Pantaloon Retail (India) Limited
Annual Results Call: FY 2009-10

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MODERATORS

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Moderator Ladies and gentlemen good day and welcome to Pantaloon Retail India Limited's Annual Results Conference Call for FY2010l. As a reminder for the duration of the presentation, all participants are in the listen-only mode and there will be an opportunity for you to ask questions at the end of the presentation. Should anyone need any assistance during this conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ashish Chakravarti, Senior Manager, Investor Relations. Thank you and over to you sir.

Ashish Chakravarti Thanks Rochelle. Good evening everybody. We are very pleased to have with us our Managing Director, Mr. Kishore Biyani and the senior management team who will take us through the entire business operations, financial overview and key category insights followed by the broad business outlook for the year gone by. To begin with, Mr. B Anand will take you through the key highlights for the year, followed by the operating and business parameters and finally the financial summary for FY10. Mr. Biyani will then provide his business insights, followed by key category discussions by the respective business heads. We will end the evening with the Q&A session. Thanks again and over to you Anand.

B. Anand Good evening and good morning to all of you wherever you are. Very delighted to have you all on this conference call and equally delighted to show case the senior management of the Group. Apart from our Managing Director, Mr. Kishore Biyani, we also have some of our key senior management representatives who focus on specific categories, who are also a part of this call. We have with us Vibha Paul Rishi who heads our Group's marketing strategy, Mark Ladham who heads Home Town, Damodar Mall who oversees our Food strategy and Nitish Tipnis who heads e-Zone, the electronics category.

I will run you through some of the key highlights for the year gone by and will then it over to Mr. Biyani and the other participants followed by a more interactive Q&A session.

Since the last Annual Call, we are coming into a changed world order wherein, we believe we have moved to a scenario where we are seeing positive tractions from a consumption perspective. I am sure you must have seen recent economic data's which specifically speaks about the upswing in the manufacturing sector, growing up by ~12.5%, the construction sector which has also witnessed growth, and the trade & services sector which has grown impressively at around 12%, resulting in the Indian economy growing at over 8.5%. We see the consumption story which we always claimed was intact, reinforcing itself in a very different and rejuvenated manner. Our strategies are designed to ensure that we capture this in the best possible manner. We see refreshed optimism across consumer sentiments and we believe that the tailwinds will sustain themselves for a reasonable period of time. We saw some visible trends on ground in the last one year. We celebrated events such as our Republic Day and Independence Day which saw great responses from customers. Each of our initiatives saw a new kind of enthusiasm sparking off demand and consumption.

The other very important trend is that for modem retail as a format, the acceptance is growing larger, which also means that there has been a significant expansion across categories into the modern trade and we are also seeing lot of new categories being introduced and experimented with and which are growing nicely in this environment.

In the Indian context, we see the PFCE (Private Final Consumption Expenditure) reaching about $1 trillion by the end of this decade. That brings in the huge amount of optimism and enthusiasm as far as consumption goes. We believe that rest of the economy drivers, be it in terms of the investments, infrastructure and the way the country is being reshaped, compliments the consumption story and we believe that the two will propel each other's growth. The bottom line is that we believe the consumption story is intact.

Specifically on the business performance, during our various interactions, we mentioned about initiatives that we are taking to address through-puts, alignments and improved efficiencies. Retail, as we always maintained is a journey and we are seeing some very interesting and encouraging results which we would like to share with you.

From a business perspective, this time we have shown a robust revenue growth of around 30% CAGR over the last 3 years. More importantly this year, we have achieved a significant amount of increase in sales without commensurate space expansion, indicating many of our initiatives manifesting themselves. The Same Store Sales Growth (SSG) as a consequence of all the initiatives is showing healthy trends across the segments of lifestyle, value and home. Home in particular is showing great revival signs. For us, retail productivity continues to remain one of the key objectives.

As mentioned earlier, we would like a balance sheet which addresses this growth, and we believe there exists a huge opportunity ahead. We have communicated our intention to present Pantaloon Retail as a purist retail play and I am glad to advice that a large part of the realignment work has been addressed and what you see today as PRIL and Future Value Retail (FVRL) are basically two significant companies denoting the purist retail play. Through the fresh induction of equity during the year, we have a balance sheet which is fairly well capitalized. There has been a key focus towards addressing working capital and we are seeing better release of liquidity through those efficiencies. Our other focus is towards the overall liability management and debt profiling. We enhanced our maturity profile over 3.9 years as opposed to the previous sub 3 levels. Capitalization and focus towards debt reduction has enabled us to lesser our gearing.

Moving on to the business and a snap shot of the retail space, we broadly categorize core retail in two boxes. The first one is Pantaloon Retail which basically includes the lifestyle business, and with the merger of Home Solutions this financial year, has four key formats Viz. Pantaloons, Central, e-Zone and Home Town, each of which has grown. Specific to Home Town, we have added a large store at Vikhroli in Mumbai which is our showcase store and within a very limited time since its opening, we are seeing some great tractions and responses from customers. The other box is FVRL which houses Big Bazaar, Food Bazaar, and KB's FairPrice. Big Bazaar, this year specifically, added on two major experimental stores. One was in a ethnic community dominated area of Malleswaram in Bangalore, where we created a Family Center catering to specific community requirements and engagements. The other was we opened a new age store in Chennai at Central Avenue Express. Overall, there has been steady expansion with a focused approach giving more emphasis to customer evolution.

We continue to dominate the mindshare of the Indian consumer as we see steady acceptance of our formats as their choice formats of consumption, reflected in the steady increase in footfalls. This, I believe, is a very crucial part for of our business as nearly one fifth of the country's population has come into our stores, has bought from our stores and understands modern retail. That is the kind of dominant mindshare and brand share connect we have with the Indian consumer.

On a standalone PRIL basis without home, we have added about 1.8 million square feet. The 13.2 million square feet shown in the graph is largely because of Home Solutions merger through which we added about 2 million square feet. As we go along, a dominant share of the overall sales mix will be led by Value. It is currently about 59%, while Lifestyle is about 25% and Home is about 15%. We broadly expect this trend to continue. Specifically on SSG's, our initiatives in terms of the efficiencies and throughputs coupled with better customer propositions will ensure higher ticket sizes. All this together helped us to achieve a fairly robust SSG, both in Lifestyle and in Value of around 12%-13% ranges. What has been heartening for us, specifically last year, was the Home segment, where from a negative growth we moved into a significant positive growth. The last quarter especially witnessed a huge spike in terms of growth and we are very buoyed by the positive trends. Going forward we believe two things will influence SSG's, (A) Our own initiatives addressing efficiencies and merchandising (B) the consumer led push given the increasing disposable income and more affinity towards the modern retail.

Top-line growth still remains a key focus for us. In any retail story scale is important and having a Pan India presence and a dominant mind share of customers, we are seeing a significant growth momentum and our CAGR over the past three years continues to be over 30%. The other important factor is the EBITDA evolution. As we keep enhancing our top-line, we need to ensure that we continue our focus towards margins and this is reflected in a CAGR of about 40 % over the last three years. Hence, along with top-line growth, there is in absolute sense, an EBITDA growth complementing it. Our focus has been to convert maximum EBITDA to cash and thereby bringing in working capital efficiencies. The key focus this year was to ensure optimal level of capital is deployed into the business and as a result of our initiatives, we managed to bring down the leverages and that reflects in the interest cost coming down as a percentage of sales.

