



PANTALOON RETAIL (INDIA) LIMITED

2008-09 ANNUAL RESULTS

ANALYST PRESENTATION

26th SEPTEMBER 2009

SIZE... DOMINANCE...LEADERSHIP...

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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.

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Unfavorable Macroeconomic Scenario

Global Financial Crisis precipitated by collapse of leading financial institutions...



Leading to recessionary fears across geographies...



Resulting in significant slowdown in Consumer Spending



Indian Retail Sector Pre-2008

Aggressive expansion plans by Companies...

..At High Rentals and Capex Costs...

...Mainly financed by Debt leading to leveraged Balance Sheets

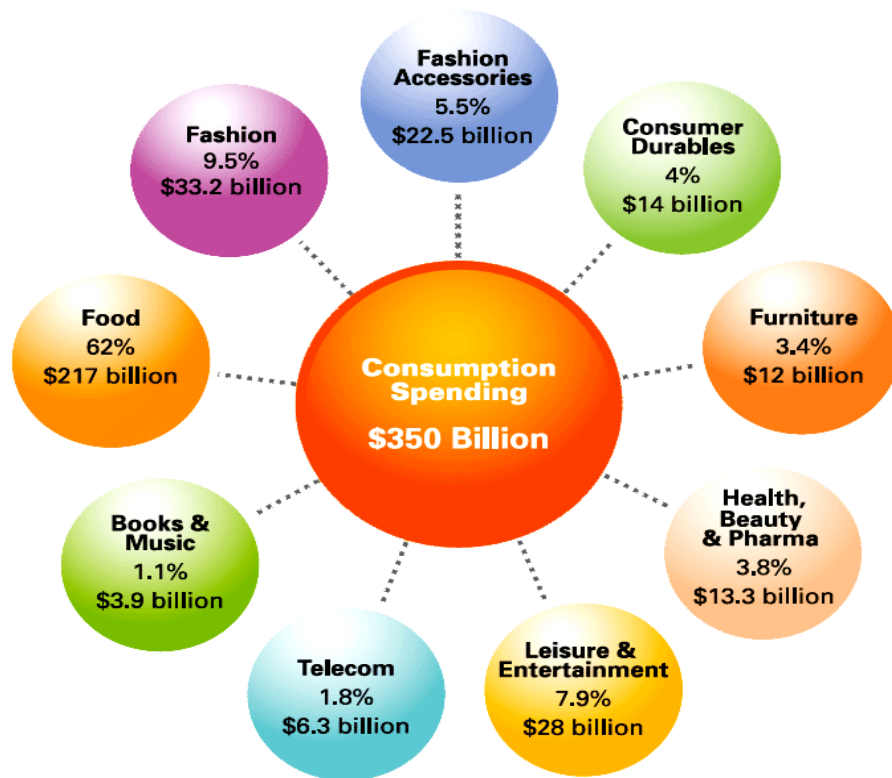
- Reduced competitive tension as a result of winding up of several players

- Growth giving way to operational efficiencies; Focus on cautious profitable growth

- Heavy focus on demonstrating value proposition to customers across all price points

Market Poised for Recalibrated Growth...

With over 28 states, 18 major languages, 8 major religions, 4000 different castes and communities celebrating 72 festivals, India is the most diverse country.



India at present is a US\$ 350 billion consumption market

India is set to become a US\$ 450 billion market by 2015

Current share of organized retail is estimated to be 4-5% i.e US\$ 18-20 billion market.

It is expected to expand to 14-18% by 2015 i.e US\$ 75 billion

India is at the brink of a Creative Economy driven by speed and imagination

India Opportunity continues to be a very attractive proposition for organised retail



... with Favorable Demographics

Tremendous potential to drive economic growth of Organized Retail

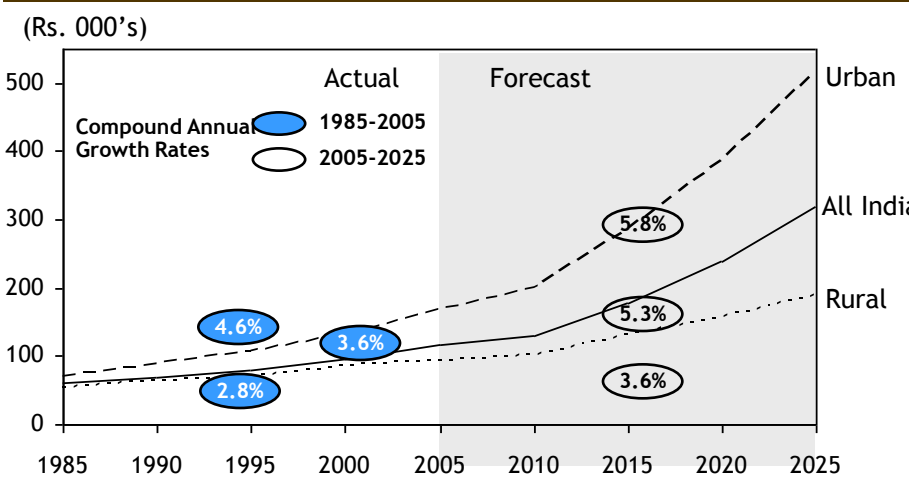
Shopping basket of average Indian ranges from US\$7-10 lower than international average is expected to increase

India is one of the youngest consumer markets in the world. Over 50% of the population is below the age of 25 years

India's working population to be 68% in FY2020 from 63% in FY2008

Self employed people form a majority of consumers in India (organized sector accounts for less than 10% of jobs)

