

Q2 FY12 — Investor Update

Financial & Operational Highlights

The core retail business turnover increased from ₹2,759 cr in Q2 FY11 to ₹2,893 cr in Q2 FY12. The EBITDA margins also expanded from ₹244 cr to ₹265 cr. The October-December 2012 quarter has been among the weakest we have witnessed in terms of consumer spending and economic growth. The festive season this year was particularly disappointing resulting in lower same store sales growth. The same store sales growth for the quarter in lifestyle retail stood at 5.27%, for the value retail at 3.18% and -3.18% in home retail business.

Owing to the weak sentiments, customers across formats seem to have postponed their purchase decisions. Keeping this view, the company prepared itself early for the promotions season in January – securing the right merchandise and best deals for customers from various suppliers. This strategy seemed to have paid off during the recent Sabse Sasta 5 Din in Big Bazaar and End of Season Sales in Central, Pantaloons and Home Town. Customers came back to stores in very large numbers and ticket size and conversions showed strong recovery. As an indicative trend, in the month of January 2012 alone, the company achieved a sales turnover of more than 40% of what it had achieved during this entire quarter. With apparel prices expected to fall in the new season and improving customer sentiments, the company expects to get back to higher same store sales growth within the short term.

Despite the weak economic environment, the company has been able to maintain and improve upon its margins across categories. Inventory management too improved and the impact will be visible in the forthcoming quarter, after the planned inventory built up for the sale season moved out of stores during January sales.

The company added 1.49 million square feet of total retail space during H1 FY12, resulting in a total operational retail space of 16.30 million square feet. In the lifestyle segment, the company opened 6 Pantaloons, 2 Central and 4 Brand Factory. In the home category, the company opened 5 eZone and 3 Home Town stores apart from the newly refurbished 24 HomeTown Express stores. In the value segment, 11 Big Bazaar, 1 Food Bazaar, 23 KB's FairPrice were opened along with 9 FBB's (Fashion@BigBazaar).

In its 10th year of operations, a large number of Big Bazaar stores are undergoing improvements and renovations and sporting a new look in order to stay a step ahead of consumer aspirations. The company has also launched a new logo and the tagline has been changed to 'Naye India Ka Bazaar' from 'Isse Sasta Aur Achcha Kahin Nahin.' Some of the Big Bazaar stores have also been resized with an intent to improve store productivity and efficiency. The company has also revamping Pantaloons into next generation stores, in line with its strategy to evolve with the consumer preferences.

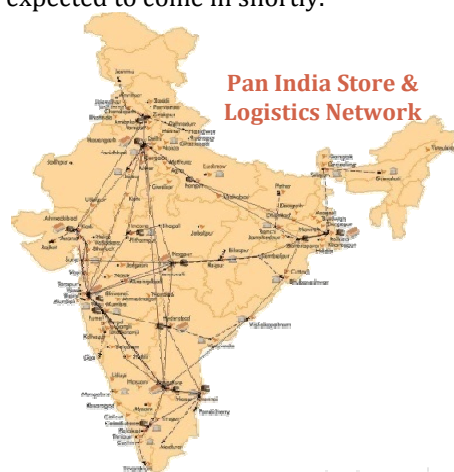
With an aim to focus only on 5 cities, eZone has shut down 11 stores in cities while opening 5 new stores. The company's furniture sections and stores have been revamped and redesigned, aligning them with the Home Town brand. These Home Town Express and Home Town Design & Build stores act as spokes to the large format Home Town hub stores. While renovations and increased addition of space has taken up significant amount of capital expenditure, the company firmly believes that these steps will deliver far more productivity, margins and efficiencies. The company has also been on working on controlling costs on various fronts and some positive results are coming in from operational and people cost on per-square feet basis.