As a consequence of all this, we still saw EPS growth while considering the equity dilutions which happened during the course of the year. EPS increased from 7.5 to 8.5 in the current year.

Another key challenge that we took upon ourselves during the year was to create significant headroom in the Balance Sheet in terms of liquidity, leverage and capitalization to address the future growth opportunities. The key was to get adequate capitalization and having achieved it , our overall gearing has come down to about 1x levels and the challenge we are taking upon ourselves is to keep improving on this.

Working Capital efficiencies is something where improvements are beginning to show. We have already managed Sales on Net Working Capital turn of close to 4. There has been specific attention paid towards rationalization of inventory and making sure these efficiencies contribute to increased sales throughputs.

Slide number 7 presents the direction in which we see our Balance Sheet going. This year, i.e. from FY09 to FY10, with a limited amount of capital employed into the core retail, we managed a significant increase in the overall turnover. We have managed an incremental turnover of nearly Rs.2,500 crores on a limited capital employed of Rs.620 crores, translating into an incremental capital employed ratio of close to 4% or a three-fold increase in the overall balance sheet efficiencies correlated to top-line.

To refresh the realignment aspects, we have completed most of the work . We have PRIL and FVRL representing the complete volume and consumption play which includes Lifestyle and Value, each with very specific focuses and growth strategies. The other part is the Allied Services which are very integral to core retail and includes our logistics and supply chain entity, Future Supply Chain Solutions, the staples and commodities procurement arm, Future Agrovet and the other businesses such as E-Commerce and Media.

The other large piece which exists in PRIL today is the Financial Services arm, Future Capital Holdings (FCH) and our insurance business with Generali. We have shared our aspiration to demerge this business and get the shareholders of PRIL to participate directly in these two enterprises. We intend to complete this process within FY11. Probably from FY12 onwards you will see a PRIL as a completely focused pure retail company and the financial services charter their own growth course after their demerger from PRIL.

Addressing the efficiencies again, specifically on supply chain integration activities, a lot of work went towards getting the backend right. We strongly believe that a robust supply chain is the key to sustainable scale and dominance. Efforts have been made in terms of IT integration, SKU rationalization, vendor management, warehouse optimization and transportation network ensuring a seamless integration between all partners in the value chain. As a resultant, we are seeing improvements in the fill rates and turnover rates at the store level, thereby improving margins and turns.

A quick snapshot on some of our subsidiaries and JVs. At FutureBazaar.com, our online retailing platform, we are looking at this business in a re-energized manner with new strategies and initiatives such that integration happens across all businesses and formats. The intention is that online becomes an extension of the physical retail formats. Similarly, in the media business we are synergizing and converging opportunities wherever possible. We have relooked at our

Financial Services business with the leadership being addressed with V Vaidyanathan coming on board. As a group, we continue to remain very excited about this intermediary business. Clearly, if consumption has to grow, intermediation would be required and as India's significant consumption led financial sector entity, there is a lot we can offer. The insurance business is a long haul play and we have initiated many unique offerings and strategies for the Indian market. Our business concept is different from many of our peers purely on account of a low cost and customer acquisition model. Future Staples Office Products, which is our joint venture with Staples, USA basically operates two segments of business, retail and institutional sales. It is positioned as a single source provider for office products and technology and is making good inroads. It is again a relatively new business but has established CAGR over 50% in the last 3 years with a presence in over 9 cities.

To summarize, growth continues to be the key focus which will be led through store efficiencies, productivity, increased throughputs and improved SSGs on a lesser space expansion. Category focus, will be our other priority and ensure that the we have a market leadership in the four main categories. We have capitalized the balance sheet adequately at a retail level to support growth for the near term and efficiencies will deliver us sufficient amount of liquidity to support and fund our growth. Every effort we put is showing a significant amount of disproportionate gains in terms of liquidity. Customer connect is very important for us and Vibha will speak in more detail as to how we capture that consumer mindshare and translate it into increased revenues. I will now request Mr. Biyani to provide his outlook on the business and strategies for the company.

Kishore Biyani Thank you Anand. Good evening and good morning. It's been a year gone by with lots of readjustments, calibrations of businesses, thoughts and ideas. We have set a new course for ourselves and are comfortable in this journey led by our retail business through four principal categories of food, fashion, general merchandise and home; home includes electronics, furniture and home improvement. These categories account for nearly 65% of the consumption in the country and represent the mass aspirational consumer. We decided to move out of all other categories and concentrate only on these categories.

Another important observation is that we believe modem retail is now definitely making an impact in the day-to-day life of an Indian aspirational consumer. The recent AC Neilson report refers to the last quarter prices of various retailers in the country including the organized and the unorganized retailers, Big Bazaar was 5.8% lower than the general trade in terms of prices of the products they track. I believe that signaled the significant arrival of modem retail in a sense because in modem retail, once you achieve scale, you can bring down prices. Modem retail stands on two pillars; one is the scale, which we believe we are more or less achieving through our categories and presence, and the other is the efficiencies which is a function of how to handle this scale and supply chain. I think these are the key two differentiators which will separate one retailer from another. We have been a front runner in both these aspects.

Important work has happened on the supply chain, logistics and distribution side wherein with efficiencies achieved, it will create true differentiation between any company entering this business. We have created a sizeable infrastructure ensuring our cost of delivery is probably the lowest in the country because of the size, scale, and low cost distribution model which we have built. This differentiation in terms of the prices, our buying abilities and our supply chain costs, will give us a clear edge.

Another interesting trend was mentioned in today's morning newspaper. There was a report about how Maggi's market share which used to be nearly 90% in the noodles and soups category, is now dropping down significantly and what is making an impact are private brands of retailers like us. Going forward, private brands in my opinion can be a significant game changer. Similar to fashion, where our strategies have worked very well for us in terms of having more than 80% of sales coming out of our own brands, we will try replicating a similar strategy for food as well. In the next 3-4 years, we will increase our margins, lower the prices and get more customers into our stores through our private brands strategy.

In the backdrop, the environment looks good. GDP growth looks healthy and there is a sense of security and a feeling of contentment among the customers. Customers are coming in huge numbers and customer entries are increasing every day. Every touch point with the customer is getting us better results and even new categories introduced are being accepted by the consumers. As a retailer we feel good that whenever and whatever we are attempting, seems to be accepted.

Addressing the categories, the group is working on how to build an integrated food strategy which can help us dominate our position. Nielsen tracked modem retail in the top 10 cities of India and concluded that the Food Bazaar brand alone would be having a share in excess of 30% in modem retail. So in a sense, we do dominate this category at this moment.

In the fashion business, which is our lineage, we have a significant share in this market. Our formats Pantaloons, Central, Brand Factory and Fashion@Big Bazaar have been growing quite well. Even during the downturn, this category grew for us because our price points have helped us to do consistent grow this business, reflected in double digit SSG's for Pantaloons and Central as formats.

General Merchandise is around 10% of Big Bazaar's business and is growing steadily.

Home was introduced by us four years ago and we believe that this is a high-growth business. Quite a lot of industrial growth is happening on the backing of the consumer durables industry which is growing in excess of 30%. As a retailer, we observe the consumer buying lot of new consumer durables, electronics and other items. As uninterrupted power and electricity is made available across the country with infrastructure being build, we believe the growth will continue and many new products will be introduced. Our formats, Electronics Bazaar placed within Big

Bazaar and e-Zone, our lifestyle offering have registered strong growths and our SSG's would be in excess of 30%.