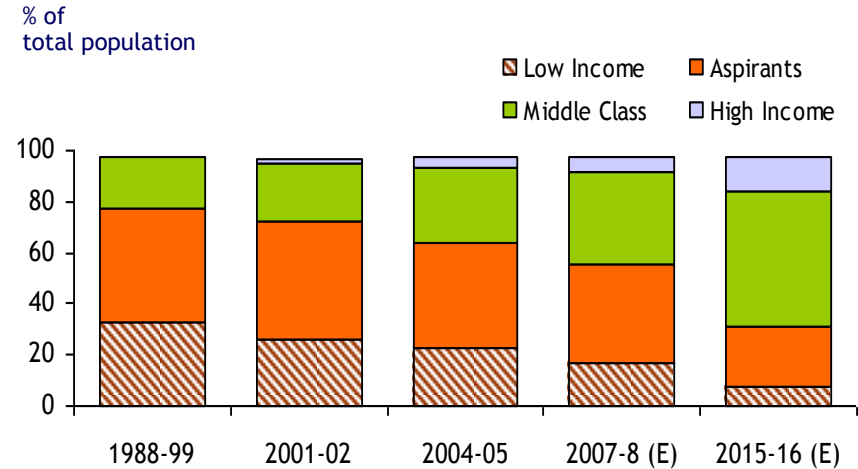
Increasing Disposable Income



Source: Mckinsey Global

Growing Aspiring Middle Class & High Income Segment

More than half of households will be middle class by 2016



Source: Industry reports

Organized Retail at Inflexion Point



		Pre - 2008	Post - 2008
Real Estate	Demand	Strong from both existing players as well as new players. A run for retail space at almost whatever price	Weak demand from existing players. New players hardly coming in
	Supply	Slow with delays in excess of 12 to 18 months	Slow. Delays getting extended to 24 months. Several projects deferred
	Pricing	Driven by Real Estate developers	In favour of Retailers. Most developers agreeing on revenue share
Capital Expenditure		Capex cost increased significantly due to rise in commodity prices	With recalibrated prices significant reduction in the capex costs
People		Increased hiring due to aggressive expansion/competition leading to cost escalation. Limited availability of talent	Recalibrated expansion plans leading to access to quality resources
COGS		High as balance had shifted to suppliers and vendors	Getting lower due to lesser players and overall price reduction
Competition	Existing	Moderate to high	Low
	New	High	Almost extinct

With lower competitive pressure and key costs such as real estate coming down, established players with strong customer connect and retail infrastructure are well poised to capture the opportunity

Future Group - Well Poised to Dominate



Future Group was conceived as a force to drive domestic consumption and capture every addressable consumption expenditure

Driven by creativity and innovation, Future Group is among the youngest business groups in India

A multi-format and largest retail network present in 72 cities and 66 rural locations and dominates over 12 million square feet at present

Future Group drives consumption that leads to development for India Tomorrow





Dominance

Mind share Dominance

Through Dominance in Brands, Media, Customer Engagement & Community Involvement

Market share Dominance

Through Dominance in Concept & Category

Geographical Dominance

Through Physical Space and Physical Reach

Supply Chain Dominance

Through Dominance in Network Design

Wallet Share Dominance

Through Fueling Purchasing Power

Leadership

Thought Leadership

Leadership in Design

Brand Leadership

Leadership in People Management

Leadership in Empowering & Nurturing Entrepreneurship

The Journey Thus Far



Created an Indian model of retailing through consumer insights and learning. Its strategy of using multiple formats to sell different categories is now the Indian retail industry norm, followed by every retailer

Always believed in scale and aggressively built it. Since 1999, the retail business has grown from 0.01 mn sft to ~13 mn sft, CAGR of 76%. Sales and profits have grown at a CAGR of 54% and 55% respectively

In under 12 years, has received global recognition like International Retailer for the Year, Emerging Market Retailer of the Year etc

With the global liquidity events, the company has shifted focus to efficiencies, cost reduction and margin improvement from growth in square feet and topline. Time now to take the next leap

Strategy Going Forward



❑ Move from top line growth to strong profitable growth

- ❑ Pantaloon had demonstrated aggressive growth in the last three years and touched over 12 million sqft in retail space.

❑ Continue to dominate retail space

- ❑ This will give advantage of economies of scale to sustain and grow the business in competitive external environment
- ❑ PRIL has already tied up ~ 10 mn sq. ft. of retail space with developers at rentals lower than industry average

❑ Focus on efficiency, cost and ROI

- ❑ Increase in management bandwidth to focus on core activities by outsourcing back end activities like logistics, IT infrastructure, payroll processing, financial accounting
- ❑ With growth the focus of the company in the last 18 months has been to enhance efficiencies. Cost efficiencies are visible and balance sheet efficiencies like inventory management is leading to higher ROI

