

Annual Results (FY 2009-10)

Conference Call

August 31, 2010

refresh

refresh

Cautionary Statement & Disclaimer

The views expressed here may contain information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of this information.

Any forward looking information in this presentation has been prepared on the basis of a number of assumptions which may prove to be incorrect. This presentation should not be relied upon as a recommendation or forecast by Pantaloon Retail (India) Limited.

This presentation may contain 'forward-looking statements' – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as 'expects,' 'anticipates,' 'intends,' 'plans,' 'believes,' 'seeks,' or 'will.' Forward-looking statements by their nature address matters that are, to different degrees, uncertain.

For us, uncertainties arise from the behaviour of financial markets and change in consumption patterns; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of an environmental, climatic, natural, political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements.

We do not undertake to update our forward-looking statements.



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

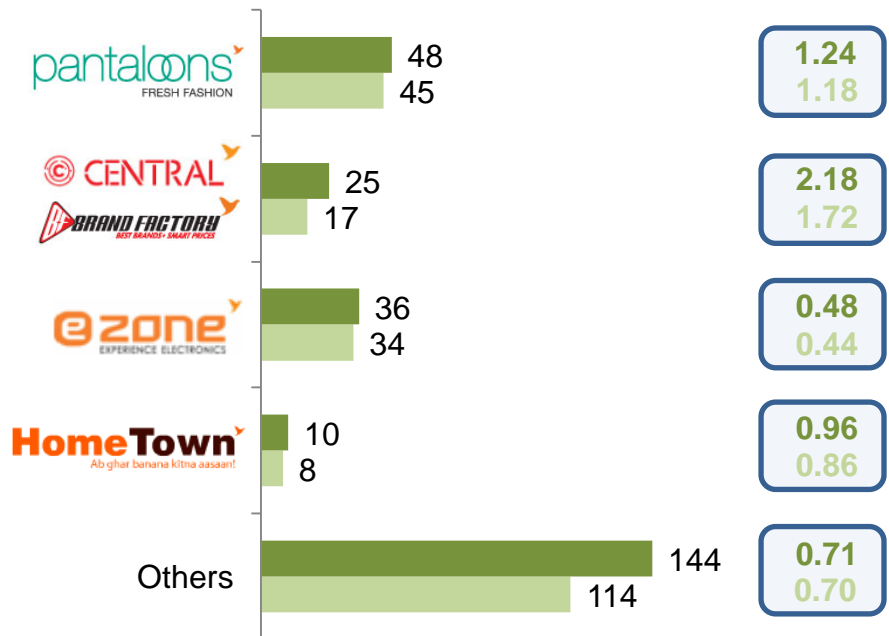
- Purist retail based; Re-alignment activities addressed
- Well capitalized to propel pure retail growth momentum
- Working capital efficiencies addressed; 10% improvement in inventory turns
- Moving towards longer maturity debt profile; enhanced to 3.9 years in FY10
- Lesser gearing
- Interest costs 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)

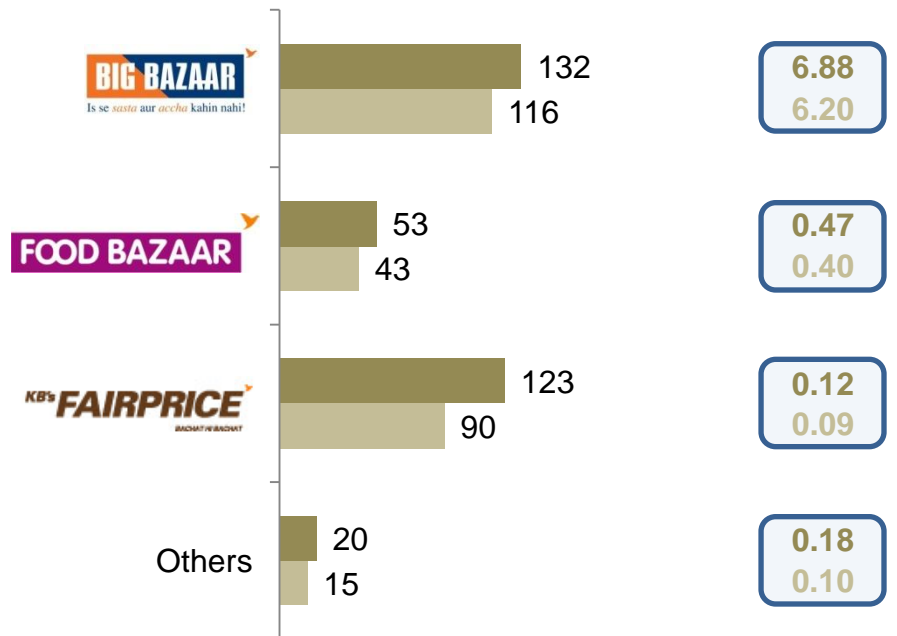
PRIL

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

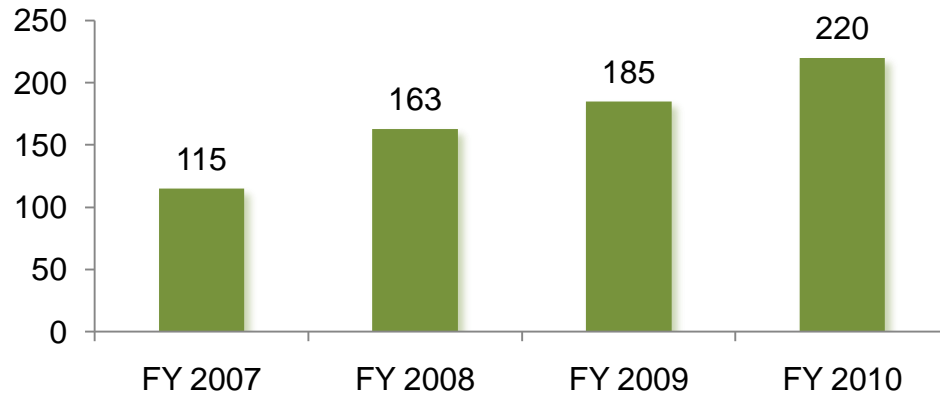


FVRL

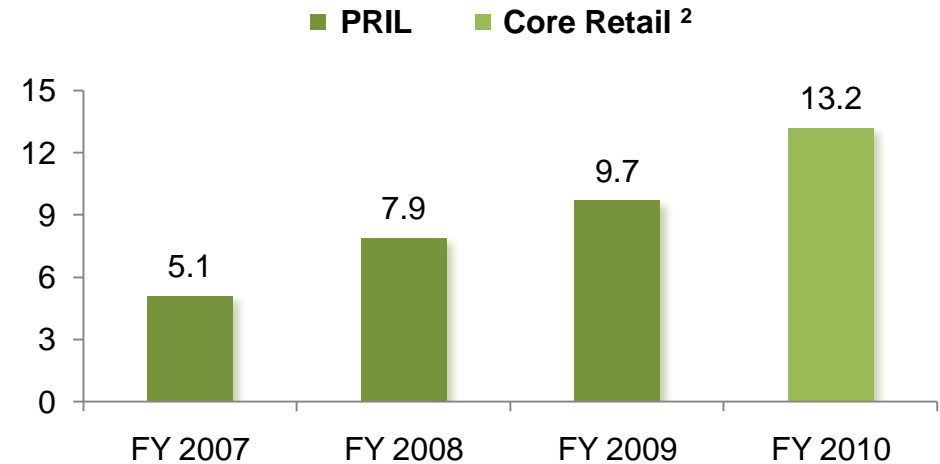
■ 2009-10 ■ 2008-09 ■ Selling space – mn. sq. ft.



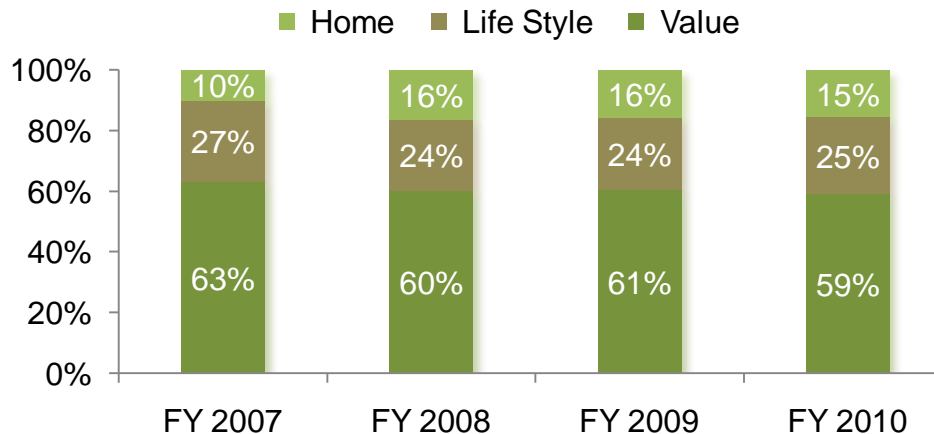
Footfalls (millions) ¹



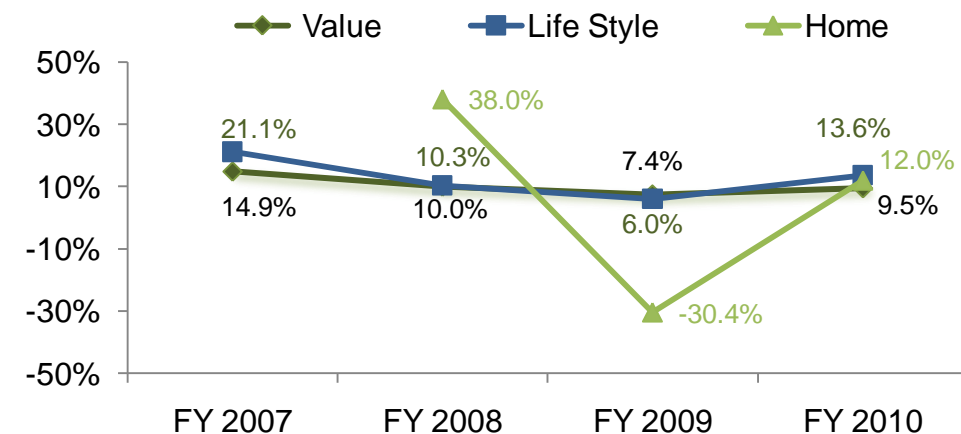
Retail Space (mn. Sq. ft.)



Retail Sales Split



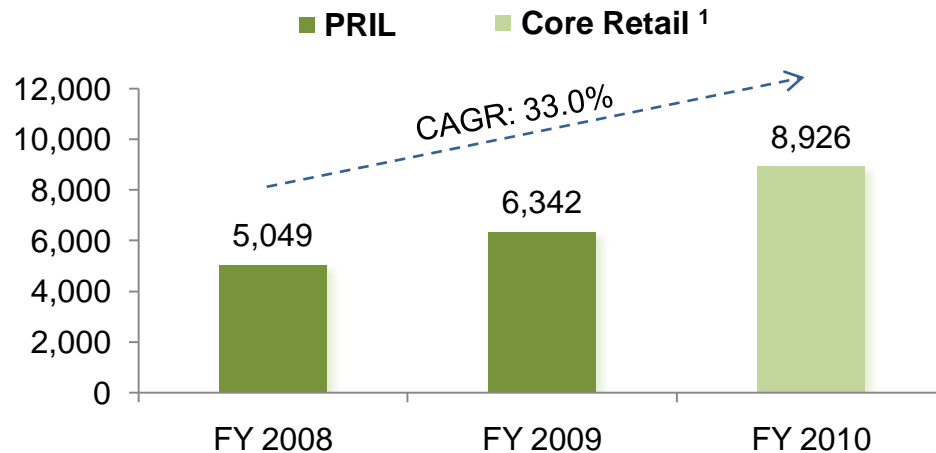
Same Store Sales Growth



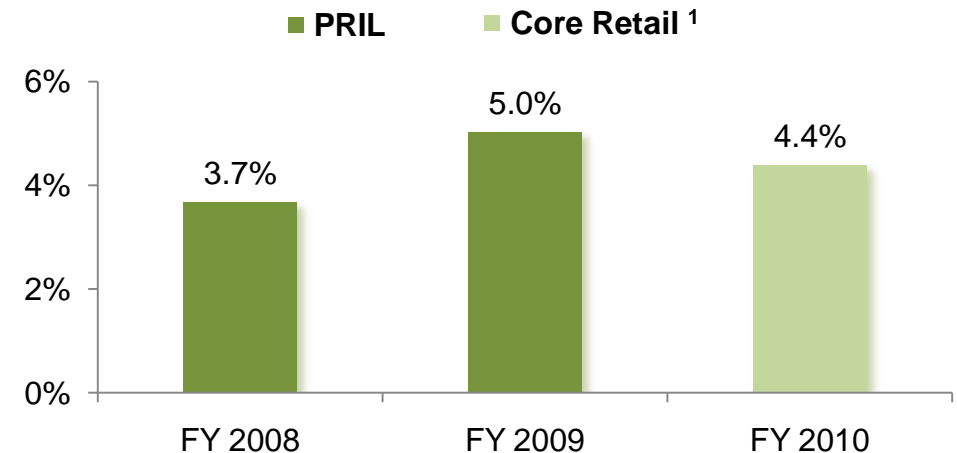
¹ Data for PRIL and FVRL only and excludes HSRIL

² Core Retail indicates summation of PRIL with demerged HSRIL and FVRL

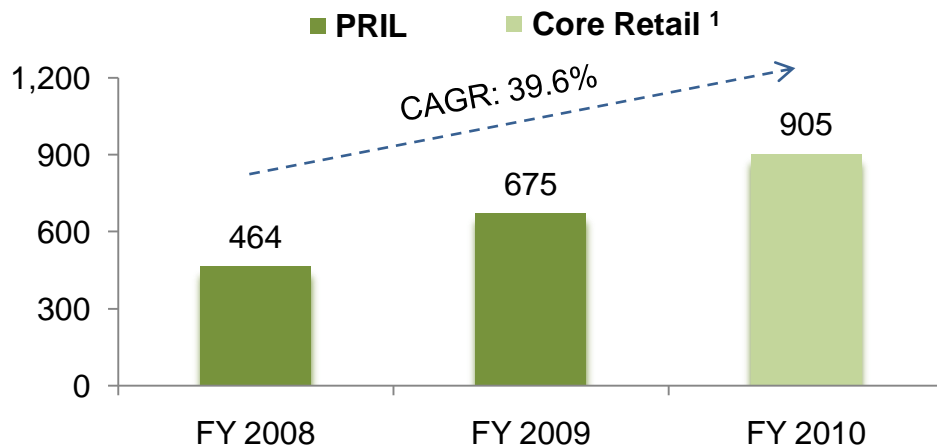
Sales Evolution (Rs. Cr.)



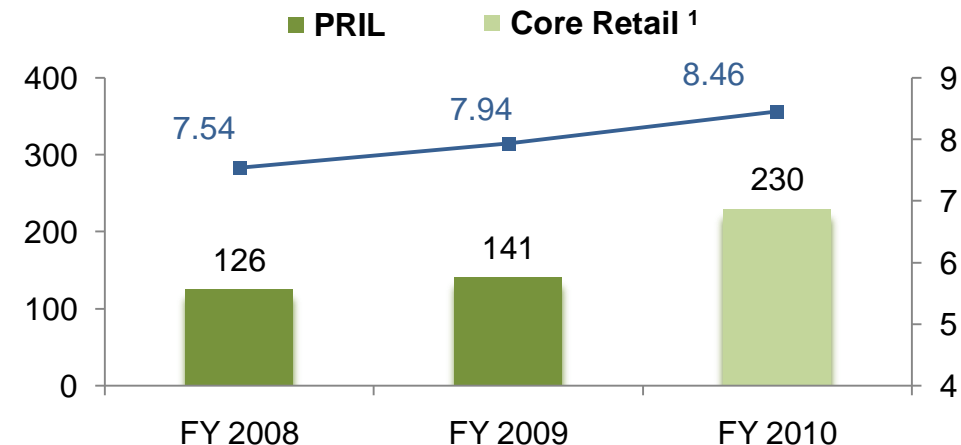
Interest Costs As a % Of Sales



EBITDA Evolution (Rs. Cr.)



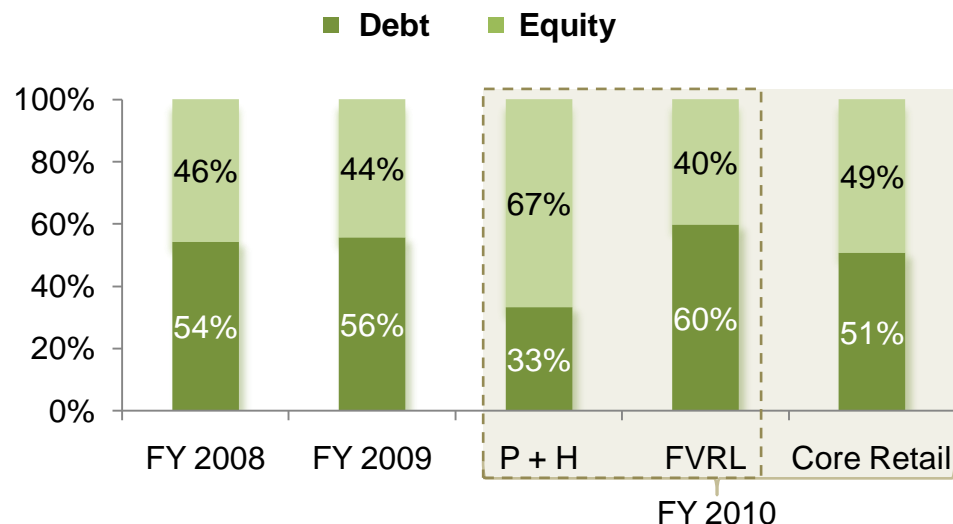
PAT (Rs. Cr.) and EPS



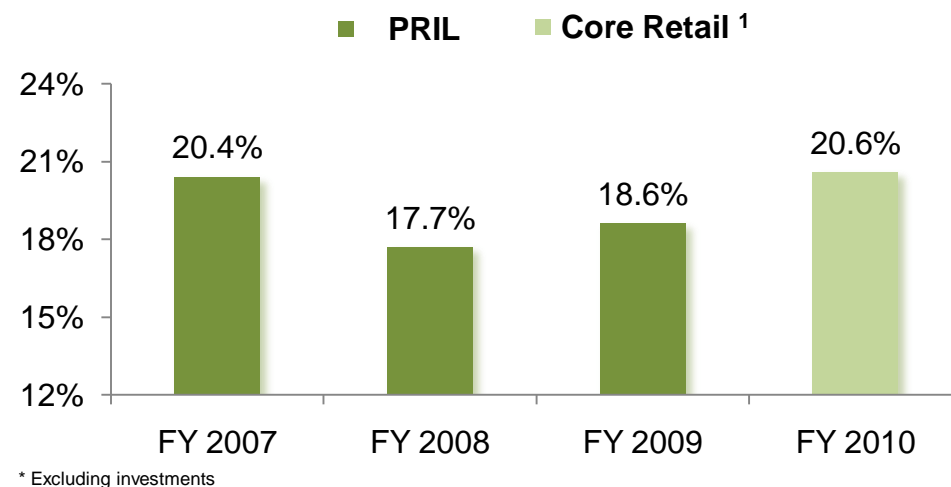
¹ Core Retail indicates summation of PRIL with demerged HSRIL and FVRL

Balance Sheet Efficiencies

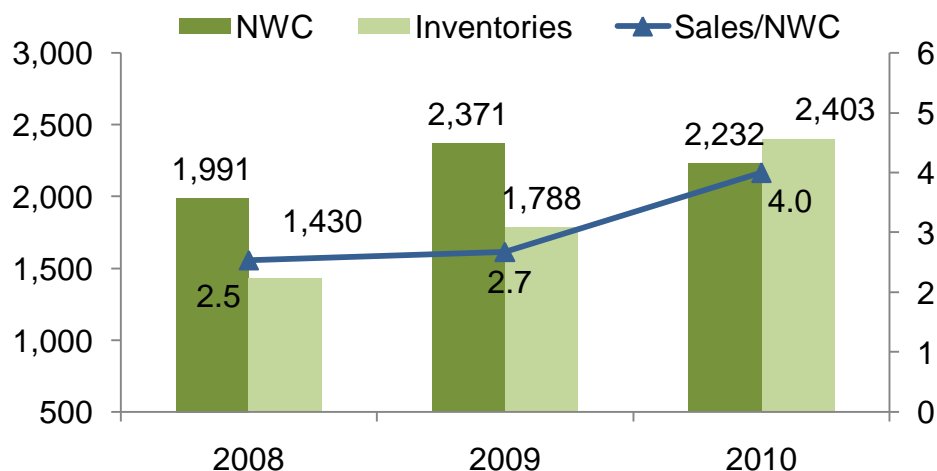
Debt/Equity Ratio evolution



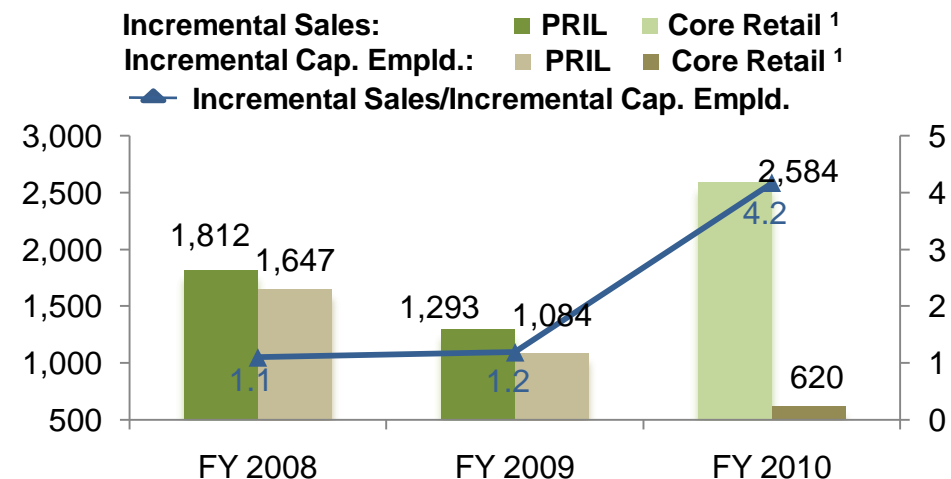
ROCE *



Working Capital Efficiency ²



PRIL Incremental Sales vs. incremental Cap. Empld.



¹ Core Retail indicates summation of PRIL with demerged HSRIL and FVRL

² 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

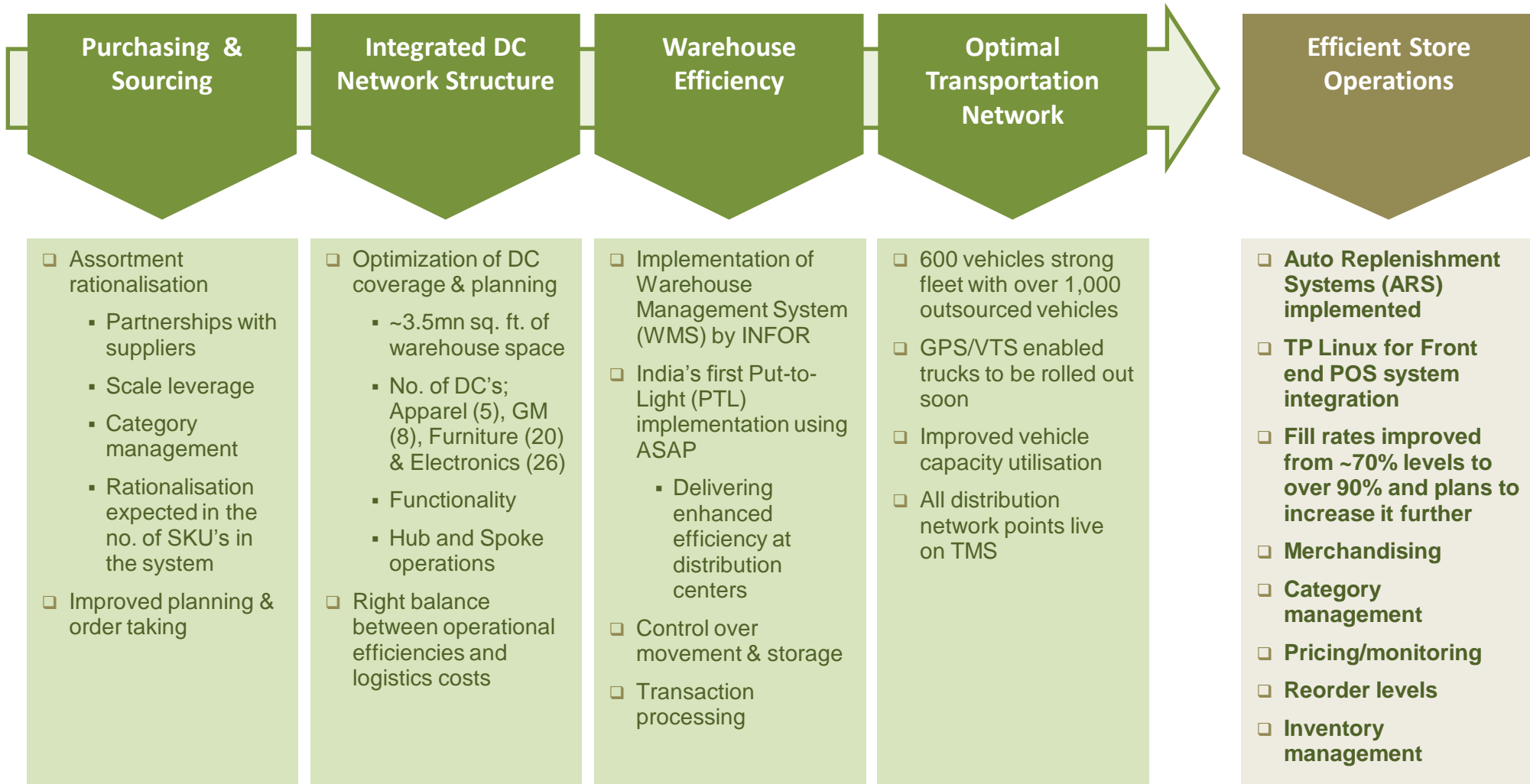


- ❑ Financial Services businesses are led through specialised subsidiaries in consumer finance, life and non life insurance

Intermediary play

Integration Of SCM & Logistics With Retail Operations

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

refresh

refresh


Pantaloons
Retail (India) Limited
a "future group" venture

refresh
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

refresh


Pantaloons
Retail (India) Limited
a "future group" venture



Food Strategy

Changing Consumer Trends Impacting Food Habits

- 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

- 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

- 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

- 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

- 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

refresh


Pantaloons
Retail (India) Limited
a future group venture



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



refresh

 **Pantaloons**
Retail (India) Limited
a "future group" venture

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

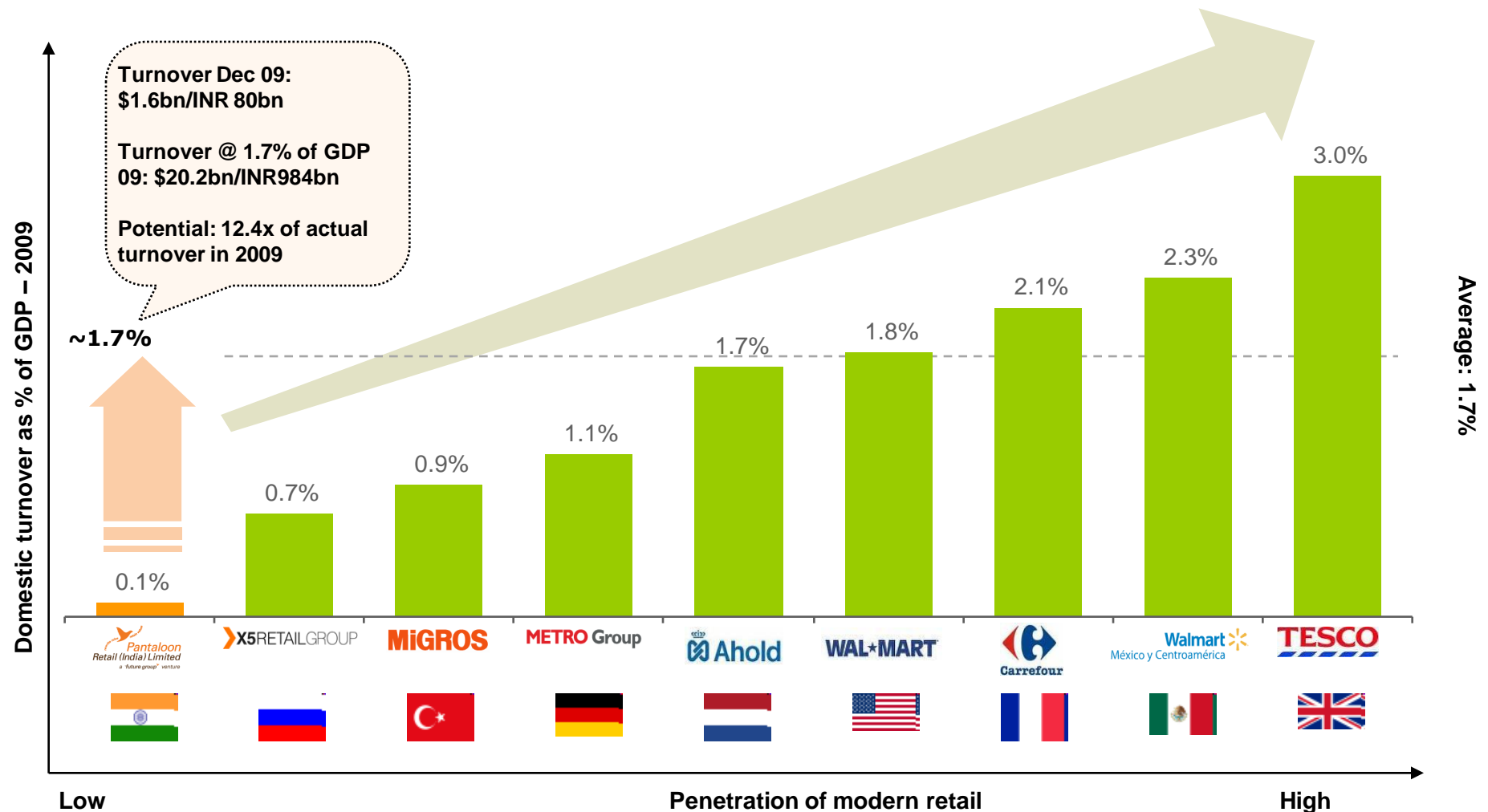


Loyalty Program

refresh

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

refresh

P&L Summary – Stand-alone And Core ¹

Summary

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

¹ Core Retail indicates summation of PRIL with demerged HSRIL and FVRL

Balance Sheet Summary – Stand-alone And Core ¹

Summary					
Particulars	2010	PRIL 2009	2008	FVRL 2010	Core Retail ¹ 2009
Sources of Funds:					
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
TOTAL	4,215	5,239	4,106	2,614	5,850
Application of Funds:					
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
TOTAL	4,215	5,239	4,106	2,614	5,850
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%

¹ Core Retail indicates summation of PRIL with demerged HSRIL and FVRL

Fund Flow Summary – Stand-alone And Core ¹

Summary

Particulars	PRIL			FVRL	Core Retail ¹
	2010	2009	2008	2010	2009
Sources of Funds:					
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
TOTAL	(927)	1,405	1,900	2,664	758
Application of Funds:					
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
TOTAL	(927)	1,404	1,900	2,664	758

¹ 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
Net Sales/Income from Operations	9,787	7,669	5,841	100%	100%	100%
Other Income	126	96	56	1%	1%	1%
PBDIT	952	609	356	10%	8%	6%
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%)
PAT after Minority Interest	67	10	22	1%	0%	0%
Cash Profit	346	217	140	4%	3%	2%
Growth YOY:						
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
Sources of Funds:					
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%)
TOTAL	7,657	6,747	5,436	13%	24%
Application of Funds:					
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%
TOTAL	7,657	6,747	5,436	13%	24%

Fund Flow Summary – Consolidated

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

Subsidiaries Performance – FY 2009-10

Summary

Company Name	% stake	Revenue (Rs. Cr.)	EBIDTA ¹ (Rs. Cr.)	PRIL Investment (Rs. Cr.)	Revenue ² / 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%

¹ EBITDA represents PRIL's share
² Revenue net of inter-company sales