Another important business is Home Town which currently has 10 stores. With so much of residential development happening across the country, the business is set to explode We have worked a lot in this new business where our knowledge was quite limited. We have built some expertise in terms of direct to home product deliveries, creating a Design and Build concept offering designs and turnkey solutions for customers. The performance of the last two stores which we have opened has been quite above our expectations.

We are ready in terms of infrastructure, supply chain, our buying capacity, and also the balance sheet now. I think with the Indian consumption story is intact, and as more and more consumers get into the consumption mode, modern retail is here to stay. Modern retail will drive new demand, drive consumption of new categories and as retailers, we will have to play a major role in this and create demand for quite a lot of new products. There is a whole strategy being worked out on our understanding of the consumers and what products they want to buy next and those products have to be made available. There are some heady feelings which come in that is the market better than 2007 when the downturn started? The demand looks similar if not better than 2007 at this moment but we are not in that exuberance mood at this moment. We believe growth has to be steady and has to be calibrated and we will grow by 2.5 to 3.5 million square feet of space for the next 3 years.

With that, I will ask Mr. Damodar Mall who joins us from in Delhi to talk about our Foods business and our strategies there.

Damodar Mall Hi everybody. Adding to the growing importance of modern trade, in the case of food, any consumer shifts signals important news for us. Culturally, a customer in India always believed in scratch cooking and we are seeing the first mainstream signs of things shifting from that front. Experimentation with food in India started with people eating out more often about 8 to 10 years back. We see this coming in to our homes when people experiment with multiple cuisines. They need more value added help, they need part of their labour to be taken away by marketers and retailers like us. So this to us is a mega trend and the shift on the consumer preference side which would help us going forward.

An important initiative on the food side is making sure that availability to deal with very large number of SKU's which are sourced from thousands of vendors, making sure that we move more and more towards Auto Replenishments Systems (ARS) and improved fill rates. Working closely with leading vendors has been an important shift in the recent quarters and we believe the work that we are doing on ARS and its improvement, will impact the way FMCG and food industry works in this country. Their working closely with us will ensure efficiencies become part of the sector itself.

Another key development has been that as the customer evolves especially in the top 6-7 markets that we dominate, we discovered the next level of food retailing format that we would do. With logs in the fire in terms of piloting the next level of engagement with the customer with our store in Mumbai, Food Right, our Chennai store and with Family Centers in Bangalore and other markets, we are looking at the next level of simplifying and making shopping more engaging for our food customer.

As Mr. Biyani mentioned when there is a backdrop of inflation in the mind of the customer, especially food inflation, we expect more and more from a leading player like Big Bazaar and Food Bazaar. Nielsen this year acknowledged the fact that we indeed are providing a significant shelter to the customer from the overall rate of inflation that exists in the arena of food. I think customers expect more from us and therefore come to large stores like ours, and we are able to deliver economies of scale which they notice and thank us for.

An aspect of food where we believe inflection in terms of change will happen in Fresh produce. So far, India has been known for people buying from wet markets and hawkers. What we noticed is cumulative investment by households and enhancing the refrigeration capacity at home, is actually changing habits on categories like fresh. People buy fresh now once or twice a week and they are increasingly open to buying categories of these kinds from modern trade because we offer more hygienic conditions in which we sell. We dominate the monthly buying cycle part of the purchase already, and an emphasis on fresh will give us a much higher share of the top up purchase. There is now an increasing thrust from our side towards relatively value added pre-cut vegetables or ready-to-use vegetables because we believe the customer is increasingly willing to outsource the negative labor of the kitchen to format like ours. We are also noticing a change in the way fruits are consumed. Fruits are an indulging product category that has to be sold the way chocolates and savories are sold to Indians. Our efforts at global sourcing of fruits or at branding fruits will provide a significant upside on the manner in which this category is looked at.

In order to participate more in the value chain for food, where we believe higher amount of production capacity will be added, higher amount of value added foods will be sold. We have put in place a strategy of having a Food Park which aggregates this manufacturing capacity under our control. In processed food it will allow us to get more efficiencies and higher margins. In categories such as fresh, having a Food Park with consolidation centers and value addition centers under our control, will give us consistency of quality deliveries to the customers and simultaneously rake in higher margins. As Mr. Biyani mentioned, our private brands in FMCG are becoming increasingly important. Today in certain categories within our stores, our private brands would have shares anywhere between 8% to 30%. With our successes in recent set of launches, we now getting bold to enter into even premium and value added categories. During the year we had successes in evolved categories such as breakfast cereals, noodles and pasta. Lots of new brands have to be created and retailers have assured of advantages because they are closer to the customer on this front. The overall outlook for food is that value added consumption and tomorrow's consumption, will start getting discovered on the platform of modern retail**.**

I believe, food will become an engine for our top-line growth going forward. I will hand over to Mr. Biyani again. Thank you.

Kishore Biyani I will speak a bit on the Fashion category. We have been one of the leaders in this business and grown from strength to strength. Going forward trends will be seen in the way our products are priced and designed Our fashion has been accepted from the last season and the sale through rates have increased dramatically from 74% to 86% in terms of full price for our products, comparable with the international benchmarks of 85% to 90%. Secondly, I think ARS is helping in the product availability. Ladies ethnic wear continues to grow more than 100% for us over last year. One could not say that 5 years ago when ethnic wear was specially meant for specific ethnic wear stores. Modern retail now is becoming a big driver of ethnic wear sales.

Private brands continue to play a major role. Our Pantaloons loyalty program, 'Green Card' now contributes nearly 55% of store sales. We sell more than 2 million pieces in fashion every week. Nearly 300 core SKUs' in Big Bazaar Fashion account for nearly 30% of sales and Big Bazaar Fashion has seen more than 20% growth and growing. I think these initiatives are helping us build our fashion business which in turn is helping us to drive margins.

I will now ask Mark Ladham to talk about the Home Town business. Mark has joined us from the Kingfisher Group to drive our Home Town initiative, an important growth driver for us.

Mark Ladham Thanks Kishore. Good afternoon and good morning to the participants. I will give you a very quick idea of what has happened in the last 12 months and my focus would be over what I am here to do with the team at Home Town. As Kishore mentioned, it is a four year old business, pretty much from scratch. It is a very interesting business for me coming from Kingfisher after 10 years in home improvement business, most of which has been in other Asian markets or in Middle East or indeed in Europe and not the UK.

As a starting point for all of this and looking forward for the next 12 months to 2 years at least, an important trend is the resurgence in the residential construction market in India. It is a major lever for our business and successful growth of our business specially in the modern market. We have seen two things, and I have seen that in the first three months that I have been here now. Firstly, construction out of residential is moving at a fast pace and I have been in the 11 top cities of India where I am seeing it in every singly city, talking to both developers and builders. Secondly, the developers themselves are becoming more sophisticated in meeting the demands of customers who want more for their money. We already supply to some of the main developers across India with full houses not only designed but installed right down to the sofa in the living room when the customer comes in. The big advantage for the customer is that they are able to finance the entire new home with their mortgage, rather than get a mortgage and then having to save up for finishing the home. So we are both delivering products to the home owner and also increasing our range of products in our Home Town stores. So that is the first good news, residential market is up and therefore demand and footfalls into our stores naturally will increase.

