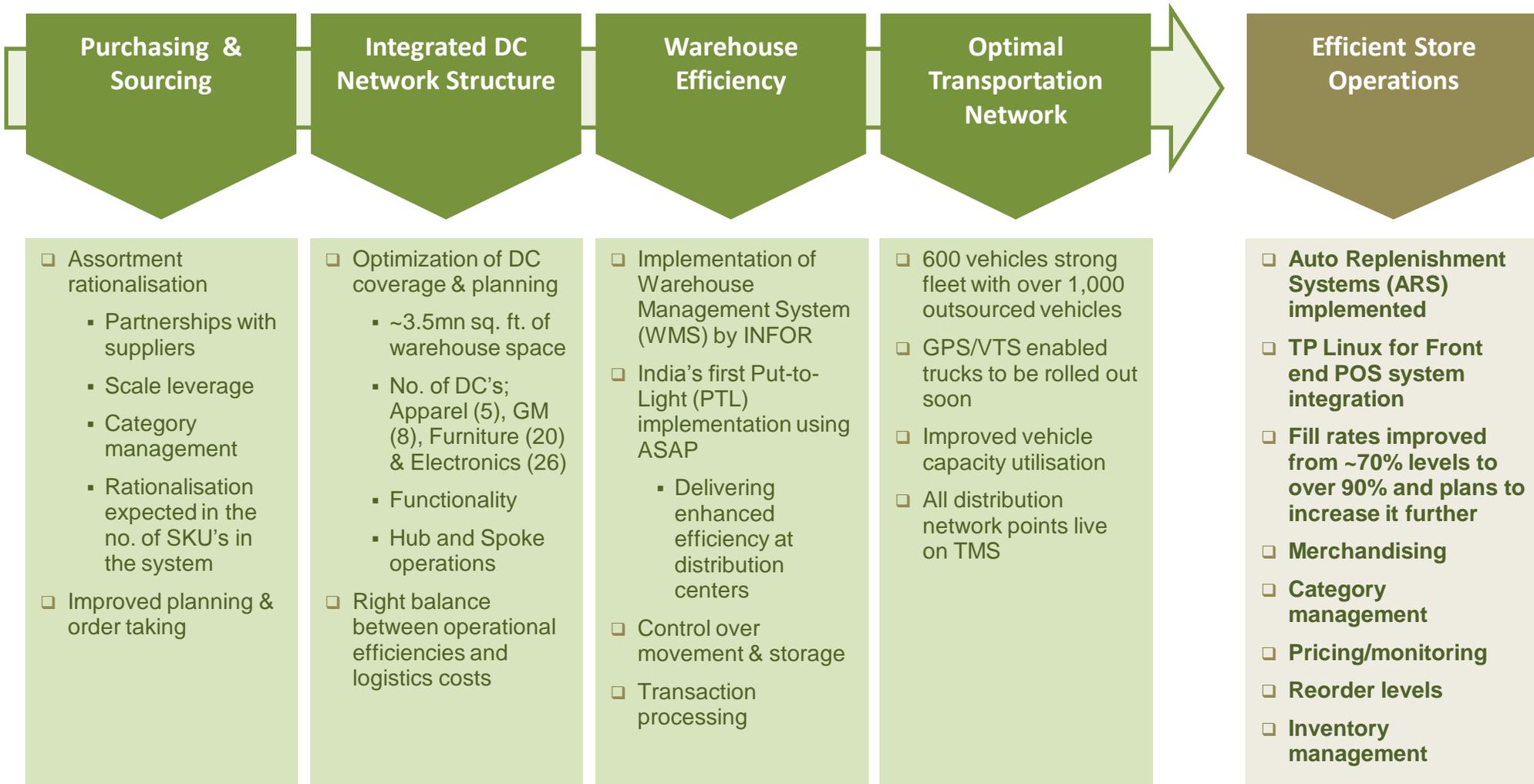
## Financial Services



- ❑ Financial Services businesses are led through specialised subsidiaries in consumer finance, life and non life insurance