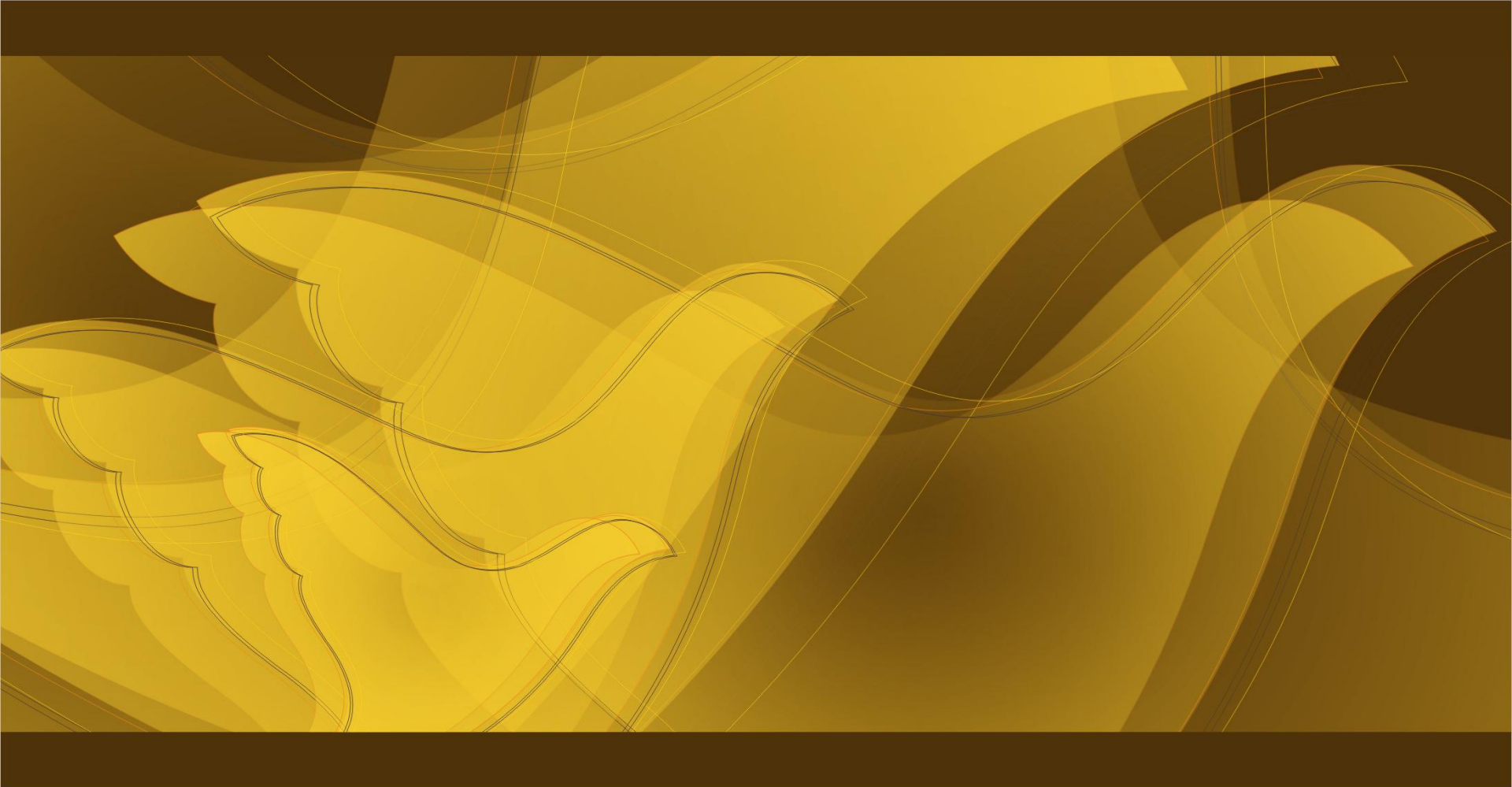
❑ Enhance margins


- ❑ Margins across the board at Gross, EBIDTA and Net level expected to increase format-wise due to increased focus on product, offering, scale and communication.
- ❑ Nurture private brands to achieve higher margins and better consumption proposition

❑ 1 x 1 : Building customer loyalty

- ❑ Encourage movement of customers across Future Group cosmos and thereby retain and add more consumers to the pie annually; increase the wallet share of the customer; shift spending to better margin products

Business Overview



A graphic on the left side of the slide consisting of four concentric blue circles of increasing size, positioned to the left of the text blocks.

Pantaloon has been a dominant and aggressive player, thanks to its philosophy of “everything, everywhere to every Indian consumer” for scale

It has intelligently focused on low hanging fruits in the first phase - and dominates the top 8 cities in India - and experimenting with smaller towns

Currently it dominates every category it represents like fashion, food, electronics, furniture and general merchandise

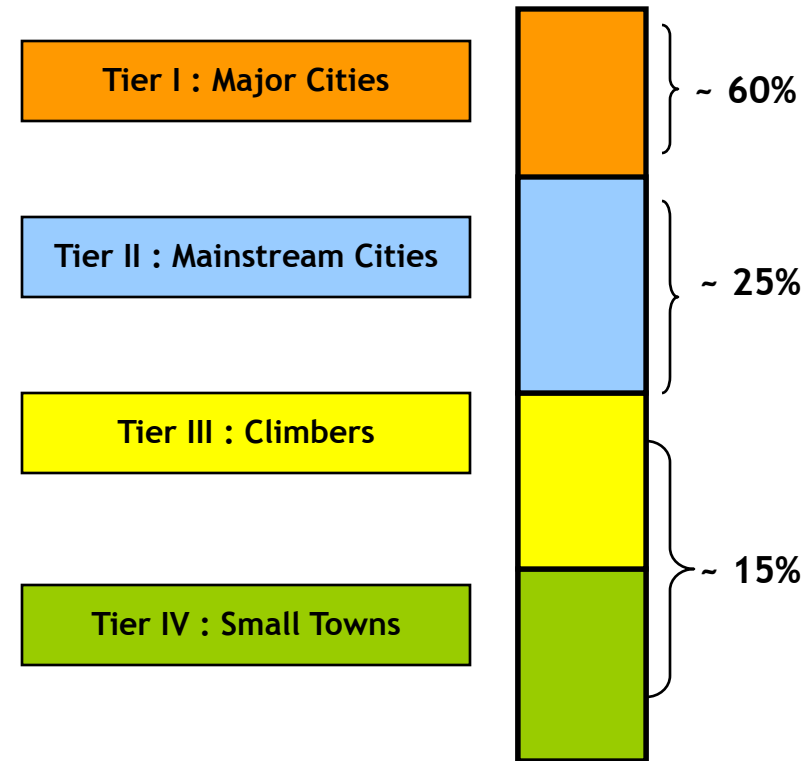
Intelligent dominance has helped it create a huge first mover advantage in each of the top eight cities of India and has created high entry barriers in these markets