There is no question that the home market is very much in its infancy and without question we are leading that move across India. The traditional market for home product is by far in a way dominant. It is led by Indian manufacturing in its entirety almost. The international brands or international businesses are still very much in their infancy in terms of manufacturing here and still very much in their infancy in terms of importing into India. We will see ourselves in two ways changing that market by making ourselves a one stop shop for new home owners entering our stores.

Firstly, the development of our brand. We have till now, been a one stop shop for Indian manufactured and Indian owned brands. We will develop alongside that our own brand proposition through direct sourcing and value at the lower end, and we are having early successes in attracting some of the international brands in the home industry from global stores into India. We are signing agreements with some of them on a strategic level to be their pan Indian partner. That would become a differentiation of our business versus strolling up and down the street in the traditional market across India for a home owner to select their product. We will genuinely be the one stop shop with the widest range of value and branded lines.

Secondly, we have 10 stores now and in a couple of cities we have a large and the small store but 10 stores covering 10 cities. The important thing is to use those stores and maximize the benefit of those stores. We are not increasing the space in those stores but we need to drive the efficiency and include the own brand development and indeed the international brands that we are bringing to adding to those stores. Those stores will continue to be the central hubs in each of the city. We may well add one or two additional stores over time, but what we will do is that many smaller satellite stores in the newer areas growing outside of Mumbai, Delhi or Kolkata. We are already experimenting in the next few months with opening satellite stores both adjacent to new housing areas or indeed working with builders opening stores within new housing developments. To give you an illustration of that, we are signing agreements in every single one of the 10 cities with builders where we are opening up either within their marketing suite or adjacent to their show homes, stores of our own within those suites, where we get 5,000 to 7,000 new home owners occupying those properties within the next 7 months or so.

Another good example is Lavasa outside of Pune where we are opening our first store and we will be the only player in that market. We are opening up a satellite store linking with our existing Pune store, where we will have a Design and Build service, and indeed the full product available onsite. For most of the people who are buying there, they would be second home owners and will be able to select products in anyone of the 10 other cities where they are living. We will yet install and deliver the product onsite. All in all, a complete hassle free offer and a huge opportunity where we are leveraging of a central store base and opening smaller low cost satellite stores in new areas.

The next thing is the Design and Build service, another key differentiator between us and the traditional market. If you go to the traditional markets you can look at individual product and are then left pretty much to your own device as to its delivery and installation at home. It is a learning that I saw when I lived in Turkey and China where no one is going to do it themselves in this market too for at least the next 10-20 years. What we are offering here is something a bit more than just installation services. These are people who have bought a home where it is only partially complete We are taking it from a budgeting point of view, from the husband's perspective and an inspiration point of view from the wife's perspective and putting both inspiration and budget together until it bring a complete designed turnkey installed package for entire homes. Just to give you a bit of a feel, when I was in China going back 3-4 years ago when the housing boom was pretty much where India is going to be in a couple of years, we were installing 35,000 turnkey operations a year. That is way off from where we are today in India, but it is a target for us and I believe it is an achievable target in the next 3 to 4 years. Design and Build across India is a service that really will be the glue for that one stop shop for every single woman in the house. This isn't just about the selling product. It is about selling the full service solution backed of course by financial services as well if they need it.

The first month of this New Year has been a record month throughout in terms of turnover and we are really buoyed by the activities we have done around Independence Day and indeed what we are seeing this resurgent home ownership market with people moving in bigger numbers that has been seen for the last couple of years.

We are trying to further differentiate ourselves from the traditional market both in terms of our own brand development, our ligancies to some of the international brands for coming in to India now. They see this market growing and indeed we are differentiating ourselves as we mention with that full home solution. We will be installing products rather than just selling products. So very-very positive outlook I think to the next couple of years very least.

Kishore Biyani Thank you Mark. Nitish who heads e-Zone, joins us from Berlin. Nitish, please go ahead.

Nitish Tipnis Thanks. We started the year in the electronics category on a tough note as India was just resurging back from the downturn and electronics is always looked at as the discretionary product. However, I must say at e-Zone we witnessed a quarter-on-quarter growth of 20% additional points every quarter and a year on year of 35%.

This can be attributable to few factors. Firstly, the past year has been a year where India has witnessed a lot of change in technology and innovations, be it the 3G, i-phone or the i-pad or Intel launching a completely new roadmap on very fast processors through a very big change in technology on television screen which is LEDs and 3-D televisions. Add to these products like smart phones catching the fancy of consumers. We have come a long way in India from the time that electronics was considered as a luxury product. With all those shenanigans dropping to a level where products have started becoming very personal now, it is no longer a family product anymore but we have a lot of consumers coming in buying for personal use, so that has added to a lot more footfalls coming in. The crowds coming into the stores are a lot younger with increasing aspirations. We have taken advantage of this at e-Zone, changing our store designs to make the customers see, touch, and feel and actually get live demonstrations of the products.

We are also adding another vertical within e-Zone which is service as a completely differentiated delivery process. At e-Zone, we have made one of the biggest sea changes in our strategy this year where we are adding service as the differentiator and we want to own the consumer for life. That is a very big quality to have as a retailer from a consumer standpoint because the consumer then looks like one stop shop right from presale to post sale. We are also focusing on a lot of high throughputs and scale because this business is all about getting scale very fast because it is a low margin business and increasing revenues. We have done this on two counts, one is we created our own proprietary events, such as the Zero Margin sale that was very well received by consumers in the last quarter of FY10. We also engaged with consumers with local catchment initiatives like Master Class where we involving consumers to keep coming back to our stores to understand how to use products better. In doing so, our focus then becomes more on cross sell and derivative selling as we call it to finally add up to better top-lines and bottom lines.

Another facet that we have done is destroying certain product categories for growth. We find the low return product categories like the traditional CRT televisions, fans, coolers, where we do not see too much of throughputs and you know adding up to top-lines and bottom lines. We have actually eliminated those categories from our stores, being replaced by high value products like LED TVs and we have also seen good numbers coming in with air-conditioners in the last quarter. This is also possible thanks to our private brands strategy, where we have given the Indian consumer a very energy efficient product at a relatively low price than other brands. This has lead us to sell one of the highest numbers in terms of air-conditioners across the country. We may have out sold competition 1:2 on air-conditioners in the last quarter, all adding upto high growths in our business and giving us better margins from vendors. We are already on a preferred partner status with the top three vendors who contribute more than 40% of our business. Having said that we are also now engaging with the customer centric strategy, where Vibha will add to how we are going to look at decreasing the cost of acquisition of the consumer by engaging more with him at the store level and through a loyalty methodology. With that I hand over the forum to Mr. Biyani.

Kishore Biyani I will ask Vibha to talk about our consumer connect initiatives which will again help us to differentiate ourselves in the market.

Vibha Paul Rishi Good morning, good afternoon, good evening and namaskar. The one thing that has always differentiated the Future Group has been its unique look at the customer and consumer trends. I think about the customer connect in two big ways. One, a deeper insight and deeper learning's about consumer behavior and the other is using numbers and the One Customer connect and being able to tag and track our customers.