Intermediary play

## A Fully Integrated Supply Chain To Create Efficiencies In Retail Operations



## Retail Related



- Online platform retailing Electronics, Apparel and GM categories; plans to include Sports Goods
- Will launch new initiatives such as SMS short codes, teleshopping, mobile phone commerce and virtual shopping through manned kiosks.
- Integrated platform of all the businesses and formats, selling multiple products and brands.
- Turnover in excess of Rs.100 cr. FY10



- Offers relevant engagement through its media properties –spaces, print, activation,TV etc.
- Brand engagements with leading brands across consumption space
- Est .revenues CAGR ~30% from FY10~Rs.36 cr over three years
- EBITDA growth of ~170% est in three years from FY10 levels of ~Rs.1 cr

## Financial Services



- Business Segments
  - Retail of Financial Services
  - Wholesale Credit & Corporate Lending
  - Distribution & Transaction Services
- Consol revenues of over Rs.250 cr. & PAT of ~Rs59 cr FY10



- FY2010 premium earned was Rs 541 crs, registering 255% growth
- Expects to earn fresh premium of Rs 1,200 crs in FY2011
- Aims to reach ~200 branches from 91 by 2010-2011

## JV's & Other Partners



- Poised to become the single source provider of all office products including Technology, Supplies, Promotional Gifting and Furniture products
- Operating in two business segments, “Retail” and “Delivery”
- Current split 50:50 between Retail and Delivery, with share of Delivery business expected to increase in the future
- Rs.143 cr. sales in FY10, est. to grow at CAGR of over 50% in 3 years
- Present in over 9 cities in India



## **Growth**

- Maintain momentum of topline growth through continuous efforts to increase store efficiencies and productivity as evident in improved throughputs and healthy SSG
- Continue growth through combination of realisation efficiency and space expansion



## **Category Focus**

- Focus on retail business in 4 categories that have maximum scope for value addition - Food, Fashion, Home & General Merchandise
- These categories at present capture over 65% of India's domestic consumption expenditure



## **Balance Sheet Capitalization**

- Optimisation of gearing of the Balance Sheet
- Significant de-risking; a diversified portfolio of purely retail format offerings and businesses
- Further efficiency in working capital management



## **Consumer Connect**

- Continue focus on increasing consumption demand through innovative customer engagement activities

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fashion

Fashion

## Improved Sourcing & Inventory Management

- ▶ Change in Vendor base and Vendor Management
- ▶ Reduction in export orders and sourcing from local suppliers
- ▶ Improved scale and better pricing power
- ▶ Design development inputs
- ▶ Reduced inventory positions
- ▶ Perpetual inventory management system and better business intelligence systems with real time data stream

**Stronger replenishment cycle**

## Merchandising Efficiencies

- ▶ Improvement in product assortment
- ▶ Upgrading price and offerings significantly
- ▶ Better calendar management
- ▶ Plan and work 6-9 months in advance
- ▶ Reduced options and variety
- ▶ Increased depth from 1,000 pcs. ~ 15,000 pcs. a colour

## Resultant Benefits

- ✓ Higher full price sales
- ✓ Reduced mark-downs
- ✓ Better SSG traction
- ✓ Increased sell through rates from ~74% to ~86%
- ✓ Higher margins

- Our lineage and area of strength with Private Brands now capturing between 70-80% share
- Strong loyalty program: "Green Card" base of ~1.8 million which contributes 55% of Pantaloon's sales
- Over 2 million pcs. Sold every week in fashion
- In Big Bazaar, 300 core fashion SKU's contribute 30% of sales
- Value Fashion has seen 22% growth

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# Food Strategy

## Changing Consumer Trends Impacting Food Habits

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- Habit of eating-out and expansion of refrigerated capacity in urban homes
- Shift from scratch cooking to more processed, semi-processed, experimental cuisines and convenience

## Initiatives

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- ARS (Auto Replenishment Systems); Improving fill rates and increasing productivity
- “Next level stores” e.g. Chennai Express, FoodRight – Increase customer engagement opportunities
- Nielsen retail index for Q4 2009 v/s Q1 2010 indicates that prices at an aggregate basket level in Big Bazaar stores were 5.8% lower than in general trade

## Fresh

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- Noticeable trends: Consumer buys fresh once or twice a week; willing to buy from modern trade; Generates higher footfalls
- Value addition: Different strategies for Fruits & Vegetables in place
- **Food Park:** Participation in back-end value chain through collection and consolidation centers. Better control on quality and improved margins

## Private Brands

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- In the FMCG Categories Private Brands’ contribution is between 8-30%
- Recent launches validate our private brand initiatives
- Continued business optimism around expanding portfolio

## Outlook

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- Food will be a distinct growth engine for retail
- Share of value add and personal care brands will increase
- Consumption shift to modern trade will happen

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# Home Town Strategy

## Revival of the residential market



- ▶ Developers shifting to selling fully furnished apartments as complete packages

## Home Town positioned as one-stop shop for home



- ▶ Few large format exhibition stores serve as central hubs with many smaller satellite stores
- ▶ Unique customer offering – Design & Build Services

## Outlook for the business



- ▶ Strong growth expected from existing Distination stores; further locations identified for store opening 2010/11
- ▶ Further differentiation
- ▶ Improvement in sales and margins by developing and housing fuller ranges of private, local and international brands

## Institutional business: Tying up both ends

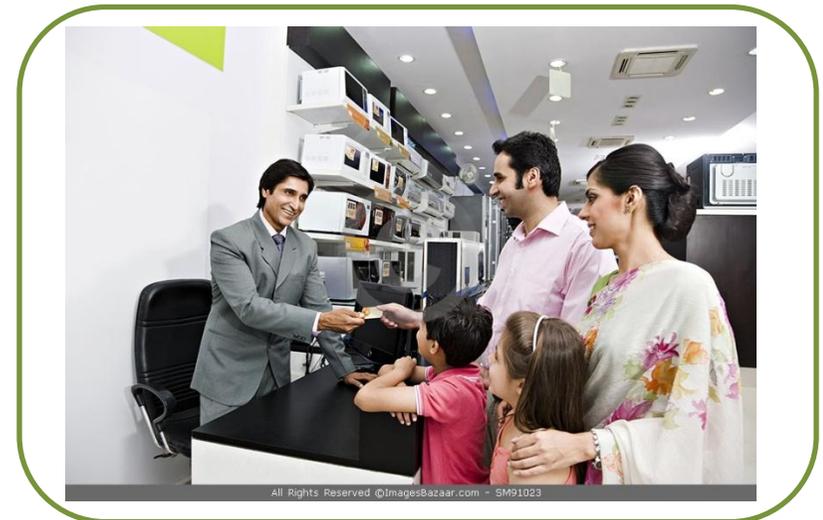


- ▶ Strategic agreements with Key Vendors / Brands to supply Builders directly at construction site

refresh electronics

# eZone Strategy

- ▶ **Proposition & Positioning of eZone as a Specialty electronics retailer**
  - ❑ Categories sold in eZone lend themselves to emotional gratification in addition to rational need
  - ❑ Cross sell opportunities
- ▶ **Digital Integration with online platform**
  - ❑ Better working capital management
  - ❑ Improved assortment and information to consumers
- ▶ **Focus on higher throughputs and scale to counter low margin business model**
- ▶ **Enhancing the Store Proposition with Service as a differentiated offering**
- ▶ **Moving to Store Designs that can demonstrate**
  - ❑ See, Touch and Feel Experience for all Products
  - ❑ Connected Environment prompting upgrade sales
- ▶ **Customer engagement activities e.g.**
  - ❑ Zero margin sale, Master class for photography etc
- ▶ **Outlook for the business**
  - ❑ Share of electronics increasing in consumption basket
  - ❑ Lifecycle of products reducing therefore increasing frequency of purchase



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# Customer Strategy



## Customer Insights Framework



**Community**



**Migration**



**Family unit structure**



**White collared/ Self Employed**

## One Customer Strategy



**Unlock Lifetime Value**



**Tag & Track**



**Cross Format View**

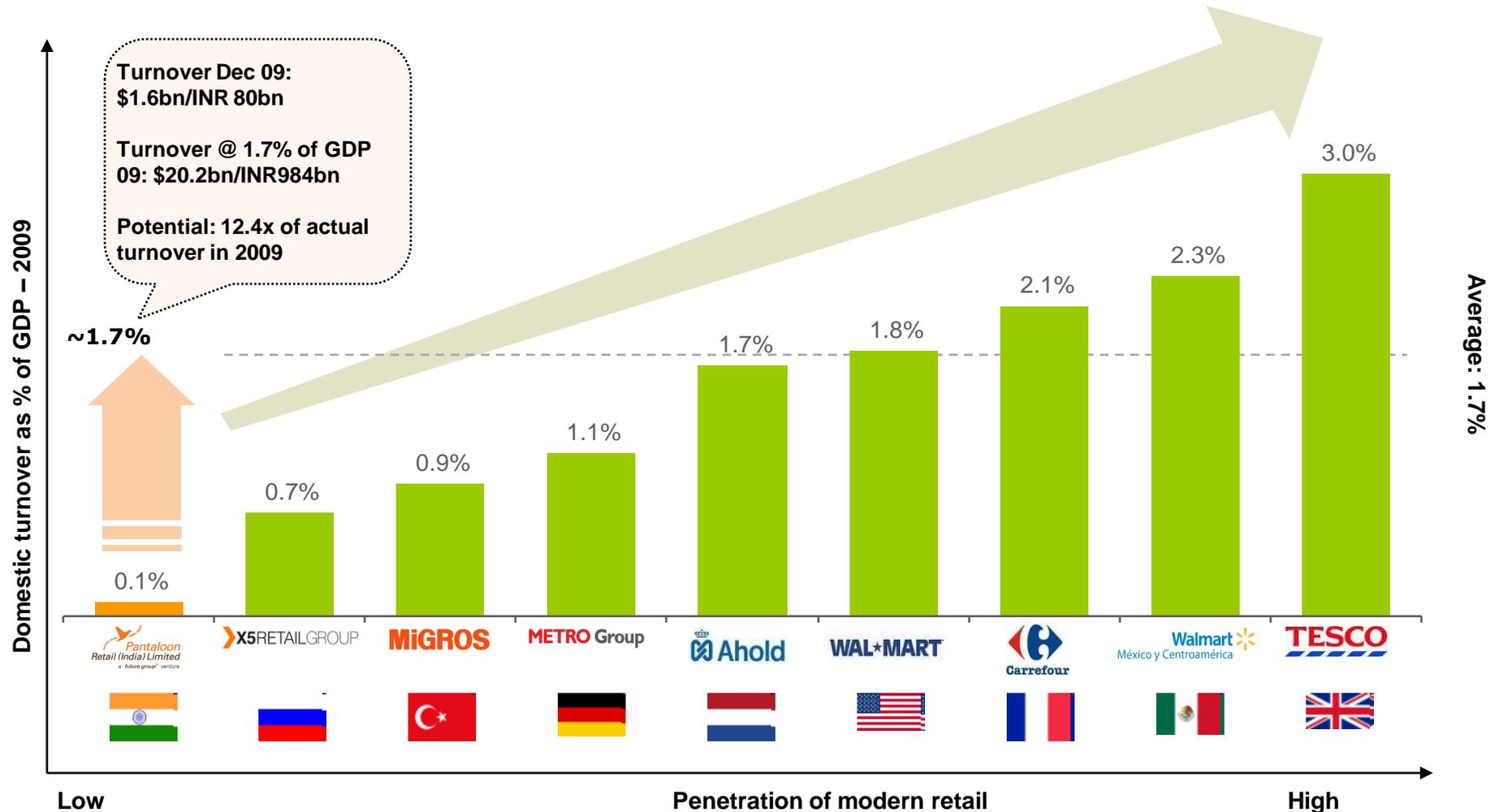


**Loyalty Program**

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# The Retail Leadership Potential

## Relative Share of GDP to turnover for top Retailers across the World



Source: IMF, Economic Intelligence Unit, Thomson Analytics

Note: Analysis based on USD/INR exchange rate of 44.80; Retailers' sales calendarised to December year end

## Appendix

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# P&L Summary – Stand-alone And Core <sup>1</sup>

## Summary

Particulars	2009-10			2008-09	2007-08	% Of Sales		
	PRIL	FVRL	Core Retail <sup>1</sup>	PRIL	PRIL	2009-10 <sup>1</sup>	2008-09	2007-08
<b>Net Sales/ Inc. from Op.</b>	<b>5,934</b>	<b>2,992</b>	<b>8,926</b>	<b>6,342</b>	<b>5,049</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Other Income	85	1	86	6	4	1%	0%	0%
<b>PBDIT</b>	<b>677</b>	<b>228</b>	<b>905</b>	<b>674</b>	<b>464</b>	<b>10%</b>	<b>11%</b>	<b>9%</b>
Depreciation	162	50	212	140	83	2%	2%	2%
<b>PBIT</b>	<b>515</b>	<b>178</b>	<b>692</b>	<b>534</b>	<b>381</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>
Interest	288	103	391	318	185	4%	5%	4%
<b>PBT</b>	<b>214</b>	<b>75</b>	<b>289</b>	<b>216</b>	<b>196</b>	<b>3%</b>	<b>3%</b>	<b>4%</b>
Tax	34	24	58	76	70	1%	1%	1%
<b>PAT</b>	<b>180</b>	<b>51</b>	<b>231</b>	<b>141</b>	<b>126</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>
Cash Profit	341	101	442	281	209	5%	4%	4%
<b>Growth YOY</b>								
Revenue			40.8%	25.6%				
PBDIT			34.1%	45.3%				
EPS			36.7%	(4.8%)				

<sup>1</sup> Core Retail indicates summation of PRIL with demerged HSRIL and FVRL

# Balance Sheet Summary – Stand-alone And Core <sup>1</sup>

Summary					
Particulars	PRIL			FVRL	Core Retail <sup>1</sup>
	2010	2009	2008	2010	2009
<b>Sources of Funds:</b>					
Net-Worth	2,756	2,272	1,847	1,028	2,806
Loans Funds	1,386	2,850	2,192	1,529	2,915
Deferred Tax	73	117	67	57	129
<b>TOTAL</b>	<b>4,215</b>	<b>5,239</b>	<b>4,106</b>	<b>2,614</b>	<b>5,850</b>
<b>Application of Funds:</b>					
Fixed Assets	1,122	1,569	1,198	1,207	2,329
CWIP	60	345	330	224	284
Investment	2,003	954	587	0	1,024
Current Assets	1,918	3,283	2,629	1,950	3,867
Current Liability	888	912	638	767	1,655
Net Working Capital	1,030	2,371	1,991	1,182	2,212
<b>TOTAL</b>	<b>4,215</b>	<b>5,239</b>	<b>4,106</b>	<b>2,614</b>	<b>5,850</b>
Debt/Equity Ratio	0.5	1.3	1.2	1.5	1.0
Return on Equity	7.1%	6.8%	8.6%	4.9%	9.1%
ROCE (exc. Investments)	25.7%			8.9%	20.6%

<sup>1</sup> Core Retail indicates summation of PRIL with demerged HSRIL and FVRL

# Fund Flow Summary – Stand-alone And Core <sup>1</sup>

## Summary

Particulars	PRIL			FVRL	Core Retail <sup>1</sup>
	2010	2009	2008	2010	2009
<b>Sources of Funds:</b>					
Opening Cash	109	121	163	0	109
Share Capital	168	299	690	67	168
Retained Earnings	260	326	155	1,069	416
Increase/ (Decrease) in Borrowings	(1,464)	659	892	1,529	65
<b>TOTAL</b>	<b>(927)</b>	<b>1,405</b>	<b>1,900</b>	<b>2,664</b>	<b>758</b>
<b>Application of Funds:</b>					
Fixed Assets & CWIP	(745)	522	801	1,481	737
Inc./ Dec. in Working Capital	(1,332)	405	643	1,119	(213)
Investments	1,049	368	335	0	70
Closing Cash	101	109	121	63	164
<b>TOTAL</b>	<b>(927)</b>	<b>1,404</b>	<b>1,900</b>	<b>2,664</b>	<b>758</b>

<sup>1</sup> Core Retail indicates summation of PRIL with demerged HSRIL and FVRL

# P&L Summary – Consolidated

Summary						
Particulars (Rs. In Crs.)	2010	2009	2008	% of Sales		
				2010	2009	2008
<b>Net Sales/Income from Operations</b>	<b>9,787</b>	<b>7,669</b>	<b>5,841</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Other Income	126	96	56	1%	1%	1%
<b>PBDIT</b>	<b>952</b>	<b>609</b>	<b>356</b>	<b>10%</b>	<b>8%</b>	<b>6%</b>
Depreciation	278	207	118	3%	3%	2%
PBIT	674	402	238	7%	5%	4%
Interest	493	419	224	5%	5%	4%
PBT	181	(16)	14	2%	(0%)	0%
Tax	104	(10)	47	1%	(0%)	1%
Share of Minority Interest	3	(24)	(51)	0%	(0%)	(1%)
<b>PAT after Minority Interest</b>	<b>67</b>	<b>10</b>	<b>22</b>	<b>1%</b>	<b>0%</b>	<b>0%</b>
Cash Profit	346	217	140	4%	3%	2%
<b>Growth YOY:</b>						
Revenue	27.6%	31.3%				
PBDIT	56.4%	70.9%				
EPS	467.9%	(56.9%)				

# Balance Sheet Summary – Consolidated

## Summary

Particulars	PRIL			% Inc. / dec.	
	2010	2009	2008	2010	2009
<b>Sources of Funds:</b>					
Net-Worth	2,876	2,500	2,227	15%	12%
Minority Interest	318	385	406	(17%)	(5%)
Loans Funds	4,352	3,858	2,767	13%	39%
Deferred Tax	110	4	35	2642%	(89%)
<b>TOTAL</b>	<b>7,657</b>	<b>6,747</b>	<b>5,436</b>	<b>13%</b>	<b>24%</b>
<b>Application of Funds:</b>					
Fixed Assets	2,647	2,201	1,671	20%	32%
CWIP	304	430	384	(29%)	12%
Investment	910	898	726	1%	24%
Current Assets	5,847	4,623	3,833	26%	21%
Current Liability	2,051	1,405	1,178	46%	19%
Net Working Capital	3,796	3,218	2,655	18%	21%
<b>TOTAL</b>	<b>7,657</b>	<b>6,747</b>	<b>5,436</b>	<b>13%</b>	<b>24%</b>

# Fund Flow Summary – Consolidated

## Summary

Particulars (Rs. In Crs.)	2010	2009	2008
<b>Sources of Fund</b>			
Opening Cash	203	365	236
Share Capital	297	240	709
Retained Earnings	166	163	767
Increase/ (Decrease) in Borrowings	494	1,091	1,304
<b>TOTAL</b>	<b>1,159</b>	<b>1,859</b>	<b>3,016</b>
<b>Application of Fund</b>			
Fixed Assets & CWIP	367	759	1,085
Inc./ Dec. in Working Capital	494	726	930
Investments	12	171	636
Closing Cash	286	203	365
<b>TOTAL</b>	<b>1,159</b>	<b>1,859</b>	<b>3,016</b>

# Subsidiaries Performance – FY 2009-10

## Summary

Company Name	% stake	Revenue (Rs. Cr.)	EBIDTA <sup>1</sup> (Rs. Cr.)	PRIL Investment (Rs. Cr.)	Revenue <sup>2</sup> / Total revenues
Future Capital Holdings Limited (Consol.)	54.8%	252	84	60	2.4%
Future Agrovet Limited	96.2%	578	6	35	1.3%
Future Logistic Solutions Limited	94.8%	203	18	64	0.1%
Future Axiom Telecom Ltd.	50.0%	265	(20)	10	2.5%
Future E-Commerce Infrastructure Limited	72.0%	118	(12)	17	0.5%
Future Generali India Life Insurance Co. Ltd.	25.5%	582	(90)	179	5.8%
Future Generali India Insurance Co. Ltd.	25.5%	223	(20)	79	2.3%
Staples Future Office Products Pvt Ltd	39.6%	133	(5)	28	1.2%

<sup>1</sup> EBITDA represents PRIL's share  
<sup>2</sup> Revenue net of inter-company sales