City Wise Dominance



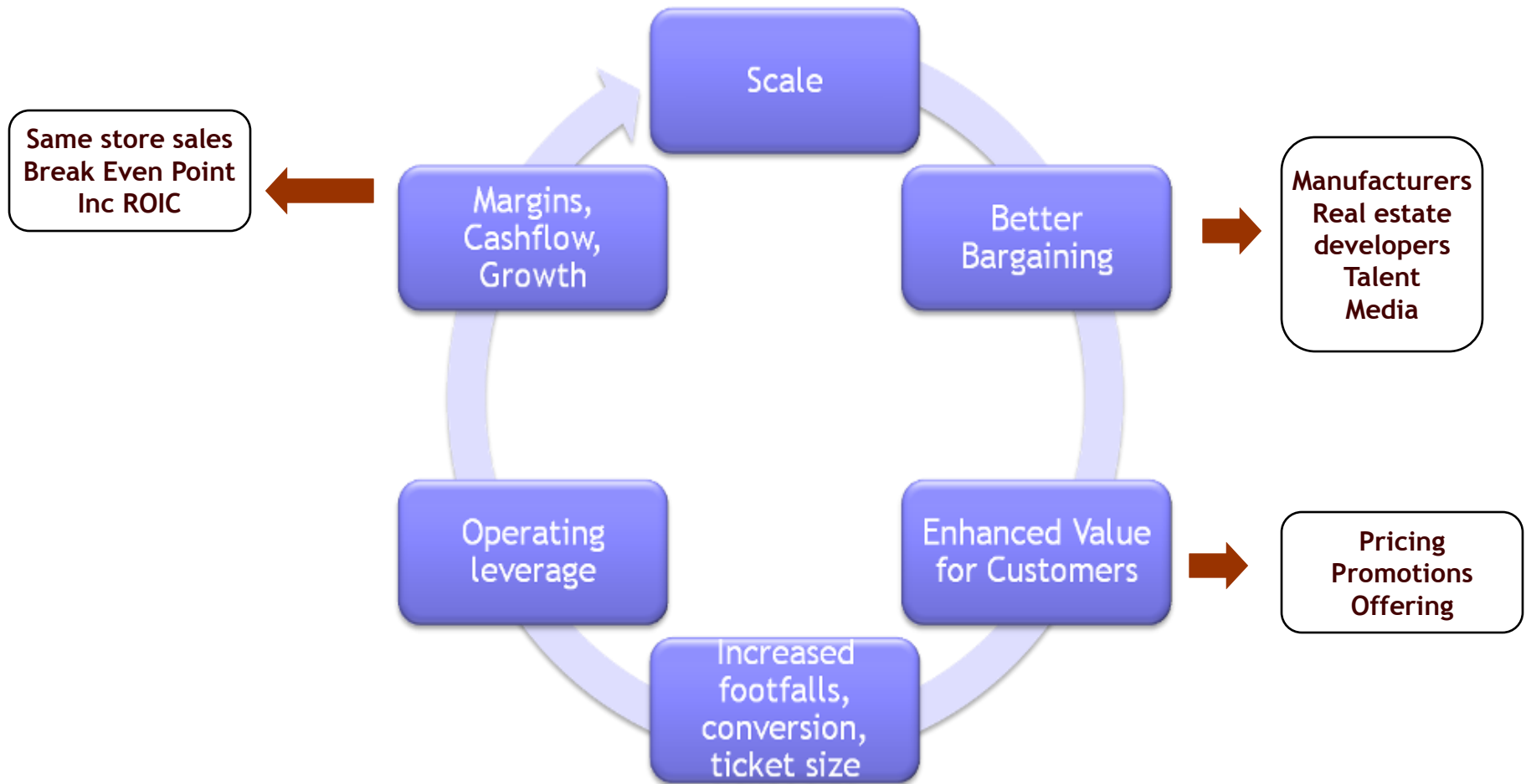
Note: Map not to scale

% Of Stores



Unprecedented Rollout - Globally the fastest to achieve the first 100 Hypermarket Stores Expansion through Organic Growth

Size Leads to Improved Returns



Scale defines everything in retail and increases the velocity of the virtuous cycle

Technology Initiatives Driving Efficiencies



Retail
Business

PLAN

MAKE

BUY

MOVE

SELL

SERVICE

SUPPORT

Technology Delivery to Retail

Business
Benefits
Targeted

Costs /
Investments



Controls



Consumer
Experience
/ Revenues



Scale



Key Retail Business and Technology Projects & Services

- Merchandise and Assortment Planning
- Perpetual Inventory Management
- Finance & Accounting Services
- Space Optimisation Services

- Business Intelligence
- Consumer Loyalty Programs
- Warehouse Management
- Store Management
- Data Centre and Network Optimisation & Upgrade
- Open Source Business & Technology Platforms

In-house
Capabilities

Business
Consulting

Technology
Design

Application
Development
Maintenance

Technology
Infrastructure
Management

Program
Management

Business
Services

Supply Chain & Logistics Initiatives



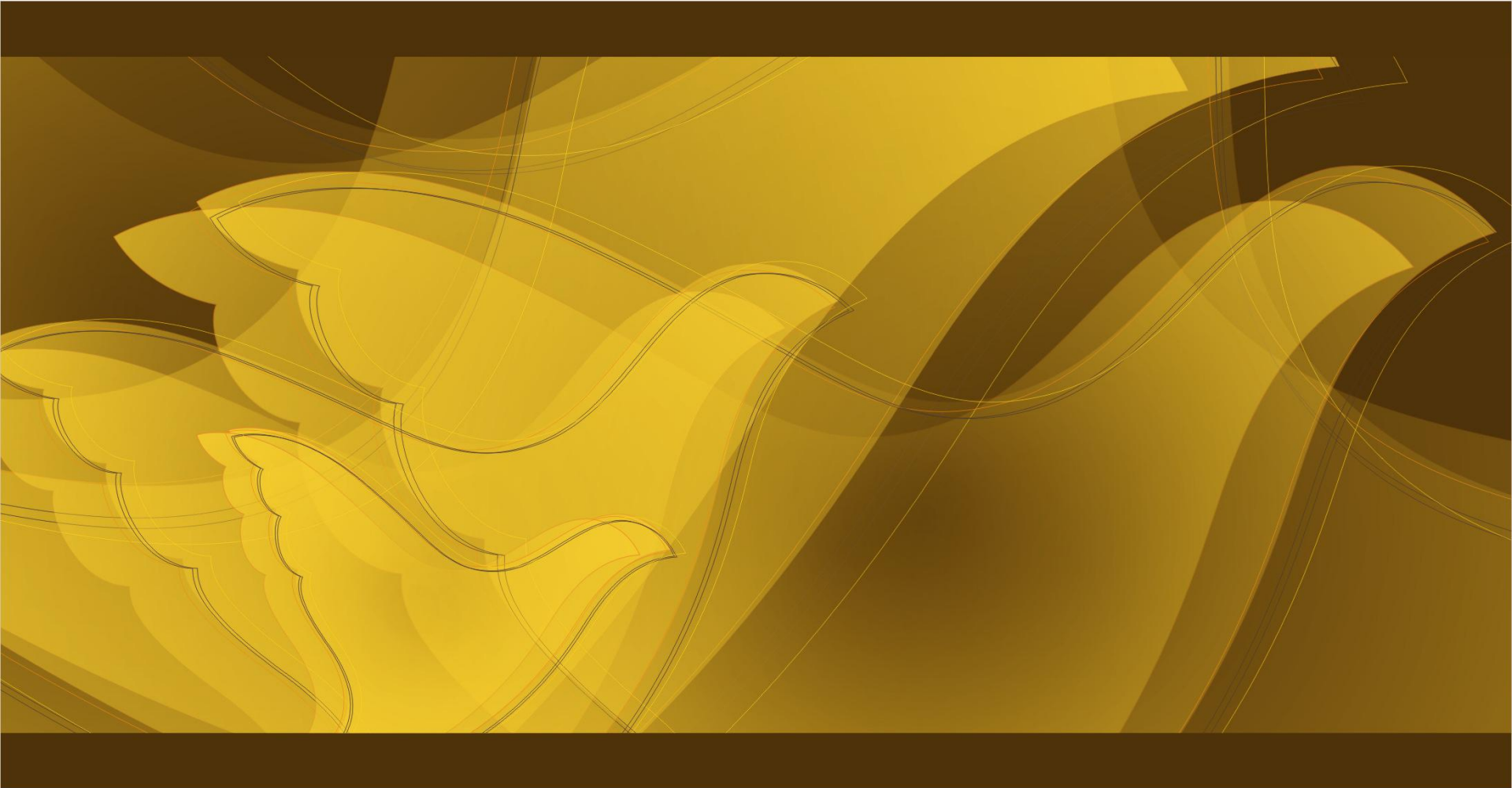
- **Consolidation of warehouse space**
- **WMS (Warehouse Management System)**
 - Mechanization and automation ensuring timely and accurate replenishment to the retail stores.
- **ARS (Automatic Replenishment System)**
 - Ensures timely product availability of all major fast moving items at stores.
 - Lower obsolescence and lower markdown.
 - Facilitate Stock Aging analysis.
 - Significantly reduced 'Time-to-Market'.
- **Improved Order Fulfillment and Accuracy**
- **Economies of scale**
 - Shared warehouse capex and overheads
 - Reduced inventory holding costs
 - Optimized load consolidation.
- **Rationalization of SKUs**

Leveraging In House Ecosystem



Strong in house capabilities developed in areas which are typically bottlenecks for retailer - logistics, human resource development, private brand development, media, etc.
Capabilities could be monetized through third party sales

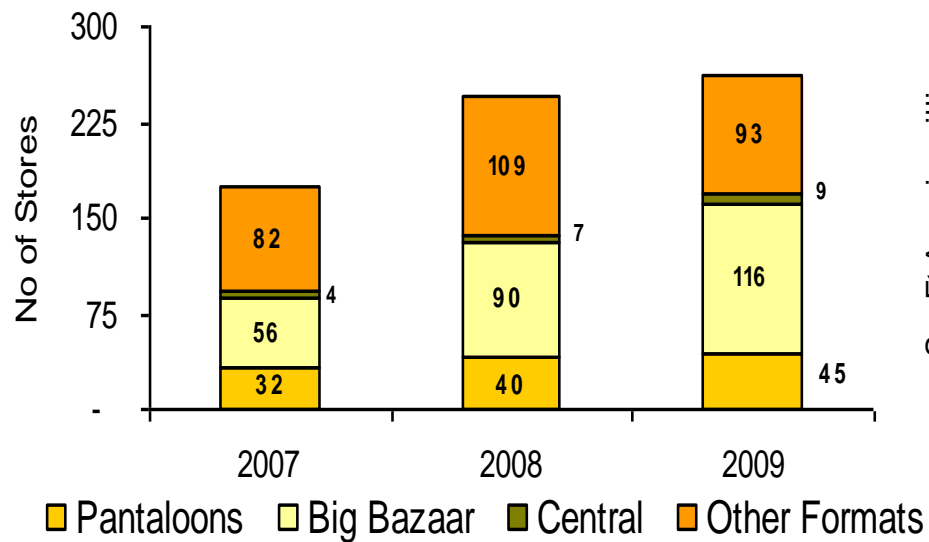
Business Highlights FY09



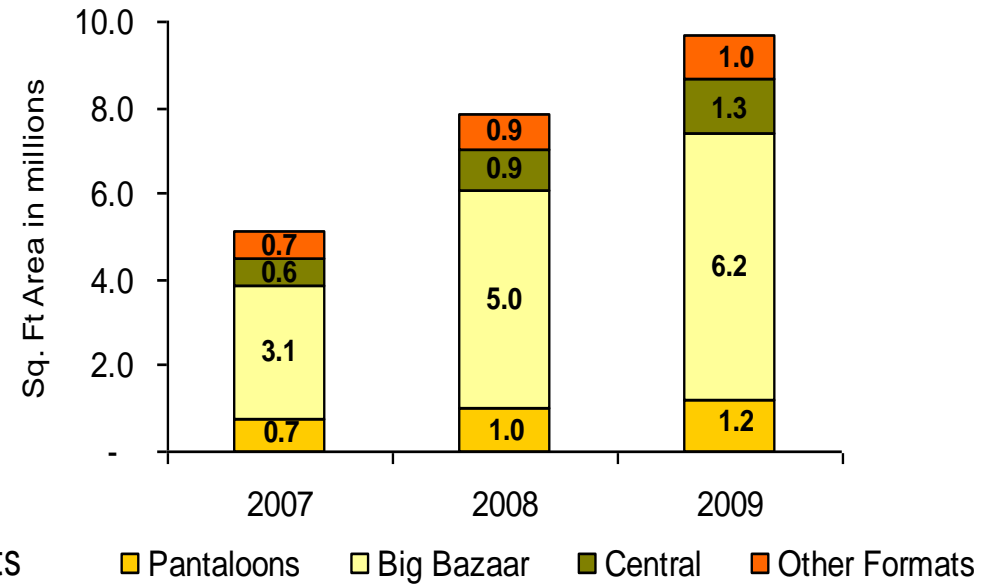
Operational Overview



PRIL No. of Stores by Format



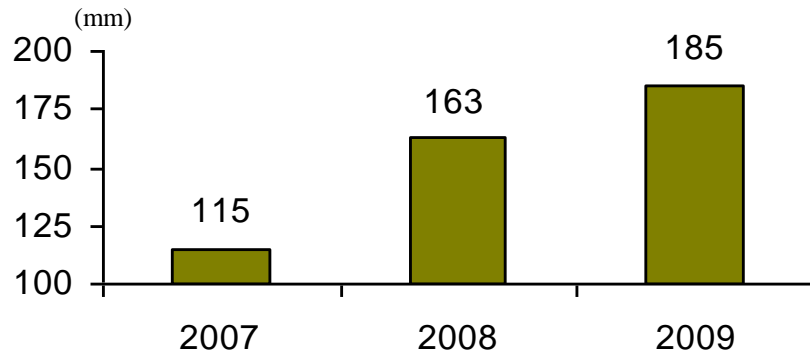
PRIL Retail Space by Format



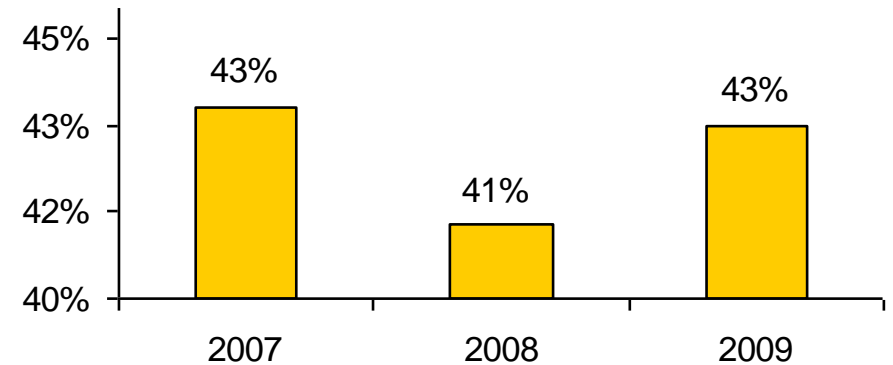
Operational Parameters



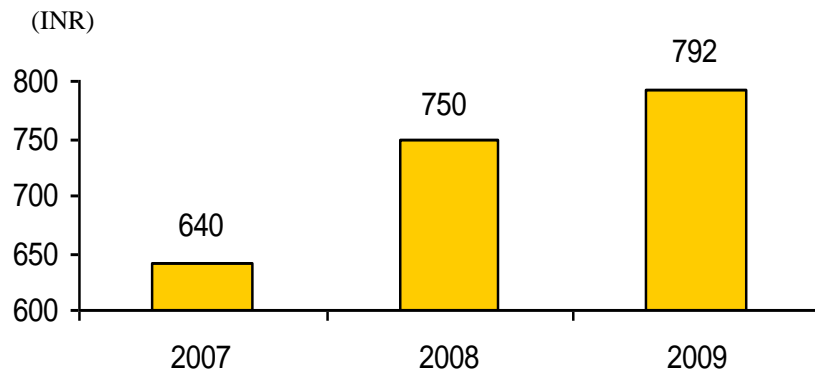
Footfalls



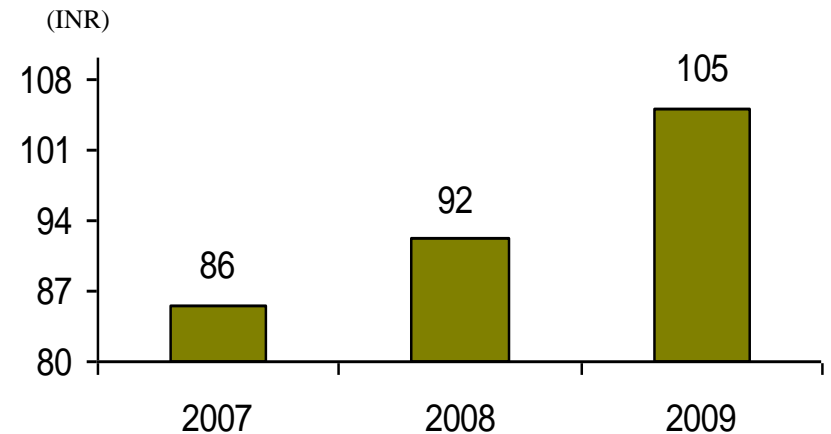
Conversion %



Average Ticket Size



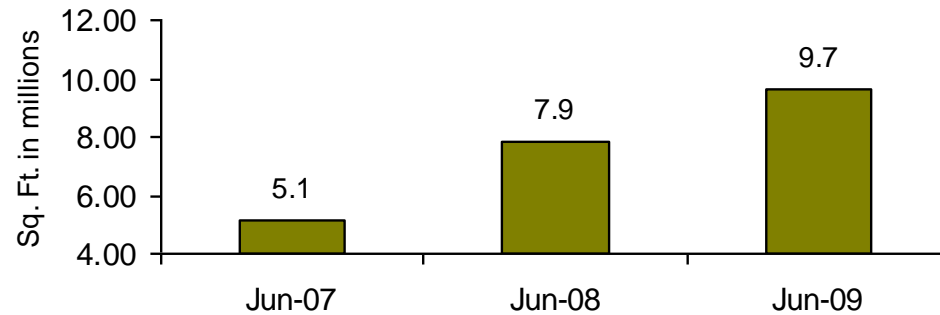
Average Selling Price



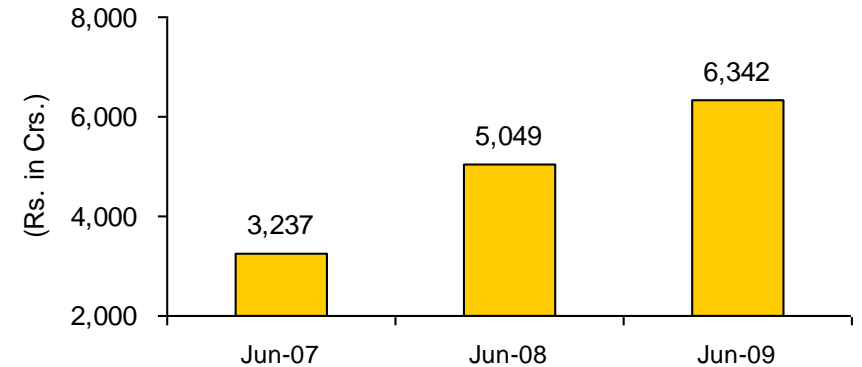
PRIL Business Overview



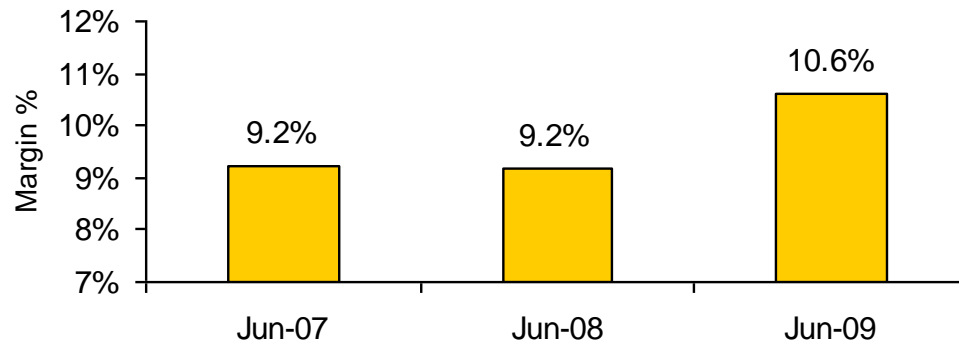
PRIL Retail Space



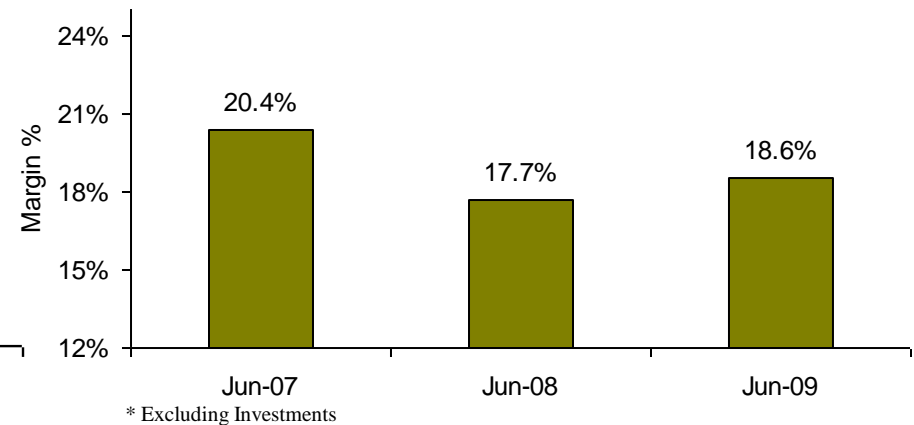
Total Revenue



EBITDA Margin



ROCE*

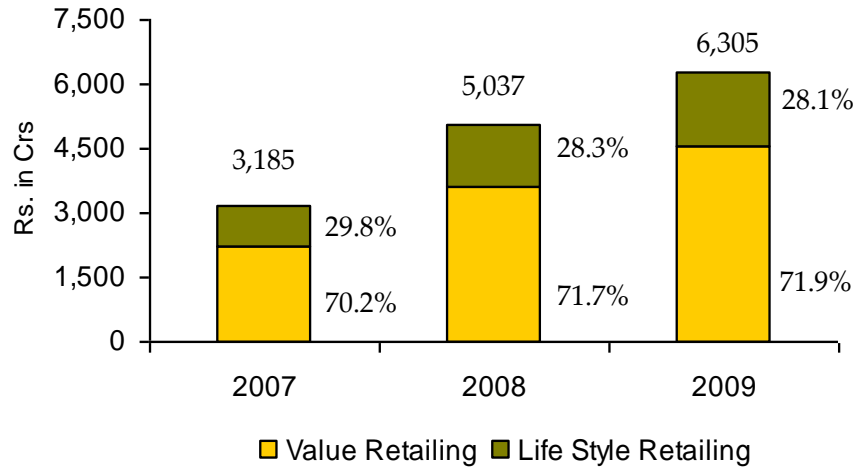


* Excluding Investments

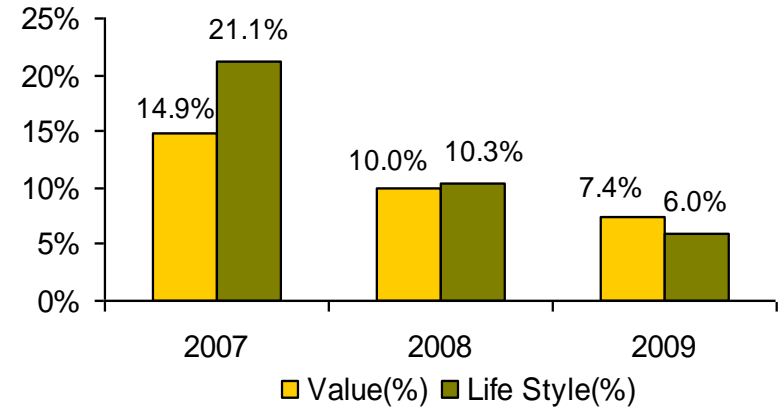