On the insights framework, the first and the biggest insight is that India is not a homogenous mass of 1.2 billion people. It has very strong ethnic, linguistic communities and we at Future Group have done deep dives into some of the biggest of these community groups. To give you as an example, the newest initiative that has been rolled out for people of Maharashtra, called "Maharashtra Majha". What that meant was that we literally dived into the lifestyle, the cuisine, the culture of people in Maharashtra across different regions and extended that to what were the food habits. Food is the one category that stays the most connected within communities and therefore, being able to create both processes and ingredient based offerings which are relevant to the different sections of the community. Nearly 30% of India is in fact migrant, that is to say they have moved away from their ancestral locations to their current locations, and I would assert that in the case of the large cities, that number is probably even larger. While there is a whole trend of migration, but as things change, some things remain constant. While they transplant in many ways and that gives the Home team a huge opportunity and leverage, at the same time the one thing that they are the most reluctant to change often are their food and cultural codes. The Family Center in Malleswaram took this learning forward in a way, that we will now see rolling out in a lot of other stores as well for the dominant community in that geography Another example would be say for the forth coming Puja period. As you know the Bengali community outside of Bengal reminds me of the Irish community outside Ireland, which is they tend to be even larger seemingly in numbers. If we can through the Puja period, talk to them in at least our big three cities and make that a template for the way we will move forward, that will be really big.

The third lens is the family unit structure and how decisions get made in different kinds of family unit is important to us especially in our durable sales and finally the lens of the kind of employment whether it is white collared or self-employed. This may come as a tangential thing but it is not really, because for our fashion business this is very important. The group of white collared the people tend to be fairly similar in how they dress, whereas the self-employed needs a little embellishment, a little personalization which is their assertion of the individual identities. For the white collared worker, there is an inherent affinity to institutions and therefore modern trade suits them but self-employed people tend to have more of an affinity to communities and networks and that is important in how we reach out to them as well. That was it on consumer insights framework and there is more in the pipeline with constant work being done on ethnographics etc.

The second part which in the long run is going to be the big differentiator for us is the idea that we had for one consumer strategy being able to track the consumer through his lifetime and therefore unlocking his lifestyle value, being able to tag and track the customer not just across his purchases in time within our formats but across other stores as well, and being able to take a cross format view of a customer. One of the ways of doing this is to have our loyalty program not just to create customer loyalty but to generate deep consumer and customer insights as well. With that I hand the forum back to Mr. Biyani.

Kishore Biyani My final comment is the potential that retail has. Every retailer in the world, be it a Walmart, Carrefour or a Tesco contributes about 2.5% to their nation's GDP. Can Future Group achieve 1% or 2% of the GDP as time goes by, is the final note on which I will end

B. Anand Thank you Mr. Biyani. The financials have been appended as an annexure in the presentation. Since there has been some restating and regrouping of numbers this year, for the ease of convenience, we have Mr. CP Toshniwal, CFO of Pantaloon Retail on this call. I will request

Mr. Toshniwal to quickly provide a sense of how these financials need to be read and understood.

CP Toshniwal Good evening. Firstly, I will address the manner in which the accounts need to be read. The standalone annual numbers include 6 months of operations of FVRL and 12 month operation of Home business. Consequent to the merger date of Home Solutions into PRIL, i.e. April 1, 2009, 12 months results has been consolidated with erstwhile PRIL standalone numbers. The 3 months prior to that period, i.e. April 09 to June 09, has been shown as an extraordinary item below the line.

The core retail business reflects the summation of Stand Alone retail including Home business and the Value Retail business operations of 6 months as FVRL was incorporated on 1st January, 2010. With the merger of Home, PRIL will be issuing Rs.1.19 crores i.e. 5.9 million fresh equity shares @Rs.2 in the first tranche and 6.3 million CCP's in the second tranche after one year. Further, there will be a cancellation of PRIL's investment into Home Solutions of about Rs.162 crores and a reduction in net worth of Rs.62 crores. The loans retaining in PRIL's books after accounting for and addressing HSRIL's debt is Rs.174 crores. In terms of the effect on the P&L statement, (Rs.87) crores of the PBT has been consolidated with PRIL's figures for the 12-month period. In addition, (Rs.12) crores as extraordinary item is shown below the line, accounting for the 3 months losses for the period between April 1, 2009 and June 30, 2009.

With the merger effect of Future Mall Management Ltd. (FMML), there will be a reduction of net worth of about Rs.250 crores in PRIL's Balance Sheet while the impact on the P&L will be marginal because the effective date of merger of FMML is April 1, 2010 and hence only three months P&L will get impacted.

The other point is the tax effect on account of the merger of HSRIL in PRIL's books. While PRIL standalone PBT is Rs.300 crores, we would have typically made a provision of Rs.94 crores. However, considering HSRIL's, loss of PBT of (Rs.87) crores, we made a provision of Rs.29.6 crores for the current year and the carried forward loss for which there was a negative deferred tax provision of Rs 28.75 crores. This has resulted in a lower tax provision of Rs.58 crores in PRIL's books. There are two extraordinary items reflecting in the P&L, one is the sale of investment has been shown as a separate item and there is an extraordinary charge off which is HSRIL's 3 months loss

In terms of consolidated accounts, on a PBT of Rs.180 crores, we have made a tax provision of Rs.104 crores which includes the reversal of deferred tax assets provision of Rs.40 crores. This provision has been made on account of losses incurred by some of the subsidiaries in the previous years. The same has been reversed in the current year in view of compliance of accounting standards. Anand, over to you.

B. Anand Thank you Mr. Toshniwal. We will now open the Q & A session. Rochelle please go ahead.

Moderator Thank you very much. Ladies and gentleman, we will now begin with question and answer session. To ask a question at this time, please enter * followed by 1 on your touchtone telephone. If your questions are answered and you wish to withdraw question from the Q, please enter * followed by 2. Participants are requested to please use handset while asking a question. The first question is from the line of Percy Panthaki of HSBC, please go ahead.

Percy Panthaki Just to get a sense of how your performance has been post all these reorganizations, I just wanted to get an idea of what is the PAT for the value and lifestyle business put together which was your erstwhile reporting style and I am getting a number of around Rs.216 crores for the full year, is that correct?

B. Anand Yes, for PRIL and FVRL

Percy Panthaki Okay, secondly, I wanted to get a better understanding of what is the sectoral item of Rs.12 crores? You did explain it earlier but I did not understand it fully.

CP Toshniwal The effective merger date for Home Solutions was April 1, 2009 and when we consolidated HSRIL results into Pantaloon Retail, we reported for the period July 1, 2009, to June 30, 2010, i.e. 12 months results. The previous period item has been given a net effect and treated as an extraordinary item.

Percy Panthaki Okay, because the financial year for HSRIL was different from the financial year of PRIL, is that correct?

CP Toshniwal Financial year of both companies is the same but the effective date of merger is April 1, 2009, to June 30, 2010, hence the treatment.

Percy Panthaki And this Rs.75 crores gain on sale of investment, can you elaborate what investments they were?

CP Toshniwal It is the sale of the shares in Future Brands .

Percy Panthaki Okay, this was declared to the promoter's right?

CP Toshniwal Yes.

Percy Panthaki Okay, to get some idea on HSRIL as the operations, I understand that this time the sales were good especially in the last quarter and may be in the second half of the year, but we are still not breakeven at the EBITDA level. I just wanted to understand basically first of all what are the figures in terms of EBITDA and PBT losses for this year as well as last year so that we know what the trend is and also wanted to understand that after crossing sales of about Rs.1,000 crores, I would have thought that we have now reached some amount of critical mass in order to expect to a breakeven level. I just wanted to understand why it is not happening and what is the outlook for that in the future?