In view of the external economic situation and the expected change in the policy environment in the near future, the Board of Directors believe that a new approach needs to be devised which may lead to realignment, reorganization, strategic partnerships or divestments. The company has been working on various initiatives including monetization of non-core business and there have been some proposals with the management for strategic partnerships, divestment and realignment. It is felt that there is a need to hasten the process as well as look at these holistically with the sole objective of enhancing shareholder value and positioning the businesses on the path of sustainable and profitable growth. Therefore the Board has formed a high powered Review Committee with the mandate to consider various options for realignment and divestments. The committee is expected to submit its recommendations within a short time frame and achieve some or all of these objectives within this financial year.

Strengthening Backend

Future Supply Chain Solutions Limited (FSCSL), set up with investments and partnership with Hong Kong-based Li & Fung Group has been creating world-class warehousing and logistics networks that are fully automated and comparable with some of the best in the world. While in past two quarters it had completed the transformation of the warehouses serving Mumbai and the Western region, **in the current quarter it commissioned a 420,000 sq ft Central Distribution Centre in Mihan, Nagpur.** This Central DC in Nagpur, located within 48 hours of driving distance from any part of the country can handle more than 1 lakh pieces per day across different categories, thereby ensuring higher efficiency and better shelf availability. Built with the latest technology, this DC helped consolidate 11 lakh sq ft of warehousing space in various parts of the country.

The company has also **acquired warehousing business of Transmart India** - a move that will further help in releasing its fragmented warehousing facilities into a single location. The consolidation of warehousing space is being done to benefit from the GST regime that is expected to come in shortly.



Similar steps to capture more value and efficiencies by strengthening the back-end are also being undertaken in the fruits and vegetables, along with staples and commodities – two categories that provide an opportunity to increase both margins as well as turns within the food category. The company has created a **fast growing specialized network for procurement and distribution of fruits and vegetables and operates 12 Farm Collection Centers (FCC)** that collect the produce and does primary grading, washing and packing them into carts. These then travel to 5 Distribution Centers (DCs) in key cities where the produce goes through quality control, cleaning, packaging and organizing them into standard crates, ready to be delivered at the store. The company also **established a strong sourcing capabilities for staples, commodities, spices and dry fruits.** It

has created specialized regional commodity procurement centers with **APMC licenses in 26 states and network across 30 cities** - offices cum distribution centers. These direct sourcing initiatives have acquired significant traction, thereby yielding more control over product pricing and efficiencies for the company leading to reduction in lead time required from vendor to store.

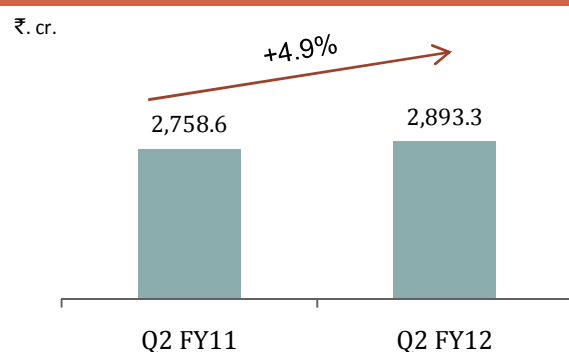
The company intends to increase the share of food category – specifically, fruits and vegetables and agri-commodities – in its overall share of sales. While increased investments in the backend will help earn more value and margins, increased share of food translates into higher turns, thereby reducing working capital requirements.

Q2 FY12 — P&L Summary

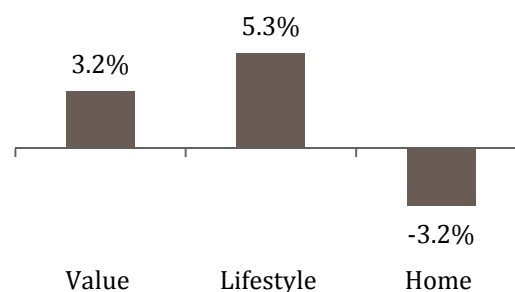
Q2 FY11 vs. Q2FY12

Particulars (₹ cr.)	Stand-Alone		Core Retail		Consolidated
	Q2 FY11	Q2 FY12	Q2 FY11	Q2 FY12	Q2 FY12
Sales & operating income	1,024	1,108	2,759	2,893	3,175
Other income	4	4	5	4	12
Total income	1,028	1,111	2,764	2,897	3,187
PBDIT	111	129	244	265	368
Depreciation	35	48	65	88	98
PBIT	76	81	179	178	270
Interest	46	74	108	158	244
PBT	30	8	71	19	26
Tax	10	2	24	6	22
PAT (before minority interest)	20	6	47	13	4
Cash profit	55	54	112	101	102

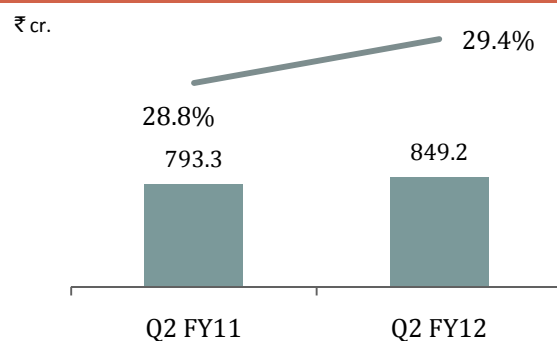
Core Retail Net Sales



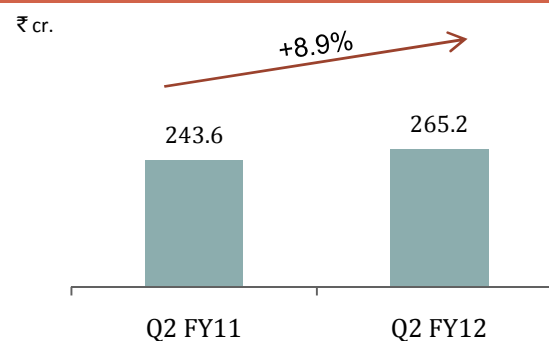
Same Store Growth – Q2FY12



Core Retail Gross Margins



Core Retail EBITDA

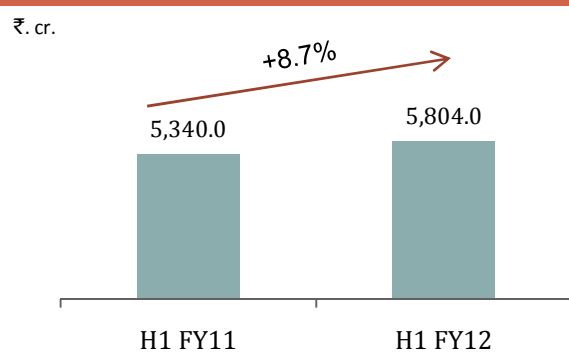


H1 FY12 — P&L Summary

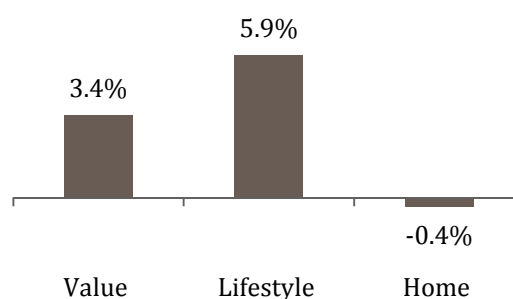
H1 FY11 vs. H1 FY12

Particulars (₹ cr.)	Stand-Alone		Core Retail		Consolidated
	H1 FY11	H1 FY12	H1 FY11	H1 FY12	H1 FY12
Sales & operating income	2,016	2,186	5,340	5,804	6,355
Other income	11	11	13	12	20
Total income	2,027	2,197	5,353	5,816	6,375
PBDIT	214	256	464	525	722
Depreciation	70	94	128	171	191
PBIT	145	163	336	355	531
Interest	88	139	201	289	454
PBT	57	24	135	66	77
Tax	19	5	45	20	49
PAT (before minority interest)	38	18	90	47	28
Cash profit	107	112	218	217	219

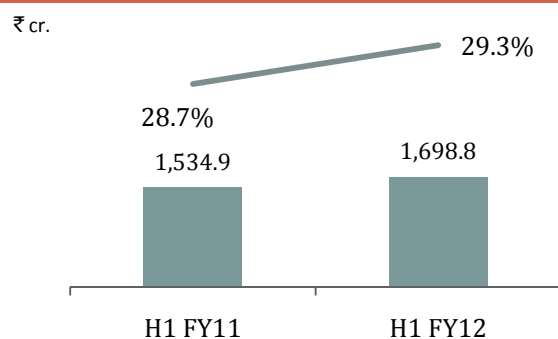
Core Retail Net Sales



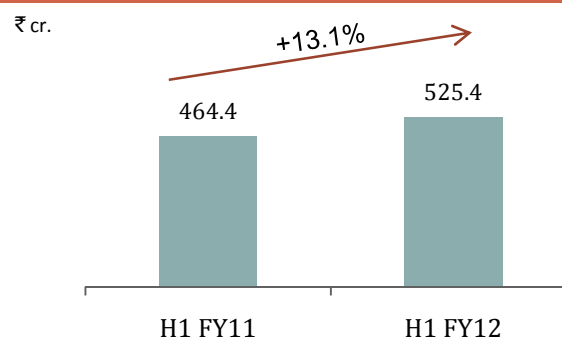
Same Store Growth - H1FY12



Core Retail Gross Margins



Core Retail EBITDA



H1 FY12 — Balance Sheet Summary

H1 FY11 vs. H1 FY12

Particulars (₹ cr.)	Stand-Alone as of	
	30-Jun-11	31-Dec-11
Sources of Funds		
Shareholders Fund	2,878	2,897
Loan Funds	2,173	2,827
Deferred Tax Liability	87	89
Total Liabilities	5,138	5,813
Application of Funds		
Fixed Asset	1,567	1,934
Investment	2,255	2,336
Current Assets	2,512	2,754
Current Liabilities	1,196	1,210
Net Current Assets	1,316	1,544
Total	5,138	5,813

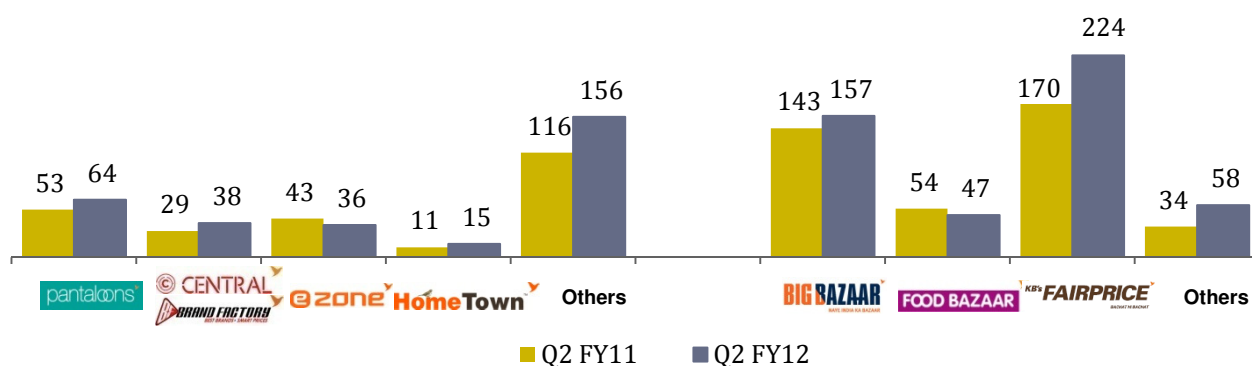
Store Count - PRIL

Selling Space (mn. sq. ft.)

1.45	2.36	0.53	1.11	0.38
1.94	2.97	0.42	1.24	0.72

Store Count - FVRL

7.38	0.48	0.15	0.33
7.86	0.50	0.20	0.45



Q2 FY12 – New store additions

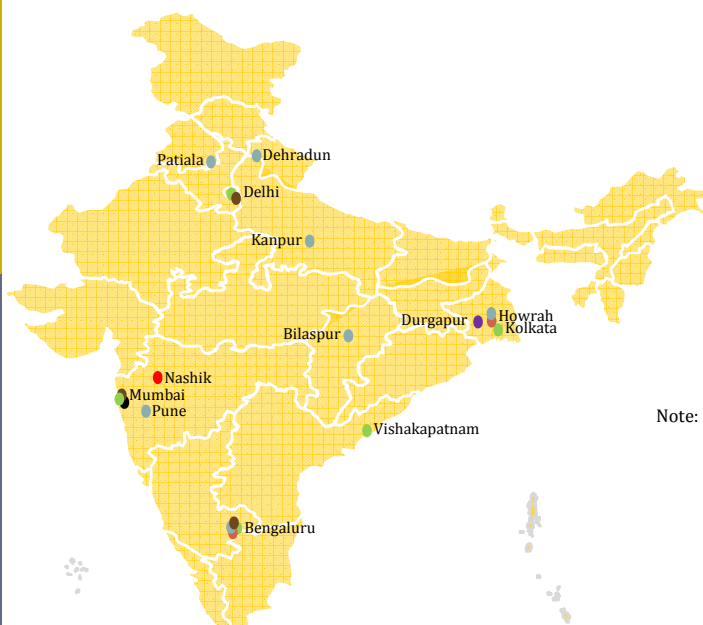
Store Count - PRIL

Format	Store #	Sq. Ft.	Date of opening	Location
pantaloons	60	22,000	12-Nov-11	Janakpur, New Delhi
	61	38,711	1-Dec-11	Phoenix Market City Mall, Mumbai
	62	31,659	2-Dec-11	Avani Riverside Mall, Howrah
	63	36,224	24-Dec-11	Phoenix Market City, Bengaluru
	64	37,033	30-Dec-11	TSR Complex, Visakhapatnam
CENTRAL	20	155,987	22-Dec-11	Pinnacle Mall, Nashik
ezone	34	5,526	21-Oct-11	Rajajinagar, Bengaluru
	35	3,612	18-Nov-11	Indiranagar, Bengaluru
	36	10,622	3-Dec-11	Avani Riverside Mall, Howrah
HomeTown	15	5,280	19-Oct-11	AC Market, Sobo Central, Mumbai

Store Count – FVRL

Format	Store #	Sq. Ft.	Date of opening	Location
BIG BAZAAR	150	48,569	1-Oct-11	Z Square Mall, Kanpur
	151	54,240	1-Oct-11	Magarpara Link Road, Bilaspur
	152	32,909	7-Oct-11	Arjan Complex, Patiala
	153	17,119	19-Nov-11	City Mall, Bilaspur
	154	79,892	2-Dec-11	Phoenix Market City Mall, Bengaluru
	155	56,089	10-Dec-11	Riverside Mall, Howrah
	156	35,851	17-Dec-11	City Junction Mall, Dehradun
FOOD BAZAAR	47	6,772	10-Nov-11	Junction Mall, Durgapur
KB'S FAIRPRICE	214	693	23-Sep-11	Cholurpalya, Bengaluru
	215	660	5-Oct-11	Aghadi Nagar, Andheri (E), Mumbai
	216	825	22-Oct-11	Trinagar, Delhi
	217	891	22-Oct-11	Dr. Mukherjee Nagar, New Delhi
	218	699	26-Oct-11	Mudapalya, Sanjivini Nagar, Bengaluru
	219	770	7-Nov-11	Subramanya Nagar, Bengaluru
	220	704	22-Nov-11	Jamia Nagar, Delhi
	221	715	25-Nov-11	Marve Road, Oriem Malad (W), Mumbai
	222	660	26-Nov-11	Indra Aangan, New Panvel, (w), Mumbai
	223	587	1-Dec-11	Sadarjung Enclave, Delhi
224	774	24-Dec-11	Kilokri, New Delhi	

Geographic expansion



Note: As of 31st Dec 2011. Map is illustrative and not to scale.
Only standalone Food Bazaar stores plotted; all Big Bazaar stores have a Food Bazaar.
KB's FairPrice operates in only three cities, Bengaluru, Mumbai & Delhi/NCR

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