

Q1 FY13 – Investor Update

Marking the beginning of a new innings and laying the foundation for the company's future, the company has changed its corporate name to Future Retail from Pantaloon Retail. As a part of a larger re-organization, Future Retail will operate the hypermarket and home business including Big Bazaar, Food Bazaar, FBB, Home Town and eZone. The objective is to benchmark the company's performance and standards to global leaders with a sharper focus on profitability and growth.

Quarter Highlights

For the quarter ended March 2013, the standalone turnover for the company was ₹941 crore while the EBITDA was at ₹101 crore. The core retail business of the company - which includes the standalone business and also of its subsidiary, Future Value Retail Limited, posted a turnover of ₹2,907 crore and an EBITDA of ₹252 crore. The standalone Net Profit for the company was Rs 2 crore.

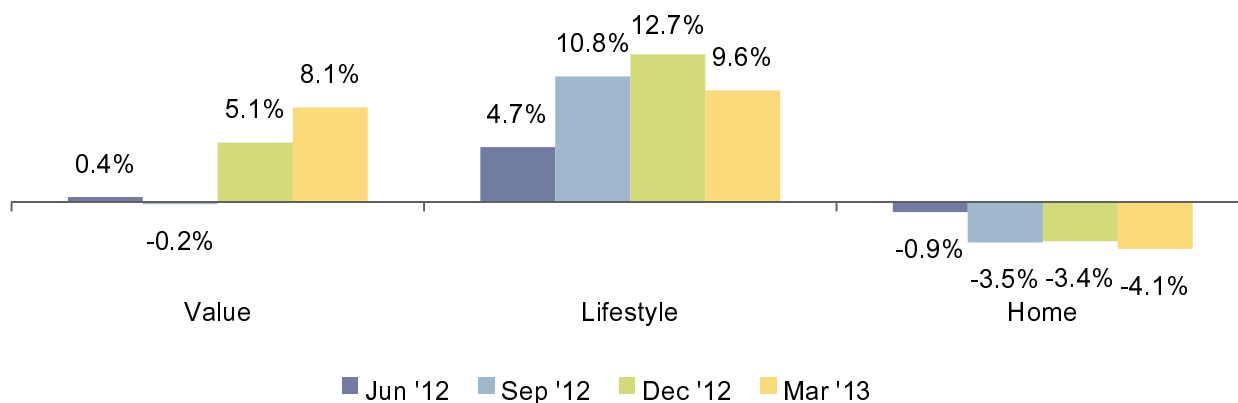
Consequent to the completion of the Pantaloons business demerger on 9th April 2013, the quarterly results of the company does not include the businesses from Pantaloons and Pantaloon Factory Outlet format. Hence the results are not comparable to the corresponding quarters of the previous year.

The company ended the quarter with 14.12 million sq ft of retail space (excluding Pantaloons and Pantaloon Factory Outlet). The company added 0.33 million square feet of gross retail space during the March quarter. In the lifestyle segment, the company opened 2 Brand Factory stores. In the value segment, it opened 4 Big Bazaar and 2 FBB stores. While Big Bazaar strengthened its presence in Chennai, Gurgaon and Coimbatore, it opened its first store in Madurai. FBB opened its first store in Bhagalpur and its sixth store in Mumbai. Brand Factory entered new markets - Mangalore and Coimbatore.

Improvement in SSG

In line with the expectations, the same store sales growth of the company's retail formats showed some steady improvement. The value retailing business - which includes Big Bazaar, Food Bazaar and FBB, posted a same store sales growth of 8.1%, compared to 5.1% in the quarter ended December 2012 and -0.2% in the quarter ended September 2012. The capital expenditure incurred in the renovation of the stores and the strengthening of the value fashion business through FBB has led to the improved performance in the same stores sales growth. The business is currently part of the company's wholly owned subsidiary, Future Value Retail Limited and the company is seeking shareholders' approval for the merger of Future Value Retail Limited with Future Retail Limited in the month of June 2013.