Kishore Biyani There are two businesses in home, one is Home Town and the other e-Zone. If you look at the combined businesses last year, revenues stood at about Rs.1,000 crores but you have to now look at these businesses independently. e-Zone is looking at revenues of around Rs.1,100 crores this year and in Home Town we are currently running a monthly run rate of around Rs.60 crores. In terms of store EBITDA, Home Town is positive and we expect e-Zone to be positive at the store level this year but unless we increase revenues in electronics, turning profitable soon in this category will be challenging. At a company level, we expect Home Town to become profitable this year onwards.

Percy Panthaki Okay, and in stable state what kind of EBITDA margins are you looking at HSRIL as a whole?

Kishore Biyani We look at HSRIL comprising of Home Town, e-Zone, Electronics Bazaar and Furniture Bazaar. The Electronics Bazaar and Furniture Bazaar sits within Big Bazaar and Home Town and e-Zone are independent businesses In Home Town we have got our institutional order book which is quite significant which is spread over a period of three years in line with the way residential apartments are coming up in the country. If we achieve and meet the order book, Home Town can be a very profitable business. In e-Zone, margins are a challenge and they currently are around 13% to 15% gross margins and this business will be dependent on scale and how fast you can turn around your stocks. I believe there would be a possibility of consolidation in this business because modern retail is driving the growth of the electronics category. Today, modern retailers contribute nearly 30% to the total sales of this category and if we include the company branded showrooms, this figure can touch around 60% to 70%. A lot can happen in this category as it is a specialty driven business with very high growth potential.

Percy Panthaki Right, my next question is on your fund requirement, if I take the core retailing as a whole that is all the three verticals, what will be your fund requirements for FY11 and FY12, and how will that be met whether debt-equity or internal accruals?

Kishore Biyani The fund requirements on the capital side on the fixed assets assuming around 2.5 to 3 million square feet of expansion every year, should be around Rs.600 to Rs.700 crores.

Percy Panthaki Sir, this includes the incremental working capital for the new stores?

Kishore Biyani Only capital assets. Internal efficiencies should drive our working capital requirements and enough steps have been taken.

Percy Panthaki You were saying that if you put in new stores, you basically will not require incremental capital.

Kishore Biyani We will require capital but not to the extent of what we required earlier. I think it is a function of the level of working capital efficiency that we will determine the requirement on a working capital side.

Percy Panthaki Right, but if I take your total working capital in absolute terms in Rupees million, you believe that end of FY10 versus end of FY11, it will be more or less flattish in spite of the new stores added?

Kishore Biyani I do not think that the working capital requirement will increase by more than Rs.200 to Rs.300 crores.

Percy Panthaki Okay, so totally you are talking about Rs.1,000 crores of additional capital required per year.

Kishore Biyani On the extreme side and if working capital efficiency sets in faster, this Rs.200 to Rs.300 crores can reduce.

Percy Panthaki And whatever it has been anywhere between Rs.700 to Rs.1,000 crores per year so that over two years let say about Rs.1,500 to Rs.2,000 crores, what is your plan to fund it?

Kishore Biyani As a group, next year, we should be looking at around Rs.12,000 to Rs.1,3000 crores of revenues for retail business. If we can generate EBITDA of over Rs.1,000 crores, I think we should be comfortable

Percy Panthaki Okay, that is all from my side.

B Anand Percy just to add on to it, even if you go through the cash flows of 2009, on a core retail basis, that will answer lot of your queries because you would see how we have grown without any incremental or significant increase in the working capital. There is a turnover increase and there is an overall working capital contraction.

Percy Panthaki A related question. In your P&L if I see when you give your breakup, there is always a line which says increase or decrease in working capital where this year it has been an increase of say Rs.336 crores, my question is how is this Rs.336 crores compared, since the entire restructuring has happened between home coming in and value going out, how do I rate this Rs.336 crores.

B. Anand If you look at the cash flow statement in the appendix, there is actually Rs.213 crore reduction.

Percy Panthaki Okay. Thanks, that is all from my side.

Moderator Thank you. Our next question is from the line of Jamshed Dadabhoy of Citi Group, please go ahead.

Jamshed Dadabhoy Just two questions from my side; one on the 2.5 to 3 million square feet. that you will be adding every year for the next couple of years, how much have you signed on and what is the plan? Could you give some details on whether it will be revenue sharing or you be leasing itit?

Kishore Biyani The 2.5 million to 3 million square feet. of retail space should come out of our various formats, Big Bazaar, Home Town, Central, Brand Factory, Pantaloons and e-Zone. The properties are mostly signed and we may need to sign additional properties but more or less we are comfortable for the next two years. We work on various agreements and there are no standard agreements. Some are revenue-sharing while some are minimum rents plus percentage of sales. I would say most of the agreements would fall under the latter.

Jamshed Dadabhoy Okay and could you give some sense of how much you will be deploying in the various formats?

Kishore Biyani There are 8 to 9 new properties coming up in Pantaloons, about 4 new Centrals, another 10 Big Bazaar's opening up in the next three to four months and another 6 e-Zones within the next three to four months.

Jamshed Dadabhoy Okay. The second question you indicated a group level Rs.12,000 to Rs.13,000 crores of revenues and about Rs.1,000 crores plus of EBITDA implying a slight expansion in EBITDA margins from current levels.

Kishore Biyani We are not giving any guidance on EBITDA margins. We are saying that again the EBITDA margins are a resultant of the blended mix of the business which you do, whereas if the food and the electronic business expand much-much more than the furniture or a fashion business, the margins can be different.

Jamshed Dadabhoy Sir you indicated gross margins in e-Zone are about 13% to 15%. Correspondingly, what are the Gross Margins in Home Town?

Kishore Biyani Home Town margins are higher. Furniture business can kick in margins in excess of 55%, Home Improvement business is in excess of 35% and then we do sell some electronics.

Jamshed Dadabhoy Okay, thank you sir.

Moderator Thank you. Our next question is from the line of Anirudha Dutta of CLSA, please go ahead.

Anirudha Dutta I wanted to know the loyalty program which Vibha spoke about, is it now an integrated loyalty program across the various group formats which was supposed to be introduced sometime back?

Vibha Rishi We are working on it. We should expect to have something sometime early next year.

Anirudha Dutta Okay. And when we look at the same stores sales volume growth in the value retail format as has been given in the investor update that was sent in for the fourth quarter, given the price increases in general has been seen across the board, thanks to high inflation, how has the volume growth been out there?

Kishore Biyani I somehow feel there was a declining trend on prices on quite a few commodities last quarter. It was not on a higher side but in fact on the decelerating side.

Anirudha Dutta Okay sir. Thank you very much for the time.

Moderator Thank you Mr. Dutta. Our next question is from the line of Yash Jhaveri of Enam, please go ahead.

Yash Jhaveri On the Home Solutions front, how do we see the revenue mix between E-zone and Home Town going ahead?

Kishore Biyani We are not talking HSRIL anymore. We will have to start learning to treat home as as Home Town and e-Zone.

Yash Jhaveri Okay, and the second question, just trying to reconcile core retail and your console operations, there is about Rs.7 odd crores loss on the consol books. So I wanted to know where is the bleed coming from? What are the major loss making entities? Before Extraordinary there is Rs.75 crore profit on your retail.

CP Toshniwal There is a R**s.**74 crore profit even before extraordinary items is in the consolidated results. The key subsidiary details are all in the annexure.

Moderator Thank you Mr. Jhaveri. Our next question is from the line of Amnish Agarwal of Motilal Oswal, please go ahead.