Sales Mix & Format Performance



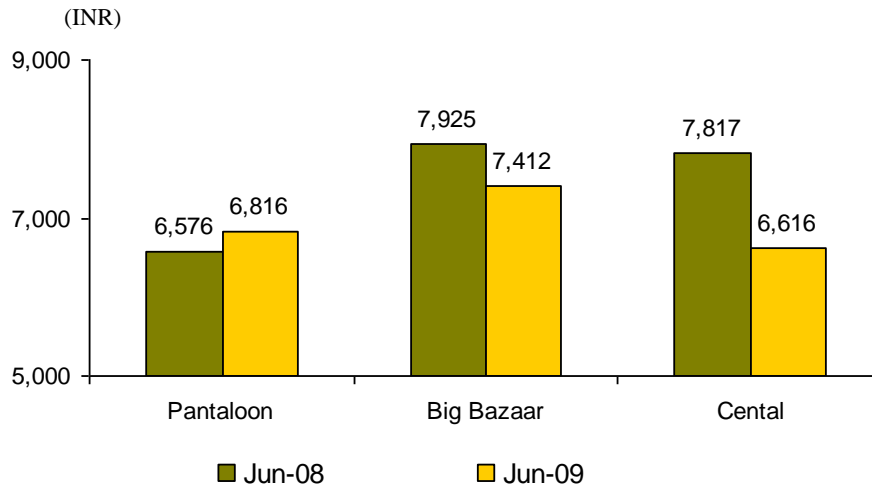
PRIL Retail Sales



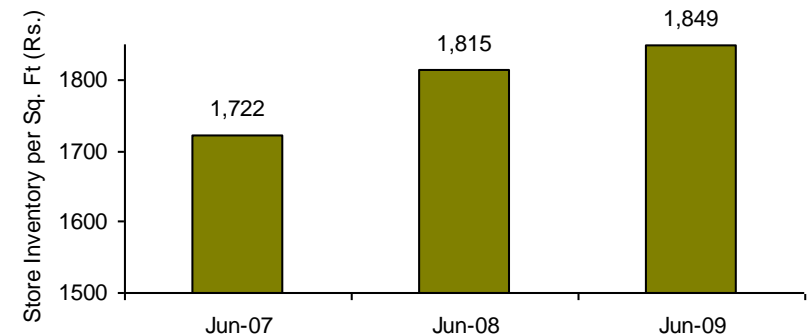
Same Store Sales Growth



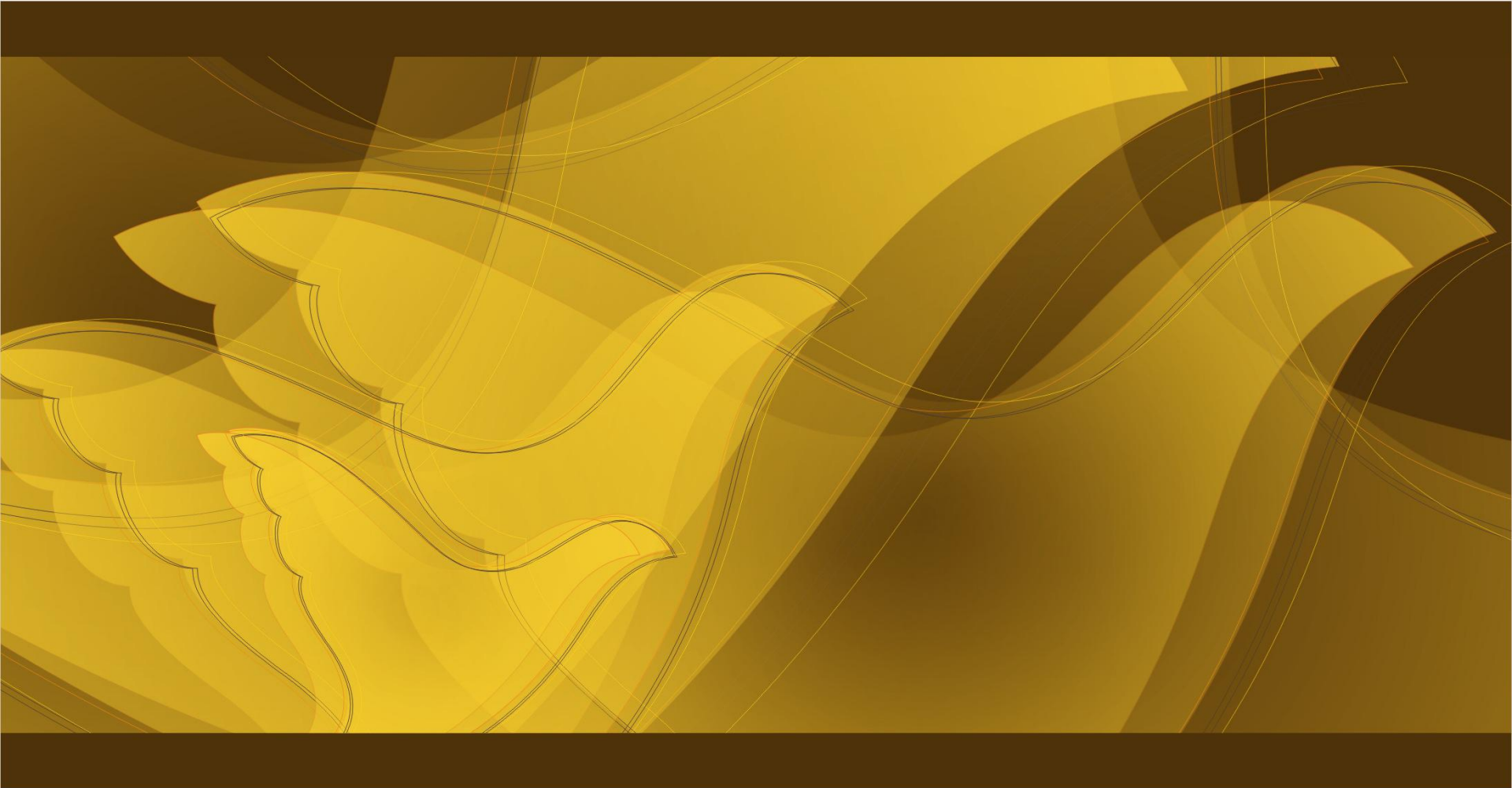
Sales Per Sq. Ft by Format



Inventory per Sq. Ft



Financial Highlights FY09



Profit & Loss Summary



Particulars (Rs. In Crs.)	Jun-09	Jun-08	YOY Inc/(Dec)	% of Sales	
				Jun-09	Jun-08
Net Sales/Income from Operations	6,342	5,049	25.6%	100.0%	100.0%
Other Income	6	4	61.3%	0.1%	0.1%
PBDIT	674	464	45.3%	10.6%	9.2%
Depreciation	140	83	67.9%	2.2%	1.7%
PBIT	534	381	40.3%	8.4%	7.5%
Interest	318	185	71.8%	5.0%	3.7%
PBT	216	196	10.5%	3.4%	3.9%
Tax	76	70	8.6%	1.2%	1.4%
PAT	141	126	11.6%	2.2%	2.5%
Cash Profit	281	209	34.0%	4.4%	4.1%

Balance Sheet Summary



Particulars	Amount (Rs in Cr.)		% Inc/Dec
	As on 30th June		
	2009	2008	
<u>SOURCE OF FUNDS</u>			
Net-Worth	2286	1847	23.79%
Loans Funds	2850	2192	30.05%
Deferred Tax	116	68	71.14%
TOTAL	5252	4106	27.91%
<u>APPLICATION OF FUNDS</u>			
Fixed Assets	1569	1198	30.93%
CWIP	345	331	4.41%
Investment	954	587	62.66%
Current Assets	3283	2629	24.89%
Current Liability	898	638	40.88%
Net Working Capital	2384	1991	19.77%
TOTAL	5252	4106	27.91%
Debt/Equity Ratio	1.25	1.19	

Cash Flow Summary



Particulars (Rs. In Crs.)	Jun-09	Jun-08
Sources of Fund		
Opening Cash	121	163
Share Capital	299	690
Retained Earnings	326	155
Increase/ (Decrease) in Borrowings	659	892
TOTAL	1,405	1,900
Application of Fund		
Fixed Assets & CWIP	522	801
Inc./ Dec. in Working Capital	405	643
Investments	368	335
Closing Cash	109	121
TOTAL	1,404	1,900

Subsidiaries Performance FY09



Subsidiary	PRIL Shareholding %	Total Revenue	EBIDTA	Capital Employed
Future Capital Holdings Limited	54.8%	136	31.5%	1,217
Home Solutions Retail (India) Limited	66.9%	1,071	-3.4%	674
Future Agrovet Limited	96.2%	391	0.4%	61
Future Logistic Solutions Limited	94.2%	194	5.3%	35
Future Brands Ltd	76.3%	19	1.7%	15
Future Media (India) Limited	84.2%	46	-13.0%	42
Future Knowledge Services Limited.	100.0%	47	3.0%	45
Future Learning and Development Limited	100.0%	5	21.9%	33
Future E-Commerce Infrastructure Limited	72.0%	118	-20.5%	54
Winner Sports Private Ltd.	100.0%	33	5.9%	43

*Amount in Rs Crs unless otherwise mentioned

Consolidated Profit & Loss Summary



Particulars (Rs. In Crs.)	Jun-09	Jun-08	YOY Inc/(Dec)	% of Sales	
				Jun-09	Jun-08
Net Sales/Income from Operations	7,669	5,841	31.3%	100.0%	100.0%
Other Income	96	56	71.8%	1.2%	1.0%
PBDIT	609	356	70.9%	7.9%	6.1%
Depreciation	207	118	74.7%	2.7%	2.0%
PBIT	402	238	69.0%	5.2%	4.1%
Interest	419	224	87.2%	5.5%	3.8%
PBT	(16)	14	-211.3%	-0.2%	0.2%
Tax	(10)	47	-121.7%	-0.1%	0.8%
Share of Minority Interest	(24)	(51)	-52.3%	-0.3%	-0.9%
PAT after Minority Interest	10	22	-54.1%	0.1%	0.4%
Cash Profit	217	140	54.6%	2.8%	2.4%

Consolidated Balance Sheet Summary



Particulars	Amount (Rs in Cr.)		% Inc/Dec
	As on June 30		
	2009	2008	
<u>SOURCE OF FUNDS</u>			
Net-Worth	2,500	2,227	12.2%
Minority Interest	385	406	-5.3%
Loans Funds	3,858	2,767	39.4%
Deferred Tax	4	35	-88.7%
TOTAL	6,747	5,436	24.1%
<u>APPLICATION OF FUNDS</u>			
Fixed Assets	2,201	1,671	31.7%
CWIP	430	384	11.9%
Investment	898	726	23.6%
Current Assets	4,623	3,833	20.6%
Current Liability	1,405	1,178	19.2%
Net Working Capital	3,218	2,655	21.2%
TOTAL	6,747	5,436	24.1%



Thank you!