The lifestyle retailing business - that now includes only Central, Brand Factory and Planet Sports - posted a same store sales growth of 9.6%, compared to 12.7% in the quarter ended December 2012 and 10.8% in the quarter ended September 2012. The home retailing business comprising of eZone and Home Town posted a same store sales growth of -4.1%, compared to -3.4% in the quarter ended-December 2012 and -3.5% in the quarter ended September 2012.



FUTURE RETAIL



Turnaround of eZone format

The consumer electronics retailing chain, eZone has achieved a turnaround in terms of growth and profitability. The chain has posted a same store sales growth of 27.3%. Turnover increased to Rs 146 crore, from Rs 102 crore in the quarter ended March 2012, marking an increase of 43.6%. The 38-store chain opened a new store in Ahmedabad in January 2013. Increased growth and the success in implementing a number of strategic initiatives has also helped the chain become EBIDTA positive.

However, this turnaround didn't happen over a quarter or two. A sustained focus for the past 18 months has helped build a sustainable platform for profitable growth in the future. Plagued by slowing consumer demand, a low-margin and difficult category, eZone was almost on the brink of becoming an unsustainable business. However, the company took on the challenge to turn it around. Every store was evaluated and every category were measured not just on sales and margins but also on stock turns. Based on this, almost every store was reinvented - optimizing their size, redrawing and redesigning their merchandize layout and increasing space efficiency. Tough decisions in terms of closing down of stores, exiting certain cities and the patience to go through a period of slow but profitable business helped in this turnaround.

Based on consumer and technology trends, fresh bets were placed on new and emerging categories, while some categories were dropped. Most importantly, the team was reorganized, reenergized, empowered and instilled with the belief that they can be part of a winning business. A larger number of stores in fewer cities helped optimize inventory and marketing costs. Better layouts, facades, lighting, along with improved consumer delivery and service added to the overall consumer experience with the brand.

In effect, the store managers were given stores that can be run profitably along with merchandize and a brand that can draw in customers. eZone store managers have showcased that focus and patience goes a long way in turnaround of a retail business even in a difficult consumer environment. The company has already embarked on a similar move for its Home Town business. This business is now going through the pains of slower growth and store network optimization that has resulted in the overall same store sales growth in home retailing being in negative zone. However, the company is confident these steps will start yielding results in terms of a growing and profitable home retailing business before the festive season.

Divestment of insurance businesses

During the quarter, the company signed the term sheets for two transactions with regards to its insurance arms – Life and General insurance. On 26th March, the company announced the signing of a term sheet for the merger of Future Generali India Insurance Ltd with L&T General Insurance Company Ltd (LTGI). On 8th March, the company had informed the stock exchange that it had entered into a Share Purchase Agreement with Industrial Investment Trust Limited to sell its part holding in Future Generali Life Insurance Company Ltd. These transactions are subject to receiving necessary regulatory approvals from governmental & regulatory authorities.

Forthcoming events

With consumer sentiment improving, the company expects further improvement in the same store sales growth in the forthcoming quarters. The company had introduced Public Holiday Sale in May last year and this year, it turned out to be yet another trend picked up by the industry. The increased consumer response to this initiative, coupled with the upcoming marriage season in the month of May, bodes well for further growth in the business. With the store network optimization exercise and category revamps that are being undertaken, the company expects and efficiencies and profitability of its businesses to improve further.

The removal of the excise duty on branded garments announced during the Union Budget has come as a positive step. The benefits in terms of improved margins and higher volumes due to lower prices will start accruing during the June-end quarter.

On the lifestyle fashion demerger and creation of Future Lifestyle Fashions (FLF) the company is seeking court approval during the month of May. The company will be seeking shareholders approval on the merger of its wholly owned subsidiary, Future Value Retail Limited, during the month of June 2013.

Q1 FY13 – P&L Summary

Particulars (₹ cr.)	Stand-Alone		Core Retail	
	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13
Net Sales	1,106	911	2,959	2,834
Other Operating Income	35	29	68	73
Total income from Operations	1,141	941	3,026	2,907
Purchase of stock-in-trade	763	563	2,246	2,030
Changes in inventories	(32)	54	(95)	84
Gross Profit	410	324	876	794
Gross Margin %	36%	34%	29%	27%
Employee benefits expense	54	34	126	101
Depreciation and amortisation	48	45	89	97
Rent including lease rentals	120	100	218	198
Other Expenditures	101	91	254	245
Total Expenditure	1,055	886	2,838	2,755
Other Income	1	2	2	3
EBITDA	136	101	279	252
EBITDA Margin %	12%	11%	9%	9%
EBIT	88	57	191	155
Finance Costs	79	53	173	152
PBT	8	4	18	3
Tax expense	3	1	6	1
Net profit	5	2	12	2

Note: Numbers are not comparable due to effect of Pantaloons and Pantaloon Factory Outlet business demerger.

Q1 FY13 – New Store Additions

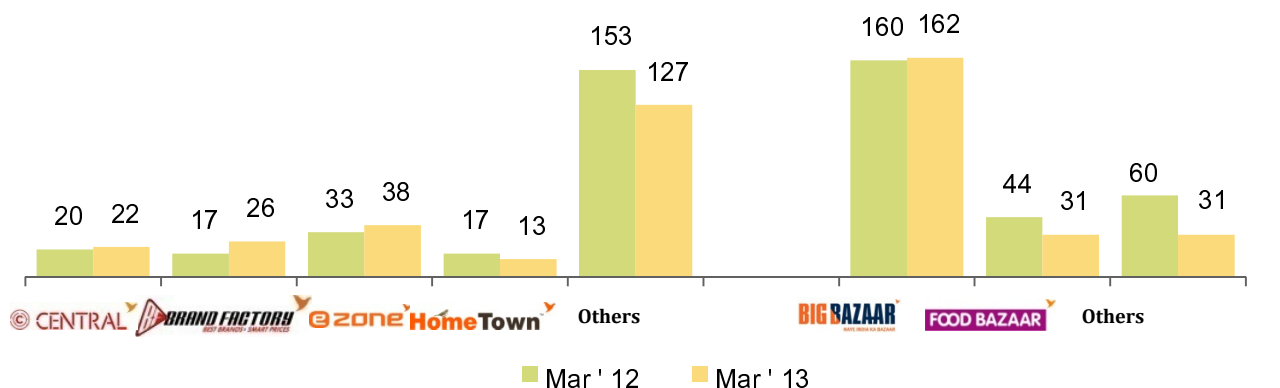
Total space add nearly 0.33 million square feet during Q1 FY13

Store Count - FRL

Store Count – FVRL

Selling Space (mn. sq. ft.)

2.21	0.67	0.38	1.28	0.70	7.99	0.47	0.49	:Mar' 12
2.40	0.91	0.38	1.05	0.61	7.98	0.36	0.43	:Mar' 13



Stores opened quarter ended March ' 13

Format	Date of opening	Sq. Ft.	Location
BIG BAZAAR MORE THAN IN BAZAAR	31-Jan-13	73,557	Phoenix Market City, Chennai, Tamil Nadu
	12-Jan-13	43,083	Spazedge Mall, Gurgaon, NCR
	22-Feb-13	40,673	Unitea Mall, Coimbatore, Tamil Nadu
	29-Mar-13	47,069	Kalavasal Bypass Road, Madurai, Tamil Nadu
fb BRANDS BY FUTURE	24-Jan-13	10,533	Neptune Magnet Mall, Mumbai, Maharashtra
	15-Mar-13	12,108	D N Singh Road, Bhagalpur, Bihar
BRAND FACTORY BEST BRANDS - SMART PRICES	23-Jan-13	38,500	Bf Mak Mall, Mangalore, Karnataka
	1-Mar-13	21,441	Race Course, Coimbatore, Tamil Nadu
ezone	6-Jan-13	7,330	Acropolis, Ahmedabad, Gujarat

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