Amnish Agarwal First of all regarding the way in which the numbers have been reported, we have core retail numbers, PRIL standalone numbers and the consolidated numbers. So going forward what will be our manner of reporting numbers on a quarterly basis? Will we be getting the core retail numbers or standalone or consolidated? How will the numbers shape up going forward?

B. Anand From the Balance Sheet and P&L perspective you will have PRIL and FVRL's standalone numbers. For ease of your reference we will be happy to give a sum of the two..

Amnish Agarwal So is the Balance Sheet of core retail operations also available for the ease of comparison, something of that sort?

B. Anand Technically for you, you will have two balance sheets, PRIL and FVRL. As and when they get printed and circulated you will get an access to that.

Amnish Agarwal Okay and my second question is that if we look at the core retail operations in Q4 where we have a PBT of Rs.137 crores and I suppose there is some Rs.75 crores of income from the sale of investments, so is it fair assume that the PAT in the core retail was around Rs.45-Rs.50 crores during the quarter?

CP Toshniwal No, it will be Rs.72 crores.

Amnish Agarwal Okay. And how is the financial restructuring of Future Capital likely to pan out?

B. Anand As we had mentioned earlier as part of the realignment, the regulators' approval has to be taken and that process has started and we expect that within this financial year we should be able to complete this entire process. What will pan out is basically we will have Future Capital demerged from PRIL, which means the shareholders of PRIL will get shares of Future Capital. What we want to do is along with that we also want to divest the holding which PRIL has in the insurance business. As a design, the insurance businesses will be merged with the Future Capital and you will have shares of Future Capital which will basically also hold insurance. As shareholders, you get the play of both entities. All this is subject to regulatory approvals with regards to insurance and RBI.

Amnish Agarwal Okay. Sir, does it mean that the insurance stake which we are having now, will first go in Future Capital, and then post that the PRIL shares will get the shares of Future Capital directly.

B. Anand We are being advised by our tax consultants. Clearly the idea is to get the most optimal structure which works both at the shareholders' level and at company's level.

Amnish Agarwal Okay. What was the amount of investments in the balance sheet of PRIL standalone as well as in the consolidated numbers?

B. Anand There has not been a significant increase in the investments. When you see PRIL standalone you may see investments higher by about Rs.1,050 crores but that is clearly because of the dropdown of the Value business amounting to Rs.950 crores. From an overall cash flow perspective, incremental investments are not very significant and largely attributable to the insurance and logistics business.

Amnish Agarwal Okay thank you sir.

Moderator Thank you Mr. Agarwal. Our next question is from the line of Harrish Zaveri of Deutsche Bank, please go ahead.

Harrish Zaveri Just one question on the stores in Phoenix itself, those who are coming up for renewal in August, has there been any deal that has been signed?

Kishore Biyani They are not coming for renewal this year. It is coming in 2012 or 2013 and we have already renegotiated.

Harrish Zaveri Okay, and of the $100 million balance sheet that you will have now FY10 consolidated, how much would be on account of subsidiaries that would constitute the size of the balance sheet?

B. Anand For us, core retail will still constitute a significant part of it and I would hazard a guess and say about 90%. But once we get the financial services out, then you are talking about to a large extent, the core retail plus some of the other businesses such as e-commerce and others. So with the demerger complete, this 90% could go much higher.

Harrish Zaveri Okay fine and one last question to Mr. Toshniwal. The three businesses FKS, Future Brands and Future Supply Chain Solutions went away. Rs.190 crores was received but Rs. 75 crores is actually the profit on the sale of that particular investment?

CP Toshniwal Yes**.** Future Supply Chain Solutions is still with the company and has not moved out. Future Learning and Development has moved from PRIL.

Harish Zaveri Yeah, fair enough. Thanks a lot sir.

Moderator Thank you Mr. Zaveri. Our next question is from the line of Abhishek Ranganathan of MF Global, please go ahead.

Abhishek Ranganathan Sir, basically a couple of questions. One is that in Q4 if we look at margins after adjusting for home, what I have done, basically adjust the home business and take it off of the core retail, the EBITDA margins have come down at about 10.1%, what could be the reason for that?

B. Anand There was increased penetration as far as food and other categories like electronics were concerned, so on a blended basis that is how you are seeing that.

Abhishek Ranganathan Right, I was just wondering if there is something which I am missing which is a part of the merger or a demerger of something to do with that or I am more or less on track. Second question which I have is, you have shared your outlook for home. Basically you wanted to see if we could actually try and see quantify some of the synergies of this merger in terms of margin, hypothetically speaking would it be that we would have to hire less aggressively?

B. Anand When we announced the merger, one of the triggers we mentioned is bringing in significant amount of operating efficiencies. We expect to see at least between 1% to 2% savings in terms of cost by virtue of sharing the pool of resources and infrastructure with PRIL. That being said, there is going to be a renewed focus as far as this business is concerned. Thirdly, there is a good amount of cash flow and liquidity in PRIL, which means we do not have too much leverage as a standalone entity, what HSRIL was earlier. These synergies will help us at the EBITDA level and enhance the operating efficiencies and at the P&L level. On a consolidated basis in the Balance Sheet, benefit of better gearing and other deliveries seems a lot more robust than what it was on a standalone basis.

Abhishek Ranganathan Thank you, and during the last conference call you had mentioned that, you had given out about Rs.100 crores of investment in logistics and insurance and we are under closing in our least deposits, what would those ballpark figures be right now?

B. Anand Any other question? Meanwhile we can answer that.

Abhishek Ranganathan Yeah, I have one more question. The question is because we have quite a few, I think couple of warrants which are up for conversion, one which is done in May 2009 and obviously we have another set which has come in, what would be the kind of investments which we need to, which we have actually made in terms of our non-core retail business, be it JVs or be it subsidiaries?

B. Anand As I said, there is very limited amount of investment which happened in the year, which is not core to the retail. A large part of the incremental capital employed will go towards to the core retail business.

Abhishek Ranganathan Yeah, because if I see we have got about Rs.700-Rs.800 crores I think which would still come in as equity.

B. Anand No, all this will go towards growth and wherever possible bringing down the leverages.We have always articulated that we would like to bring a gearing to about 0.75 or even lower. So all this capitalizations will go towards growth and making a more robust balance sheet.

CP Toshniwal In terms of investments during the year, about Rs.125 crores goes into the insurance and Rs.40 crores towards supply chain. These are largely the major investments during the year.

Abhishek Ranganathan **S**ure sir and what would be our share of private brands in our top line?

Kishore Biyani It depends on product-to-product. Fashion would be around 70%, food if we include commodities also, which is non-branded, would be in between 15% to 18%. Electronics are at about 15% and in furniture we are touching around 15% to 20%.

Abhishek Ranganathan Okay sir. Thank you.

Moderator Thank you. Our next question is from the line of Vishal Modi of Canara Robeco, please go ahead.

Vishal Modi Mr. Biyani if you can tell us, in spite of such high inflation, the consumer has surprised all of us and seems to be shopping like there is no tomorrow, so what has really changed according to you that people have become more confident and secure The second question is for Vibha if she can talk a little bit about the loyalty program number of holders and some more data points on that.

