

# FUTURE RETAIL



## FUTURE RETAIL LIMITED

**FY 2017 Investor Presentation**

May 2017



**Address by  
Founder & CEO:  
Mr. Kishore Biyani**



## Table of Content

<b>1</b>	<b>Indian Consumption through our lens</b>	<b>4</b>
<b>2</b>	<b>Business Overview</b>	<b>8</b>
<b>3</b>	<b>Financial Overview</b>	<b>21</b>
<b>4</b>	<b>Why 4,000 Neighbourhood Stores?</b>	<b>27</b>
<b>5</b>	<b>Strategic Updates</b>	<b>33</b>

## **Indian Consumption through our lens**



## Multiple Indias

### India 1 Consuming Class

#### Wealthiest Indians

- Already consuming
- Experience, Convenience, Quality are primary
- Continuously upgrading

### India 2 Serving Class

#### New Consumers of India

- 500mn people
- \$1tn spend
- 1/3rd disposable income
- Aspires to upgrade

### India 3 Strugglers

Fulfilling only absolute basic needs

**We have always believed that consumers are not a snapshot but a moving-picture**

## With secular growth prospects

- Indian household debt @ 10% v/s global average of 60% ... and, highest in savings
- GDP set to triple by 2025.. while GDP per capita crosses the crucial \$2,000 mid-way
- Consumption contributes over 60% to GDP now: Insulated to global volatilities
- From hereon, >10mn people to be added to workforce every year for next 10 years!
- One of the lowest median age ... in a country with second highest population!
- Continued efforts on formalization of economy & productivity improvement (GST, Demonetisation, Jan-Dhan etc)

## GST...



**Seamless passage of goods**  
Organized business get level playing field



**Increase of inflows** into formal economy



**Set-off** for various input / service taxes

## ...Demonetization



**Better liquidity** means lower costs and higher tangible **savings/spends**



**Formalization** of economy  
○ Only 50% of Indian economy is formalized thus far



**Better quality products**, lifestyle spends, higher productivity and more brands

## ...and Technology

**1**

Connected and aware consumers are aspirational

**2**

Tier 2/3 city consumers coming up the curve faster through technology leverage

**3**

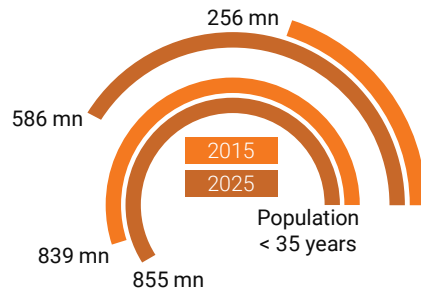
Rising consumer comfort with plastic money and digital payments increasing organized retail penetration

**4**

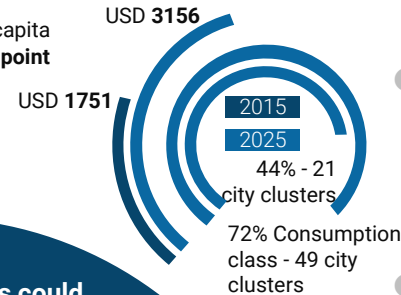
Supply chain efficiencies leveraging technology



- **US\$ 400 - 700bn annual consumption increase**
- Millennials **spend 1.5 – 2x** vs. Gen X



GDP per capita near **inflection point**



2

Next 5 years could bring-in highest jump in Consumption in India

- **Retail sales** to accelerate at 2 – 5x post **inflection point** (US\$ 2,000 GDP per capita); **Food, fashion, general** to grow 3 – 4x
- **Urban India** to account for US\$ 300-500bn of annual consumption

3

Technology deployment in business is key



- **Technology** is set to become the core (forecasting, demand assessment, inventory management, payment, loyalty, marketing etc)
- **Quality, price and experience** drive value perception

1

Target: India 2 Millennials

4

Old is no more the winning formula: Its time for new products & categories

- **Indian consumers more open to new categories, products, experiences**
- **New categories** - value-added staples, global foods, fast fashion **growing at 25-30%**





# Business Overview





### SCALE

**901\***  
Retail stores

**13.8\* mn sq. ft.**  
Retail Space

**>US\$2.6bn**  
FY17 Revenue  
(\* Exchange rate \$1=₹65)

### PROFITABILITY

**12%**  
Same store  
Sales Growth

**3.4%**  
EBIT%

**₹ 7.8**  
EPS

### MODEL

**65%**  
Revenue from  
non food  
categories

**~25%**  
Gross Margins

**> 10%**  
Share in National  
Sales of several top  
brands

### REACH

**> 300mn**  
Customer footfalls  
in FY17

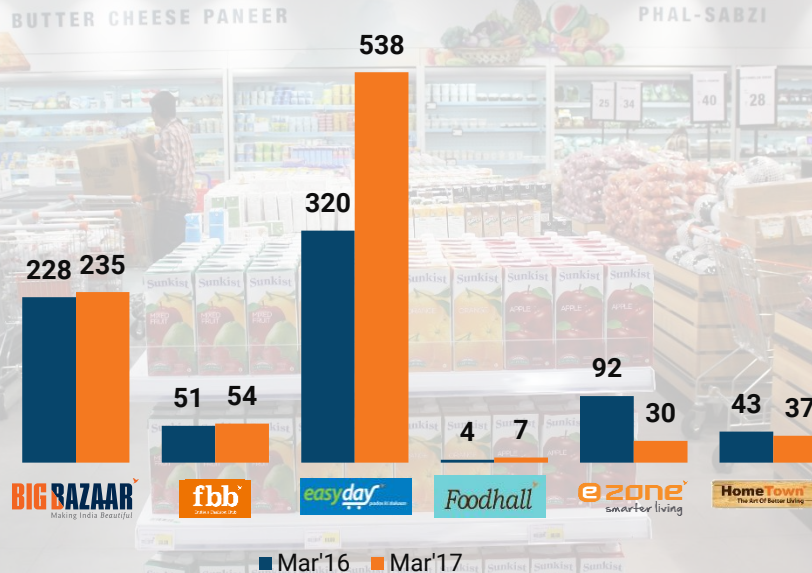
**240**  
Cities

**26**  
States

Note : \* Includes Heritage Fresh stores  
• Financial data pertains to FY17

## Store Network & Retail Space (mn sqft)

Mar' 17	10.18	0.55	1.35	0.09	0.30	1.29
Mar' 16	9.81	0.52	0.71	0.07	0.52	1.33



## Geographical Spread

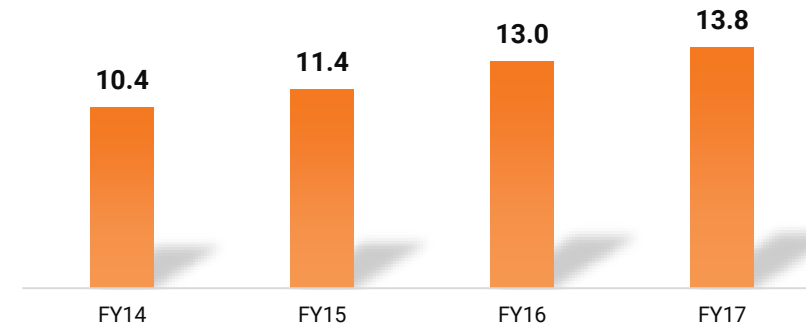
	Stores	States / UT	Cities
<b>BIG BAZAAR</b> Making India Beautiful	235	26	124
<b>fbb</b> Delish Fresh Bites	54	17	32
<b>easyday</b> pudras ki dukaan	538	12	11 <sup>#</sup>
<b>Foodhall</b>	7	4	4
<b>ezone</b> smarter living	30	8	11
<b>HomeTown</b> The Art Of Better Living	37	12	22
<b>Cumulative</b>	<b>901</b>	<b>26</b>	<b>240</b>

# Clusters | As on 31 Mar 2017

Total retail space:

13.8 mn sq.ft

## Total Retail Area (mn sq.ft)



**easyday**  
pudras ki dukaan

New stores  
only in existing  
clusters

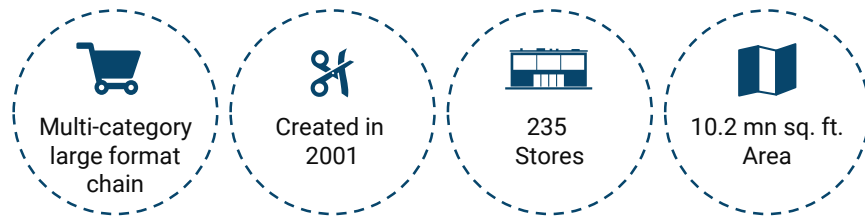
**ezone**  
smarter living

Integrated  
with **BIG BAZAAR** to  
derive more from  
same stores

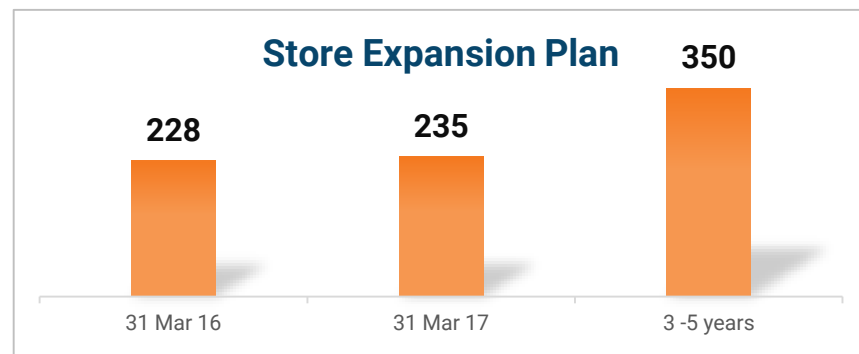
**HomeTown**  
The Art Of Better Living

Demerged for  
better management  
focus on core  
formats

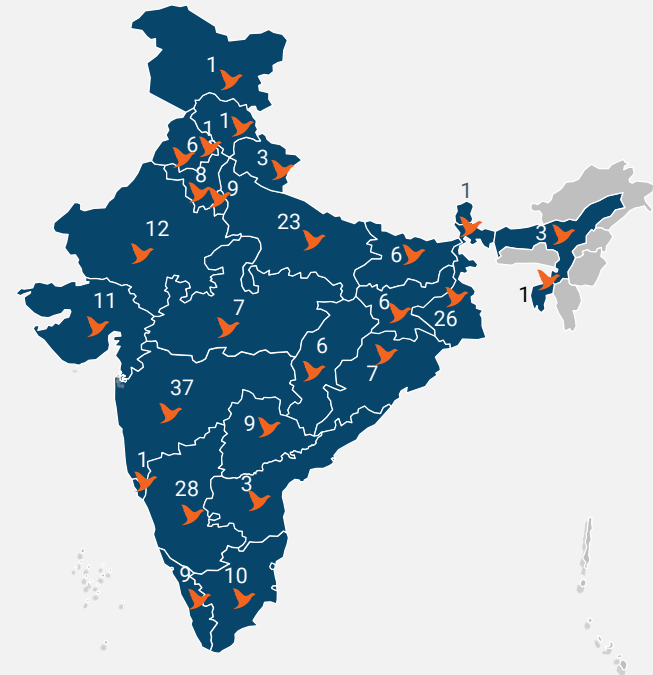
\* FY 17 includes 136 stores of Heritage Fresh with 0.48 mn sq.ft in 3 cities across 3 states



- Typical store size of 30,000 – 40,000 square feet
- Kept up with the changing times
- Pioneered multiple consumption events such as sales on 26<sup>th</sup> Jan, 15<sup>th</sup> August, Public Holiday Sale, Wednesday Bazaar, Exchange Mela among others
- Brand Promise: 'Making India Beautiful'



(No. of Stores)

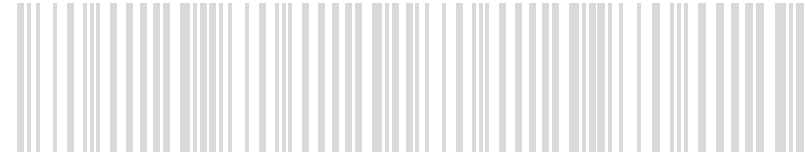


	Big Bazaar	Industry-wide peers
Geographical presence	🛒🛒🛒🛒	🛒🛒
Footfalls	🛒🛒🛒🛒	🛒🛒
Extent of technology usage	🛒🛒🛒	🛒
Inherent high GM Model	🛒🛒🛒🛒🛒	🛒🛒🛒
Flexibility on locations	🛒🛒🛒🛒🛒	🛒🛒
Brand recall	🛒🛒🛒🛒🛒	🛒🛒🛒
GST preparedness	🛒🛒🛒🛒🛒	🛒🛒🛒
Scope of cost rationalization	🛒🛒🛒🛒	🛒🛒



**BIG BAZAAR**  
Making India Beautiful

**BIG BAZAAR** GEN  
NXT

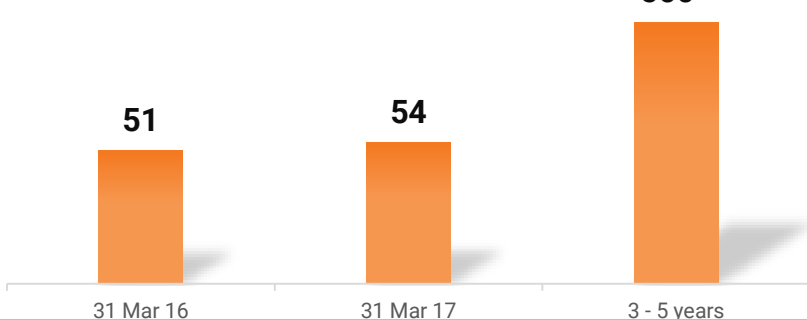


MAKING INDIA BEAUTIFUL

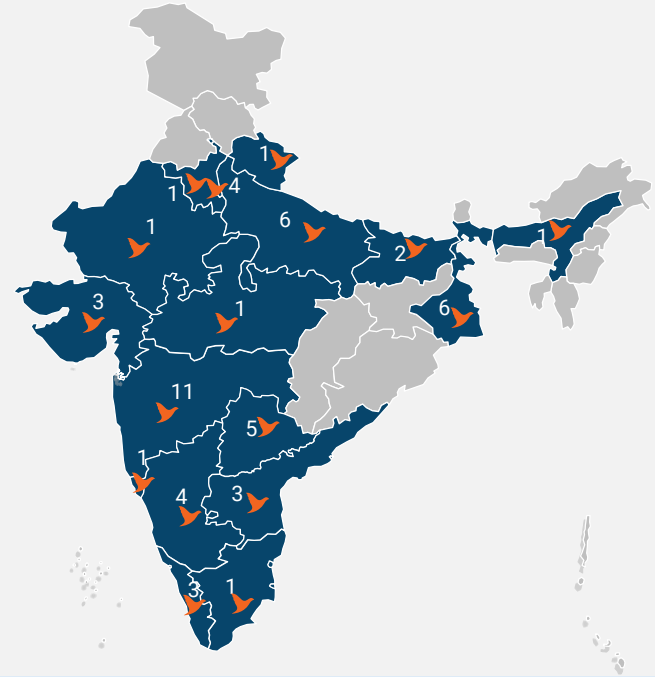




- fbb, India's fashion hub has become the leading destination for the fast changing fashion space in India
- Fashion destination endorsed by celebrities, beauty pageant winners & at leading music events
- Strong control on the value-chain enables quick roll-out as well as better inventory turns
- Robust expansion planned in towns with dominant millennial youth



(No. of Stores)



	fbb	Relevant Peers
Targeted presence for India 2*	🔒🔒🔒	🔒
Footfalls	🔒🔒🔒	🔒
Technology deployments	🔒🔒🔒	🔒🔒
Inherent high GM%	🔒🔒🔒	🔒🔒🔒
Value & Design Proposition	🔒🔒🔒🔒🔒	🔒🔒
Brand recall	🔒🔒🔒🔒	🔒🔒🔒
GST readiness	🔒🔒🔒🔒🔒	🔒🔒🔒
Best-in-class Vendors	🔒🔒🔒🔒🔒	🔒🔒🔒

\*India 2: Serving class with 500 mn people spending over \$1 trillion and aspires to upgrade





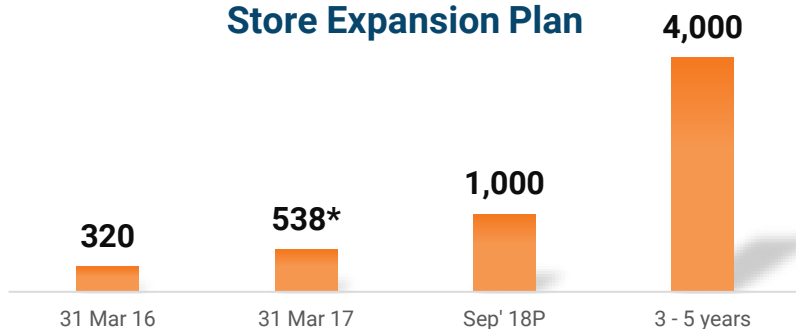
- Launch of the largest fbb store in Kolkata
- World Shorts Day Campaign
- Launch of online shopping with fbb Online





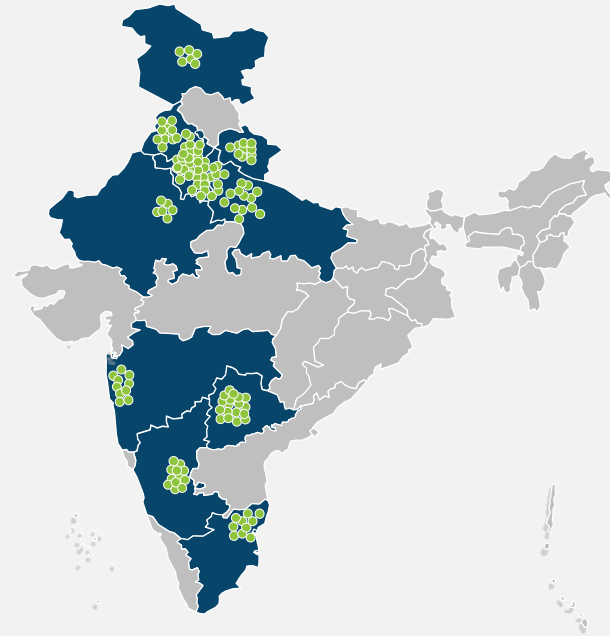
- India's "Pados ki Dukaan"
- Robust supply-chain infrastructure & technology deployments across the network
- Complements the large format stores network in the Northern Region
- Closer to the homes and a higher throughput adds to the company's scale and efficiency

## Store Expansion Plan



(No. of Stores)

\*Includes 136 stores of Heritage Fresh with 0.48 mn sq.ft in 3 cities across 3 states



	Easyday	Industry-wide peers
Deep cluster presence	🛒🛒🛒🛒	🛒
Footfalls	🛒🛒🛒	🛒🛒🛒
Extent of technology usage	🛒🛒🛒🛒	🛒
Assortment perfection	🛒🛒🛒🛒	🛒🛒
Flexibility on locations	🛒🛒🛒🛒	🛒🛒
Brand recall	🛒🛒🛒	🛒
GST readiness	🛒🛒🛒🛒🛒	🛒🛒
Clarity on value proposition	🛒🛒🛒🛒	🛒🛒





## Foodhall

- Foodhall enhances the company's ability to cater to the evolved food consumers
- Serves as a learning platform to identify, experiment and then mainstream forthcoming trends, cuisines and categories in the food space
- Stores located at the most premium locations in Mumbai, Bangalore, Delhi and Gurgaon
- Creating a strong set of upmarket food brands that capture increasing share of sales in tea, spices and world foods

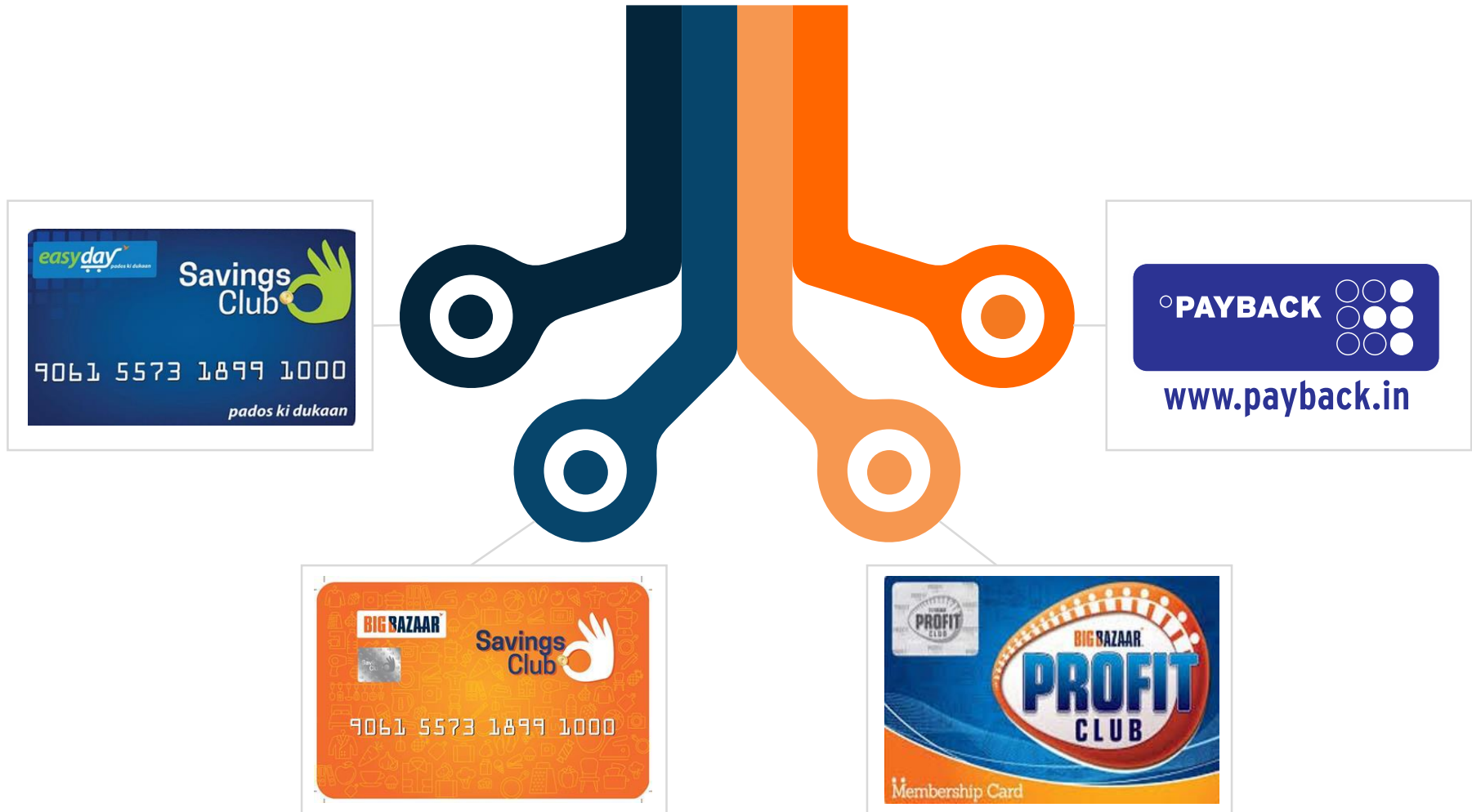


	Foodhall	Relevant Peers
Presence in key centers	🛒 🛒 🛒	🛒 🛒 🛒
Product portfolio	🛒 🛒 🛒 🛒	🛒 🛒 🛒
Extent of technology usage	🛒 🛒 🛒 🛒	🛒 🛒 🛒
Innovation @ Stores	🛒 🛒 🛒 🛒	🛒 🛒 🛒
Brand recall	🛒 🛒 🛒	🛒 🛒
GST readiness	🛒 🛒 🛒 🛒	🛒 🛒
Access to premium clientele	🛒 🛒 🛒 🛒 🛒	🛒 🛒

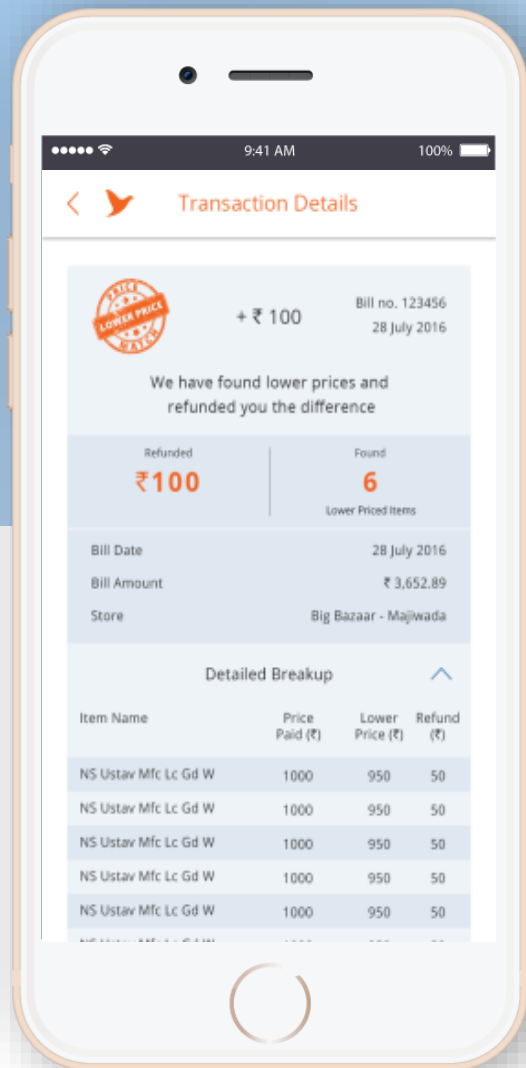




## Key Loyalty Programs



## Price Match – Customer Assured of Lowest Price

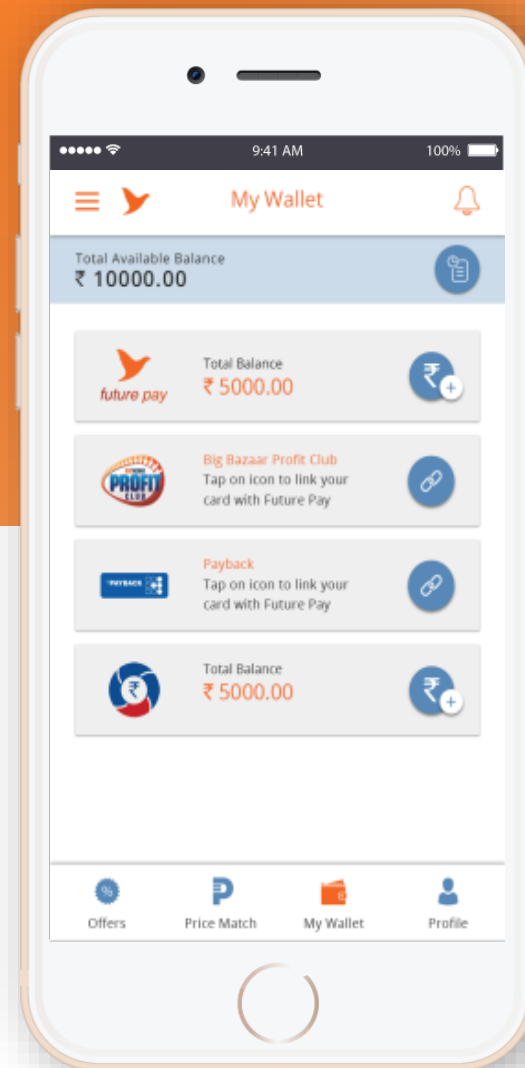


~ 1.2 million users

~ 3 lakh price match transactions

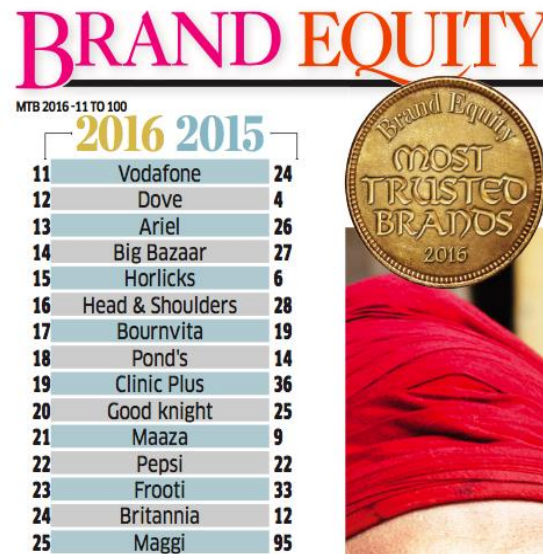
Wallet uploads in excess of ₹42 crore

## Mobile Wallet with Loyalty Program Integration





## Among India's Top 15 Most Trusted Brands



India's #4 Service Brand and #1 Retail Brand



# Financial Overview

Particulars (₹ cr)	Q4 FY17	FY 17
Income From Operations	4,484	17,075
Gross Margins %	24.9%	24.8%
EBIT	174	573
EBIT%	3.9%	3.4%
PAT	123	368
PAT%	2.7%	2.2%
Overall Same Store Sales Growth %	13.3%	12.0%

## Consistently strong performance:

- Big Bazaar **SSG** at 15.3% in Q4 (14% for FY17)
- EBIT** margin expanded significantly through the year: 3.9% in Q4
- Delivered **PAT** of ₹ 368cr (2.2%) for FY17
- Inventory** optimized to 80 days in FY17 v/s 85 for FY16 (LTL basis)
- WC debt** down to ₹ 1,078cr v/s ₹ 1,699cr on 30<sup>th</sup> Sep 2016

## Heritage Retail:

- NCLT approved the scheme on 11<sup>th</sup> May 2017
- Merger effective from 31<sup>st</sup> March 2017

## Home Town:

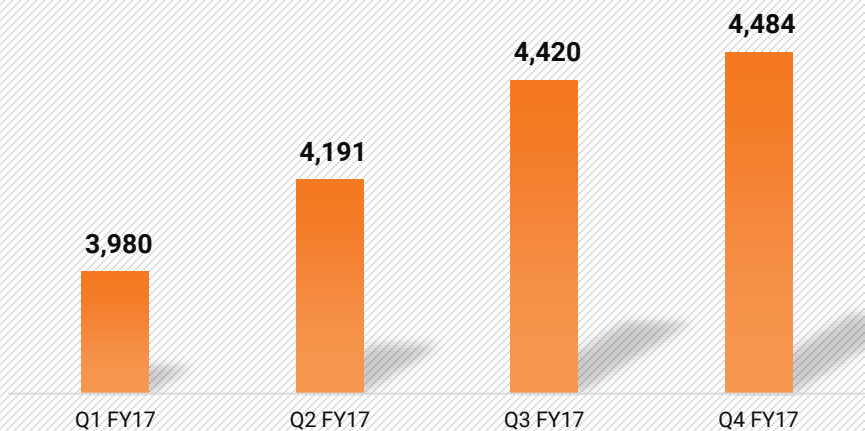
- Received board approval for the demerger of Home Town
- Submitted application to Stock Exchanges



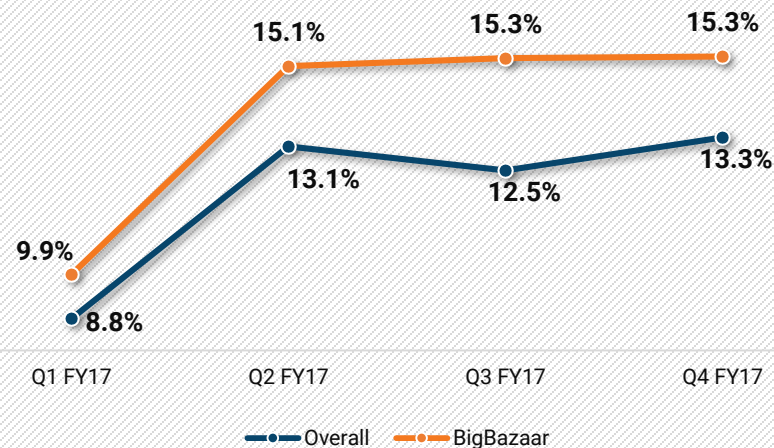
**Robust business growth & capitalizing on strengths created over years**



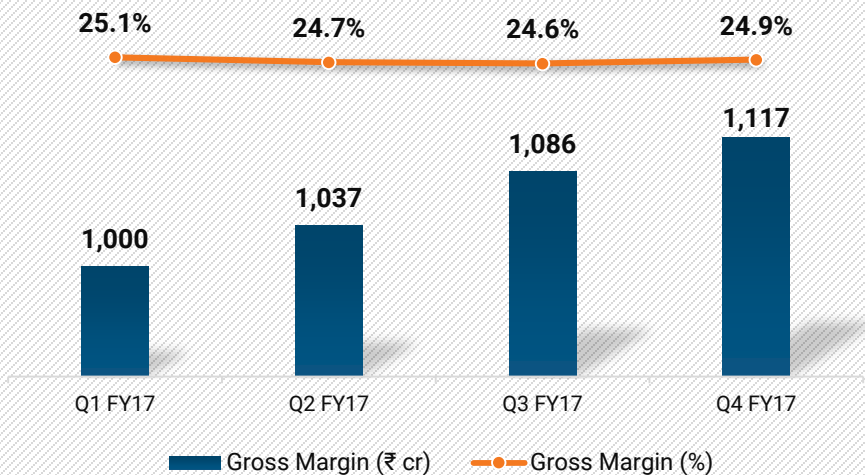
## Income from Operations (₹ cr.)



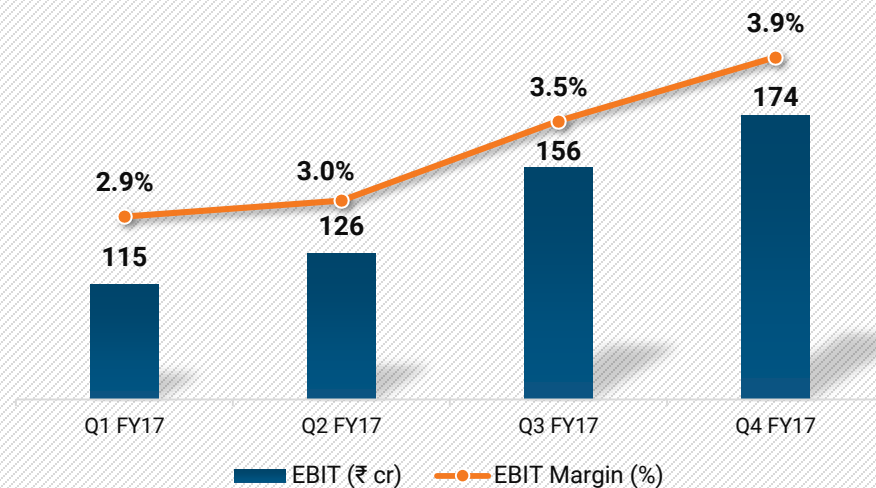
## Same Store Sales Growth (%)



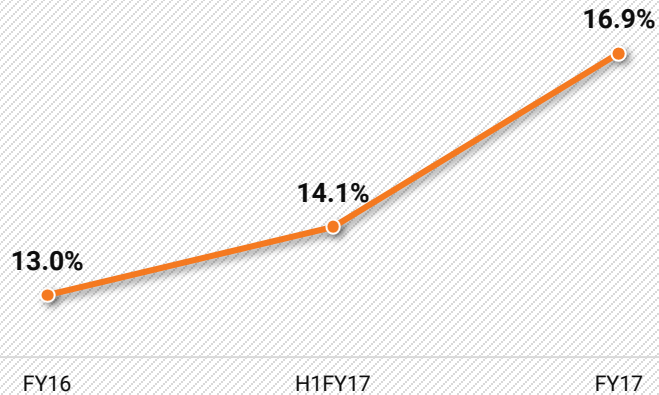
## Gross Margin



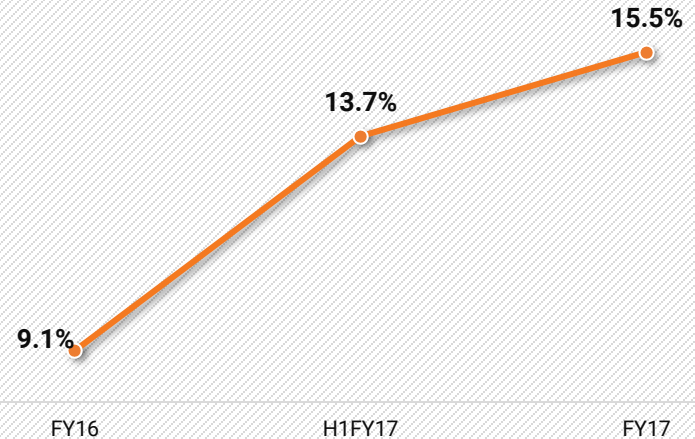
## EBIT Margin



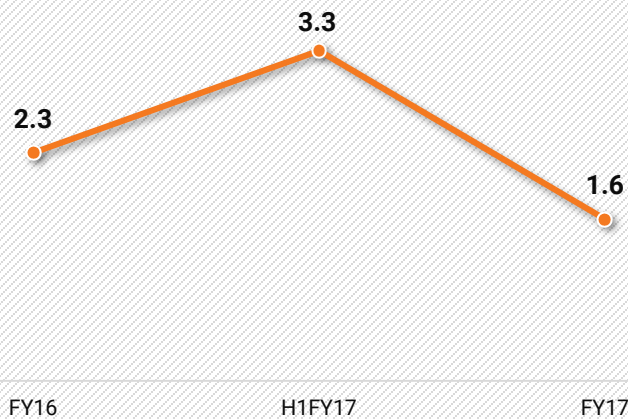
## ROCE



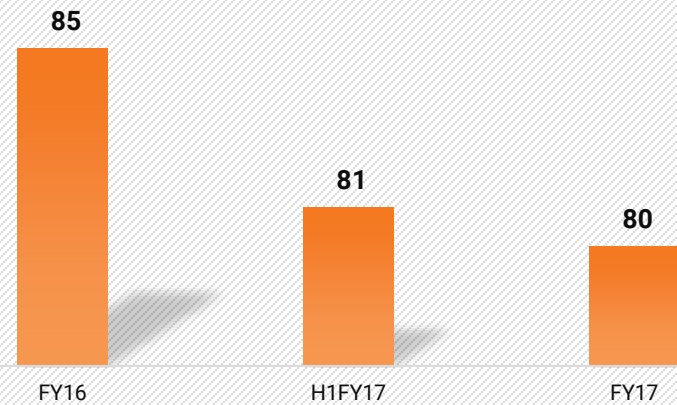
## ROE



## Debt/EBIT



## Inventory Days (Revenue)



Note: The ratios pertaining to FY16 have been derived on a comparable basis

- Debt / EBIT = (Borrowings – Cash & Bank Balances) / EBIT
- ROCE = EBIT / Average (Equity + Optionally convertible debentures + Borrowings)
- ROE = PAT / Average (Equity + Optionally convertible debentures)
- Inventory days = (Inventory / Income from Operations) \* 365

	Quarter ended				Year ended
Particulars (₹ cr.)	31-Mar-17	31-Dec-16	30-Sep-16	30-Jun-16	31-Mar-17
<b>Total income from Operations</b>	<b>4,484</b>	<b>4,420</b>	<b>4,191</b>	<b>3,980</b>	<b>17,075</b>
<b>Gross Profit</b>	<b>1,117</b>	<b>1,086</b>	<b>1,037</b>	<b>1,000</b>	<b>4,241</b>
<b>Gross Margin %</b>	<b>24.9%</b>	<b>24.6%</b>	<b>24.7%</b>	<b>25.1%</b>	<b>24.8%</b>
Employee benefits expense	211	202	202	189	803
Rent including lease rentals	350	346	333	331	1,360
Other Expenditures	376	382	375	364	1,496
<b>Total expenditure</b>	<b>937</b>	<b>930</b>	<b>909</b>	<b>883</b>	<b>3,659</b>
Other Income	3	9	6	6	24
<b>EBITDA</b>	<b>183</b>	<b>165</b>	<b>135</b>	<b>122</b>	<b>605</b>
Depreciation and Amortisation	9	9	8	7	33
<b>EBIT</b>	<b>174</b>	<b>156</b>	<b>126</b>	<b>115</b>	<b>573</b>
<b>EBIT Margin %</b>	<b>3.9%</b>	<b>3.5%</b>	<b>3.0%</b>	<b>2.9%</b>	<b>3.4%</b>
Finance Costs	51	55	53	45	204
PBT	123	101	74	71	368
Tax Expenses	-	-	-	-	-
<b>PAT</b>	<b>123</b>	<b>101</b>	<b>74</b>	<b>71</b>	<b>368</b>
<b>PAT %</b>	<b>2.7%</b>	<b>2.3%</b>	<b>1.8%</b>	<b>1.8%</b>	<b>2.2%</b>

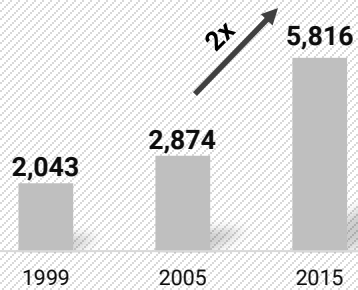
PARTICULARS (₹ cr)	As at 31 Mar 2017	As at 30 Sep 2016
<b>A) ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, Plant and Equipment	97	-
Intangible Assets	468	296
Financial Assets	267	255
Other Non Current Assets	83	7
<b>TOTAL NON-CURRENT ASSETS</b>	<b>916</b>	<b>558</b>
<b>CURRENT ASSETS</b>		
Inventories	3,735	3,618
Financial Assets	1,839	2,300
Other Current Assets	447	11
<b>TOTAL CURRENT ASSETS</b>	<b>6,021</b>	<b>5,929</b>
<b>TOTAL ASSETS</b>	<b>6,938</b>	<b>6,487</b>
<b>B) EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Equity Share Capital	94	94
Other Equity (Reserves)	2,459	1,929
<b>TOTAL EQUITY</b>	<b>2,554</b>	<b>2,024</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Financial Liabilities	46	32
Other Non-Current Liabilities	144	141
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>190</b>	<b>173</b>
<b>CURRENT LIABILITIES</b>		
Financial Liabilities		
Borrowings	1,078	1,699
Trade Payables	2,780	2,285
Other Financial Liabilities	180	156
Other Current Liabilities	150	144
Provisions	6	7
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,193</b>	<b>4,291</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,938</b>	<b>6,487</b>

## Why 4,000 Neighbourhood Stores?

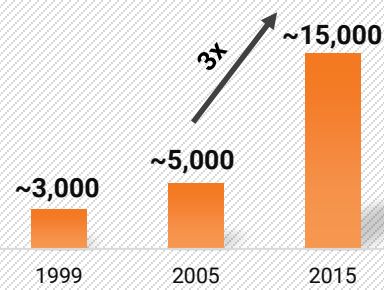
# What happened in Other Countries?

## Thailand

### GDP per capita

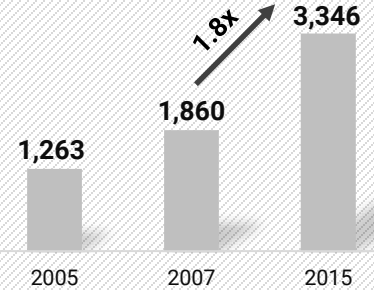


### Neighbourhood stores



## Indonesia

### GDP per capita

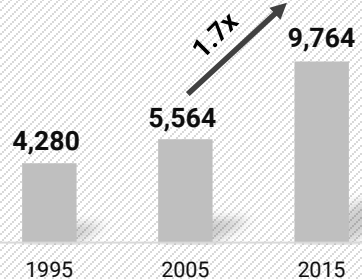


### Neighbourhood stores

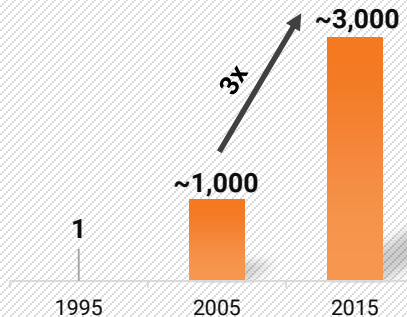


## Malaysia

### GDP per capita

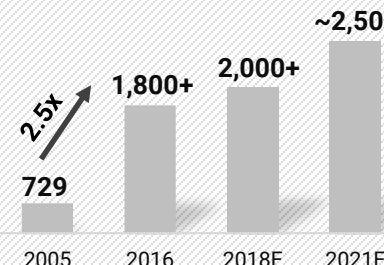


### Neighbourhood stores



## India

### GDP per capita



Food for Thought on Neighbourhood Stores?

Note: (1) GDP per capita in \$ (2) Neighbourhood stores in numbers






Observed  
in many  
economies

As GDP crosses \$2,000

In subsequent 10 years

Retail sales  
2x-4x

Apparel 3x,  
Processed food  
2.6x

Factors	 <b>Travel Time</b> (km/hr)			 <b>Urban Population</b>	 <b>GDP per capita</b>	 <b>Consumer Brands</b>	 <b>Supply Chain Trade</b>
	Delhi	Mumbai	B'lore				
<b>2005 - 2007</b>	25	18	20	217 mn	\$729	Few FMCG companies: Globally have 100+ brands; In India, only 10 - 20	FMCG companies desirous of deeper centralized relationship
<b>2015 - 2016</b>	10-12	10-11	7-8	377 mn	\$1,800+	Indians are more connected and have wishlists.. Brand creation is underway now	Rise in consumption has bucked the conventional distribution
<b>What Next?</b>	Conundrum: Expanding city limits & travel times alongside			India has 4 out of 10 cities of the world's most dense urban areas.. More could join	After the \$2,000 mark, retail sales grow at 2x - 4x; Millennials choose to spend 1.5 - 2x on HPC		

Source: Industry Research Reports

## A compelling proposition for neighbourhood stores

People want to travel less & shop in their neighbourhood

Demand of various products and services

Consumption spends and aspirations are rising

Brands' creation and newer environments desired

Strategic sourcing relationships are a win-win





## Backend



**Supply Chain Logistics:**  
Capacity to handle 5,000 stores built



**Trade Partnerships:**  
Centralized procurement;  
Strategic tie-ups with many FMCG cos.



## Store Operations



**Assortment Strategy:**  
Identified ~3,000 SKUs for each store



**Customer Understanding:**  
Present in the current clusters for several years



**Cost Control:**  
Visibility of +ve EBITDA;  
Segment nearing BEP now



## Consumer: Clear Value Proposition



### Discount

- Easyday Savings Club: 10% discount across the store\* at ₹999 upto ₹50,000



### Services

- Close to neighbourhood
- Home Delivery\*\*
- Payment in all modes
- Marketplace



### Assortment

- Quality + Availability
- Essentials & aspirational products
- Brands

• \* With the exception of ghee, oil, milk and patanjali products  
• \*\* Select locations and conditions apply





## Customer Needs

Customized  
assortment  
(National + local)

Digital  
interface

Fresh foods  
& host of  
services

Price  
advantage



## Business Model

Technology  
Driven Supply  
Chain

Decision  
making by Data  
Analytics

Convergence of  
new age products &  
services



## In-store Considerations

Empowered store  
managers with  
commercial  
alignment

Store  
decides mix  
of local  
products

In-house  
training of  
managers



## Membership Strategy

1500  
households per  
store (c. 10k  
individuals)

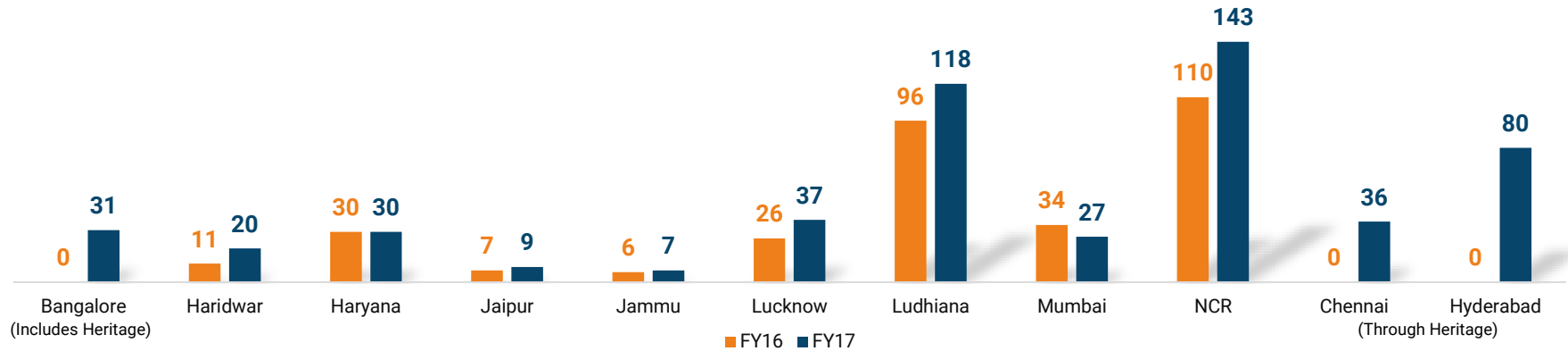
Marketplace  
approach

10%  
discount for  
members &  
many  
services

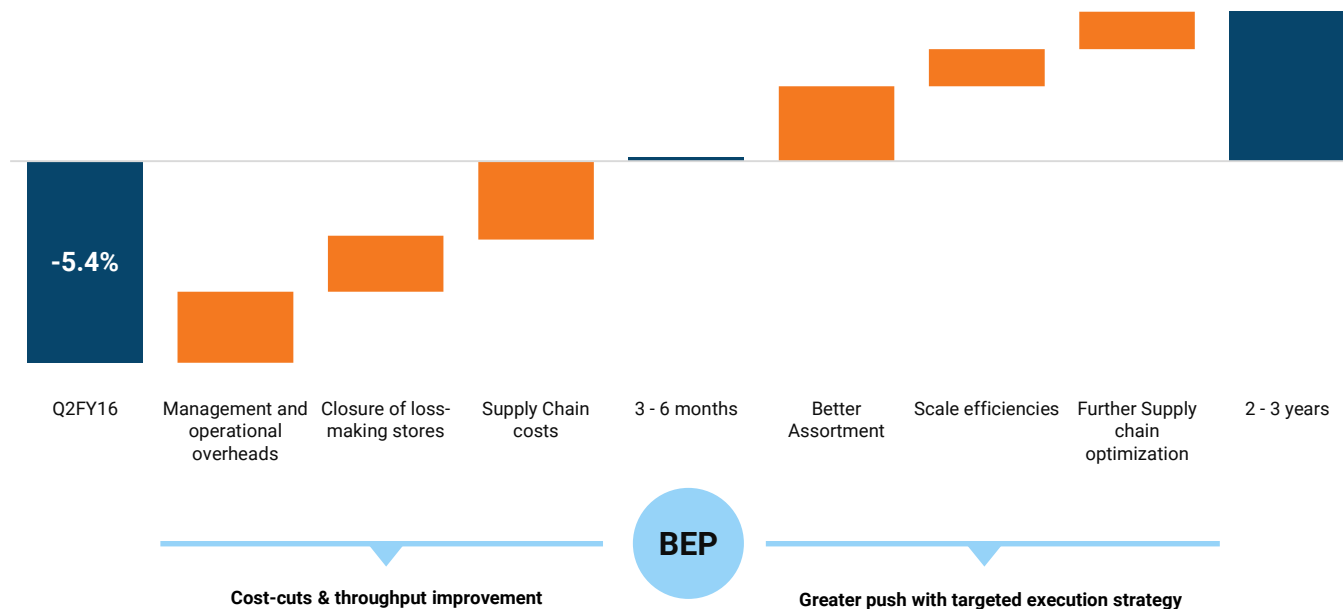
>1.3 lakh  
members  
already



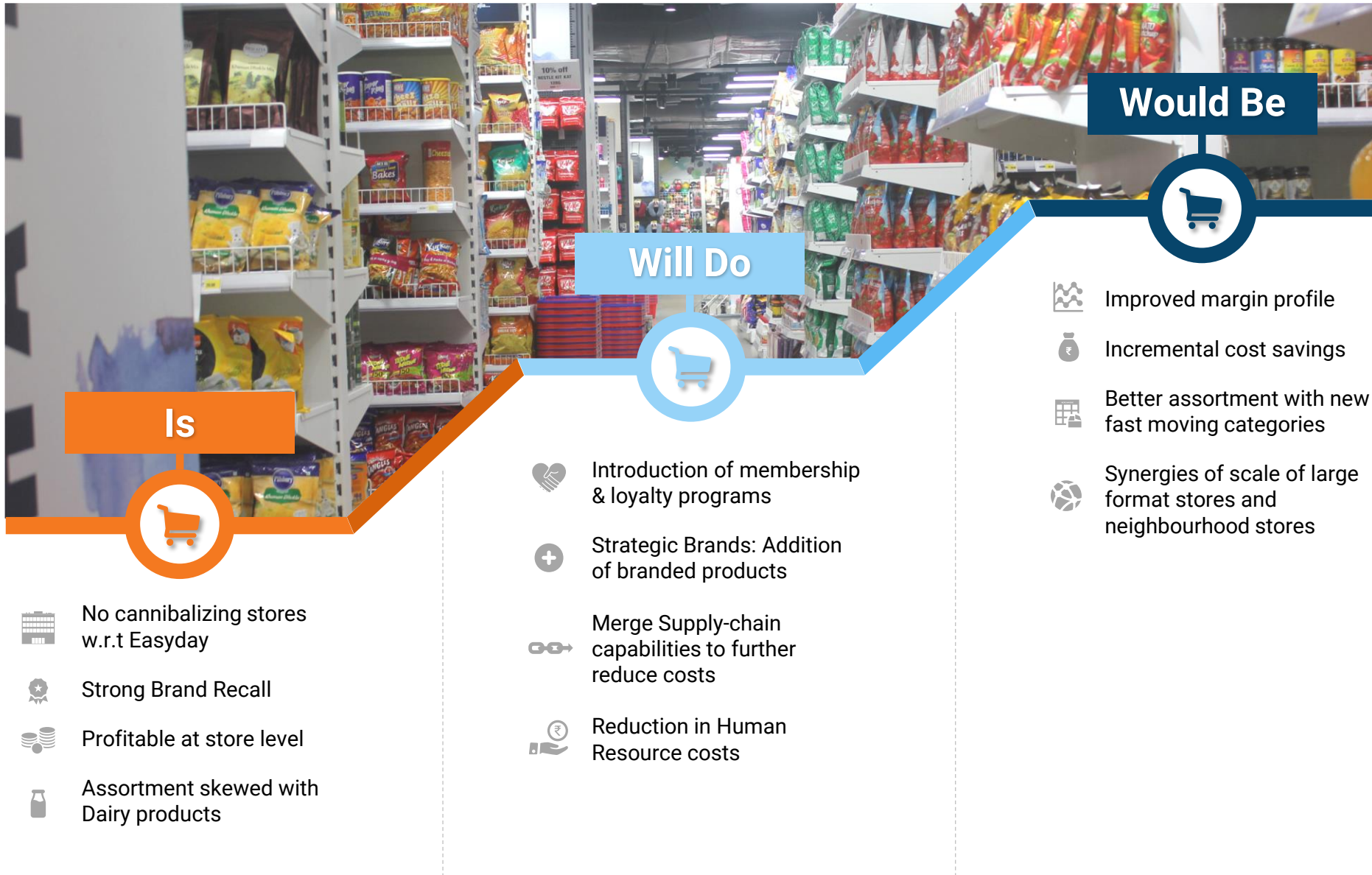
## Cluster-wise Roll-out Strategy



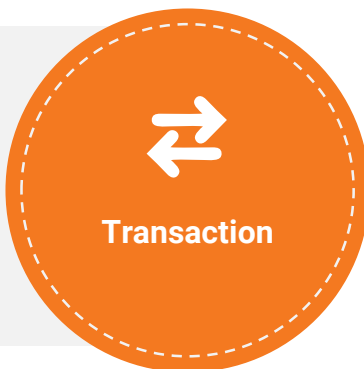
## Close to Break-even and Path to profitability



# Strategic Updates



- Merger of 136 retail stores of Heritage Foods Limited (As on 31<sup>st</sup> Mar 2017)
- This deal comprises of grocery & food retail business, agri (sourcing, processing & marketing) and bakery business



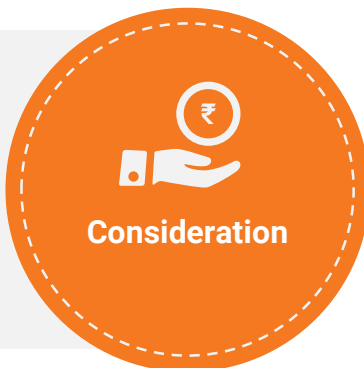
- 0.48mn sq. ft.

- 136 stores
  - Hyderabad: 80
  - Chennai: 36
  - Bangalore : 20



- >25mn customers annually

- 3.65% of stock of FRL (1.78cr shares to be issued)
- Upside share with FRL -
  - If sale consideration from shares is >₹400cr but upto ₹500cr: 50% of the excess above ₹400cr shall be shared with the Company
  - If exceed ₹500cr, then 75% of the excess above ₹500cr in addition to (a) above, shall be shared with the Company



- NCLT approved the scheme on 11<sup>th</sup> May 2017
- Merger effective from 31<sup>st</sup> March 2017

- Started its retail operations in 2007, is a one stop destination for complete home-making solutions
- 37 stores spread across 22 cities and 12 states
- It offers customers a unique, personalized shopping experience, and has grown to be India's leading store in home-making, renovation and decor

## About Home Town



- Spin off specialty retail business and focus on large format and small format pure retail businesses
- More focused leadership and dedicated management
- Consolidation of offline and online Home Retail Business under a single entity
- Greater visibility on the performance of Home Retail Business and e-commerce Home Retail Business



## Rationale

## Scheme



- Demerger of Home Retail Business from FRL to PHRPL
- Demerger of e-commerce Home Retail Business from BSPL into PHRPL
- Cancellation of existing paid up share capital of PHRPL
- Issue of equity shares by PHRPL to the shareholders of FRL as consideration for demerger
- Issue of redeemable preference shares by PHRPL to the shareholders of BSPL as consideration for demerger



## Consideration

- Appropriate valuation to the respective businesses based on risk-return profile





This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates', or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

**THANK YOU**