Kishore Biyani I will agree that the inflation did not deter purchases this year and despite discontentment around high inflation overall the sentiments have been reasonably fair. Consumers today work under a security cover. During the downturn, they were insecure and insecurity did not let them spend money. Once you are secured, purchases will happen. During inflation people down trade, they change the brand, readjust and recalibrate, but that does not mean consumption would not happen. India is on a very different curve at this moment. Non-food inflation was not as high when food inflation was at its peak. Secondly, the government did provide some stimulus to maintain the inflation on the non-food side. Food inflation was seen in pieces. It came in oil once, then commodities and then in pulses. Hence, it was not across every product at the same time. Consumers seem to have now got used to some kind of inflation. Vibha can take up the loyalty question.

Vibha Rishi Loyalty really is a journey for us and we are right at the beginning of that journey.. Right now, on ground is the Pantaloons Loyalty Program 'Green Card' which has about 1.8 million unique card holders. That has given us a large number of learning's and how to take this forward. What we see as sort of an end stage is taking this from just an instant gratification to means of tagging and tracking our customers as well. So this is where we are and that is where we are heading to.

Vishal Modi Thank you.

Moderator Thank you Mr. Modi. Our next question is from the line of Sangeeta Tripathi of Share Khan, please go ahead.

Sangeeta Tripathi I just wanted to understand that as of FY10, around Rs.5,000 crores or more is capital employed in the core retail business. Am I right on this number?

B. Anand Yes, around that.

Sangeeta Tripathi Okay sir. If I can just get a broad split of FVRL and PRIL?

B. Anand It is in the presentation. We have given the details in terms of the balance sheet both on a standalone and core basis. Loan funds amount to Rs.2,900 crores and capitalization including ploughing back of profit is about Rs.2,800 crores. That is broadly the capital employed on the core retail business.

Sangeeta Tripathi Okay sir. Another quick question was on the numbers side. You mentioned in the presentation that Rs.620 crores is the incremental capital employed for the core retail business as against an incremental sales of Rs.2,500 crores, is that right?

B. Anand Yes, that is right.

Sangeeta Tripathi I just wanted a breakup in terms of inventory and fixed assets of this capital employed, incremental capital employed of Rs.620 crores.

B. Anand We will address this separately.

Sangeeta Tripathi Fine sir. Thanks.

Moderator Thank you Ms. Tripathi. Our next question is from the line of Jaibir Sethi of CLSA, please go ahead.

Jaibir Sethi There has been some recent press articles talking about a new warehouse that Pantaloon is setting up in Nagpur particularly for value retailing. Could you provide some more color on what exactly this warehouse will stock and what areas it will service?

Kishore Biyani This is one of the largest warehousing initiatives taken up by anybody. This project is coming up in Mihan in Maharashtra. We have taken around 26 acres of land over there and in the 1st phase we are building up around 0.6 million square feet. of warehouse space. Nagpur being the hub of India in a sense is a zero mile to Delhi, Kolkata, Mumbai, Chennai and Bangalore. We thought we can build our warehouse which can deal with logistics requirements for the group and act as a flow through hub for transferring of goods to rest part of the country. Once GST is introduced, this warehouse should be one of our key warehouses.

Jaibir Sethi And by when do you expect to start operation?

Kishore Biyani Work has begun and we expect the project to get completed in the next 6-8 months .

Jaibir Sethi Okay so say early next calendar year. And what was the loss number for the insurance business for this year?

B. Anand The estimated number is Rs.90 crores for life and Rs.20 crores for non-life business.

Jaibir Sethi Okay sir. Thanks a lot. That is all from my side.

Moderator Thank you. Our next question is from the line of Ashwin Shetty of Execution Noble, please go ahead.

Ashwin Shetty In your debt in core retail Rs. 2,915 crores, how much of Home Solutions is included in this?

B. Anand It includes Home Solutions debt of R.174 crores.

Ashwin Shetty Okay, and of the warrants issued on 29th of June, how much has been received?

B. Anand Rs.100 crores which is 25% of subscription, which has been received.

Ashwin Shetty Okay. And a quick question on the Home Solution figures. You mentioned PBT loss of Rs.87 crores. Can you give the revenue EBITDA and of interest expense for home solutions for FY10?

B. Anand Top line is about Rs.1,020 crores and interest in that is about Rs.53 crores, PBT is (Rs.87) crores and EBITDA of about (Rs.8.79) crores

Ashwin Shetty Okay, looking at the interest figures for HSRIL, given that the debt is only Rs.170 crores, the interest of Rs.53 crores is looking a little bit on a higher side.

B. Anand No. This is the closing balance of debt. As I said the debt in the beginning of the year was close to about Rs.370 crores.

Ashwin Shetty And this revenue of Rs.1,020 crores, given that the FY09 figure was Rs.1,070 crores, has there been decline in the top-line?

B. Anand No, it takes into account the effect of consolidation because of a merger involved.

Ashwin Shetty Okay, thanks a lot sir.

Moderator Thank you Mr. Shetty. Our next question is from the line of Vijay Chugh of Ambit Capital, please go ahead.

Vijay Chugh On the four key categories that you want to focus on, i.e. food, fashion, home, and general merchandise, what sort of market shares do you have currently and what is your medium-term target to take these goals to as a percentage of a model trade?

Kishore Biyani It is a very interesting question. I would say in food, in the top 10 cities where things are being tracked, our market share is around 30% plus. On the fashion side, I would assume due to lack of any available data, as a group we are in excess of around 20%. On the electronics side I would say in some key categories like LCD's we would be around 8% of the entire LCD market in the country. If you look at some categories like diapers or hand-wash for example, we would have a share which is significant of the entire trade itself On the furniture side we are probably at 60-70% of the market.

Vijay Chugh And considering growth plans, you know where do you think these market shares will go to in food, fashion and all that?

Kishore Biyani Food is one area where we believe the growth can be expected. We strongly believe that modern retail job is to create categories and create new consumptions, so overall we expand the market and we take a share. Whether we want to go above 30% to 40% market share in food is our appetite. I think the overall modern retail share will increase and we would still remain at 30% to 40%.

Vijay Chugh Considering the current sort of investments which are happening, what sort of pace of conversion are you seeing in terms of modern trade?

Kishore Biyani If you look at the top 10 cities again, some cities are prone to modern retail. Bangalore probably is being modern retail driven to a large extent. I would assume Bangalore would become 50% to 60% modern retail on the food side in the next two to three years. But that would not be the same for other cities.

Vijay Chug Just one last question, on the supply chain side, considering that is the significant area of focus and now you have come to a certain level of scale and efficiency, what sort of margin increases do you anticipate in various sort of these key categories?

Kishore Biyani There are two ways of looking at efficiency. One is to maintain the prices despite inflation and the other way is to increase margins. We have to balance our view in terms of retailing to the customer, meeting the competition head-on with better prices, and having a cushion to fight a warfare whenever it comes around. I think we are going to build this advantage over the period of next two-three years.

Vijay Chugh Is there anything that we should anticipate in terms of benefits that will kick in on a more immediate basis?

Kishore Biyani I do not want to guess but I think it is the big competitive edge which will enable us maintain our leadership position for a long period of time. We can either increase margins or maintain the leadership and will have to use both effectively.

Vijay Chugh Okay thank you sir.

Moderator Thank you Mr. Chugh. Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to Mr. B. Anand for closing comments. Please go ahead sir.

B. Anand Thank you all. We had a very interesting discussion regarding the business and the outlook. Please do look at the complete presentation which will be posted on to the website. Ashish and Mr. Toshniwal will be more than happy to address your queries and we will look forward to interacting with you soon. Good night.

Moderator Thank you very much members of the management team. Ladies and gentlemen on behalf of Pantaloon Retail (India) Limited that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines.