

FUTURE RETAIL



FUTURE RETAIL LIMITED

FY 2017 Investor Presentation

May 2017



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



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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

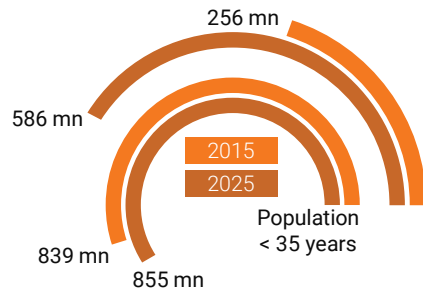
Rising consumer comfort with plastic money and digital payments increasing organized retail penetration

4

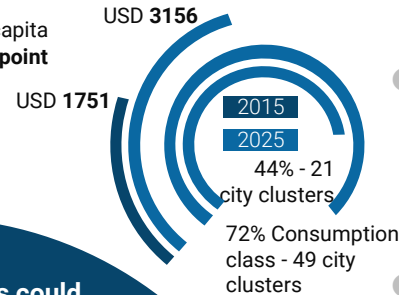
Supply chain efficiencies leveraging technology



- **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

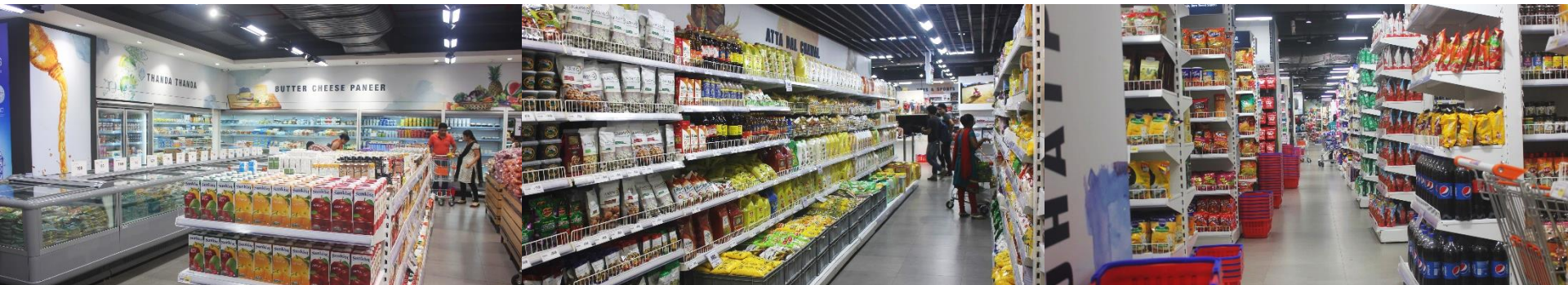
4

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



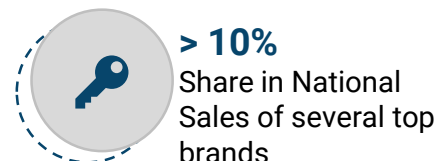
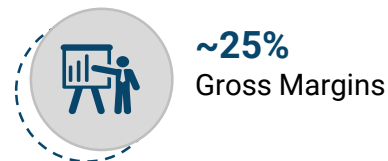
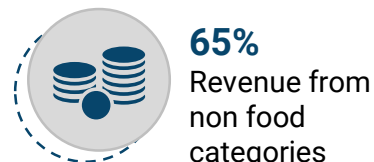
SCALE



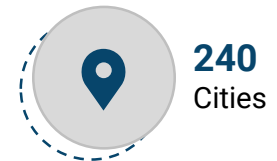
PROFITABILITY



MODEL



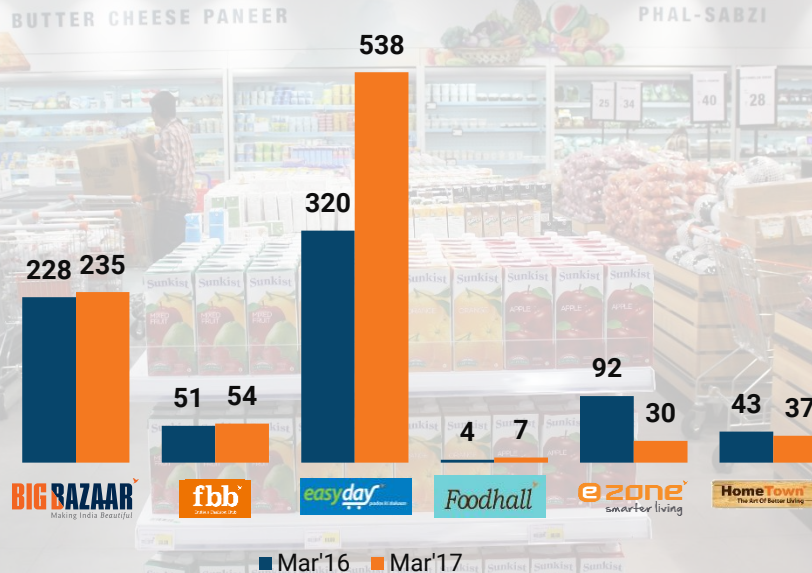
REACH



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

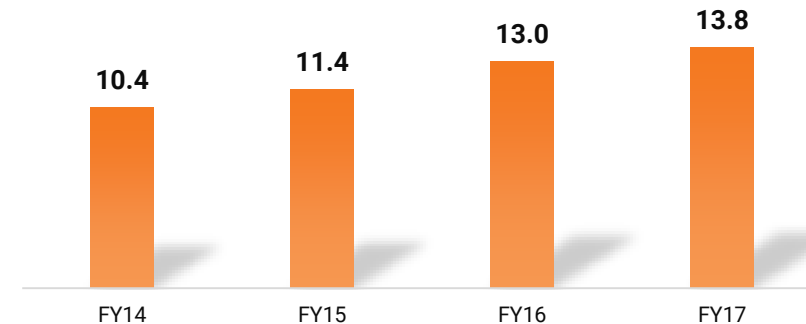
	Stores	States / UT	Cities
BIG BAZAAR Making India Beautiful	235	26	124
fbb Delish Freshness Delish	54	17	32
easyday pudina ki dukaan	538	12	11 [#]
Foodhall	7	4	4
ezone smarter living	30	8	11
HomeTown The Art Of Better Living	37	12	22
Cumulative	901	26	240

Clusters | As on 31 Mar 2017

Total retail space:

13.8 mn sq.ft

Total Retail Area (mn sq.ft)



easyday
pudina ki dukaan

New stores
only in existing
clusters

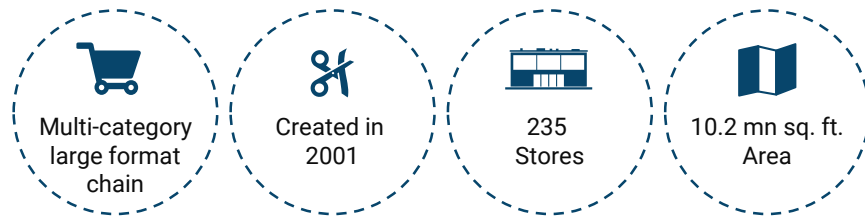
ezone
smarter living

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

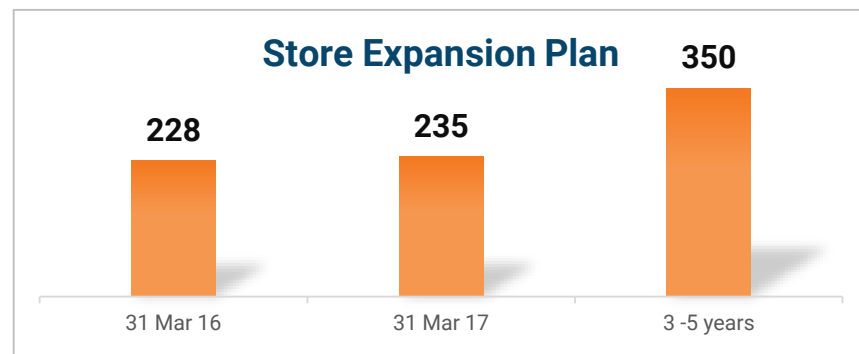
HomeTown
The Art Of Better Living

Demerged for
better management
focus on core
formats

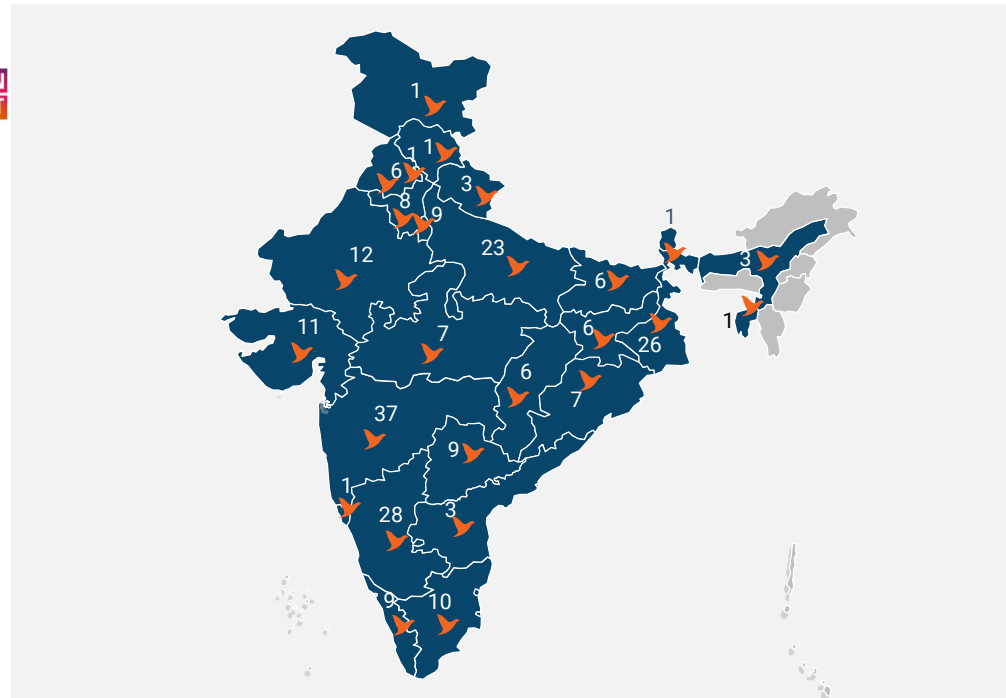
* FY 17 includes 136 stores of Heritage Fresh with 0.48 mn sq.ft in 3 cities across 3 states



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



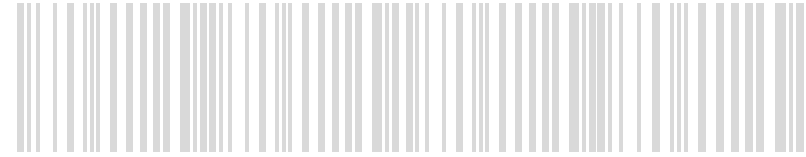
(No. of Stores)



	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

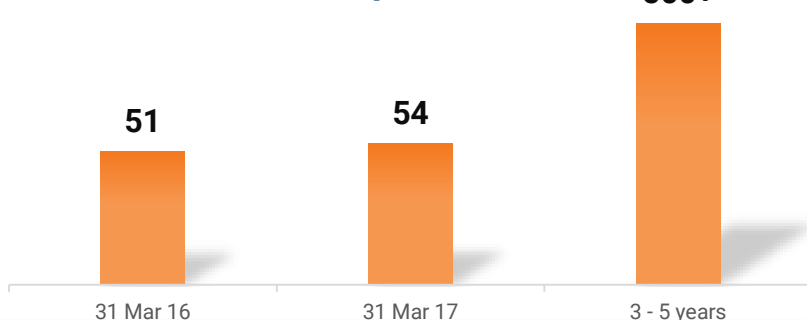


MAKING INDIA BEAUTIFUL

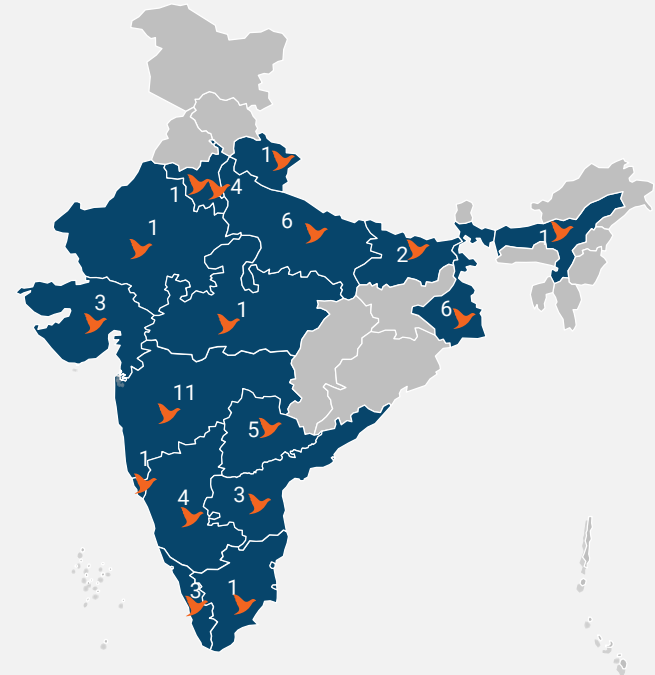




- fbb, India's fashion hub has become the leading destination for the fast changing fashion space in India
- Fashion destination endorsed by celebrities, beauty pageant winners & at leading music events
- Strong control on the value-chain enables quick roll-out as well as better inventory turns
- Robust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

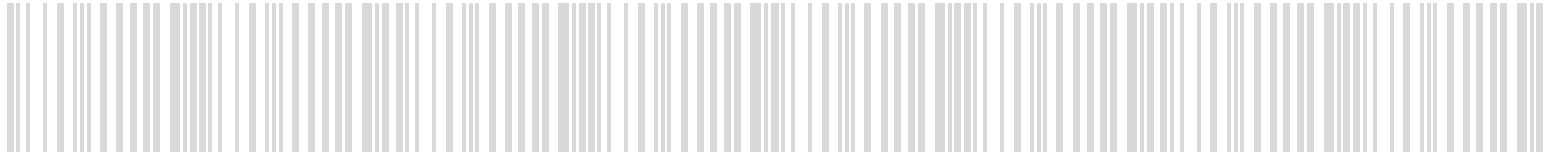


(No. of Stores)



	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



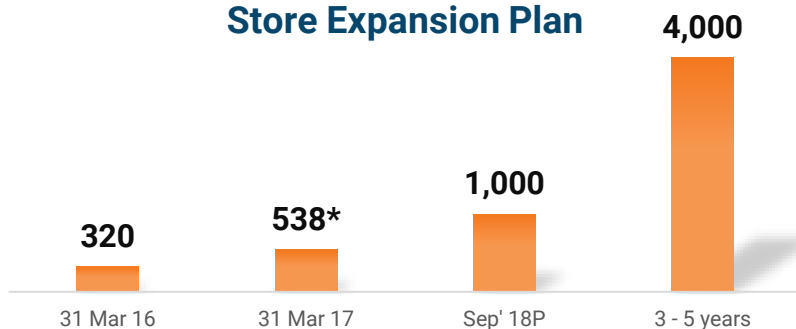
- Launch of the largest fbb store in Kolkata
- World Shorts Day Campaign
- Launch of online shopping with fbb Online





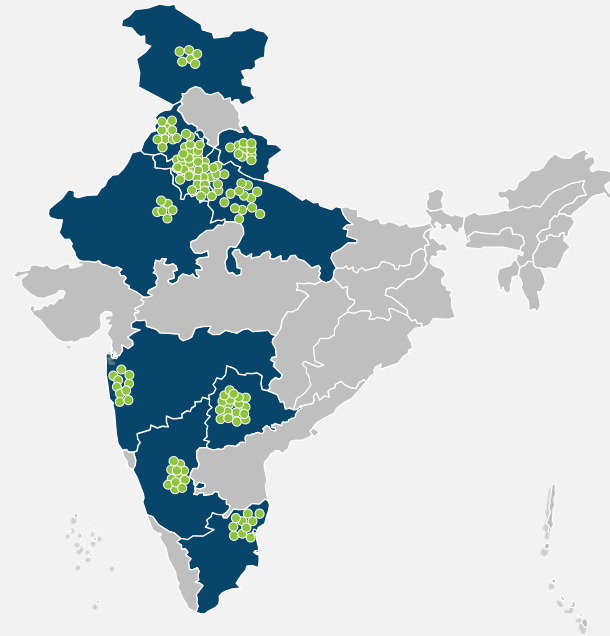
- India's "Pados ki Dukaan"
- Robust supply-chain infrastructure & technology deployments across the network
- Complements the large format stores network in the Northern Region
- Closer to the homes and a higher throughput adds to the company's scale and efficiency

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



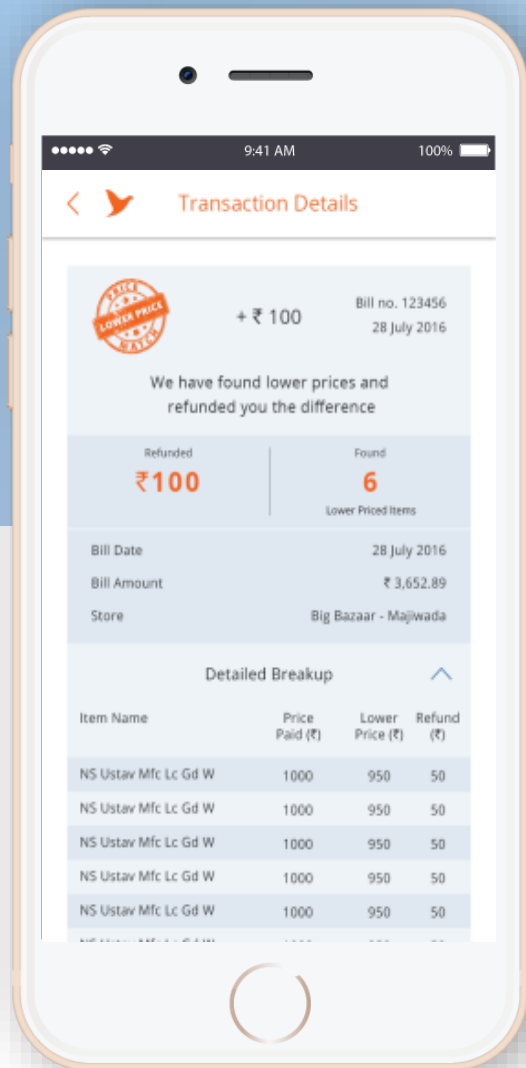
	Foodhall	Relevant Peers
Presence in key centers	🛒 🛒 🛒	🛒 🛒 🛒
Product portfolio	🛒 🛒 🛒 🛒	🛒 🛒 🛒
Extent of technology usage	🛒 🛒 🛒 🛒	🛒 🛒 🛒
Innovation @ Stores	🛒 🛒 🛒 🛒	🛒 🛒 🛒
Brand recall	🛒 🛒 🛒	🛒 🛒
GST readiness	🛒 🛒 🛒 🛒	🛒 🛒
Access to premium clientele	🛒 🛒 🛒 🛒 🛒	🛒 🛒



Key Loyalty Programs



Price Match – Customer Assured of Lowest Price

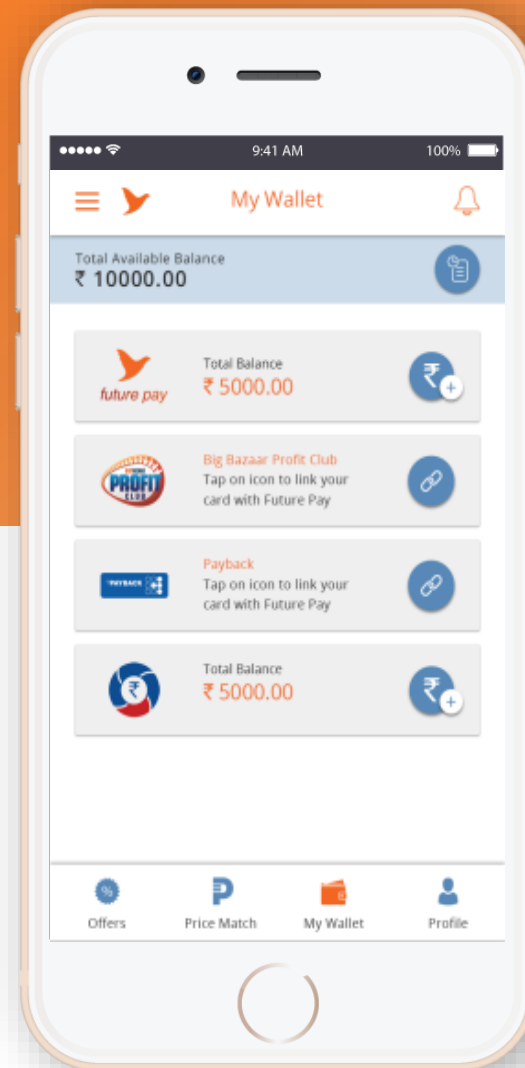


~ 1.2 million users

~ 3 lakh price match transactions

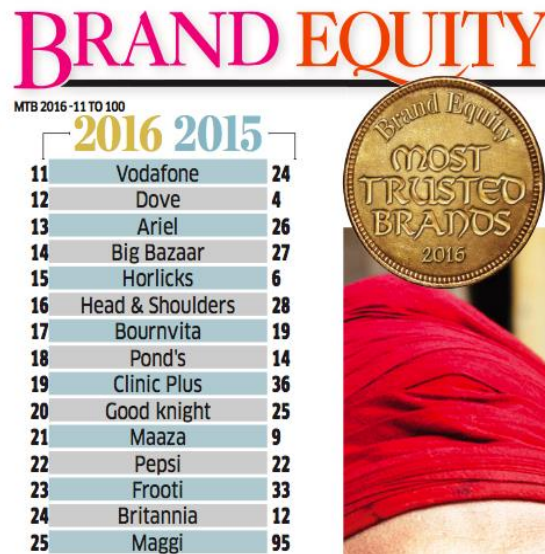
Wallet uploads in excess of ₹42 crore

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 30th Sep 2016

Heritage Retail:

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

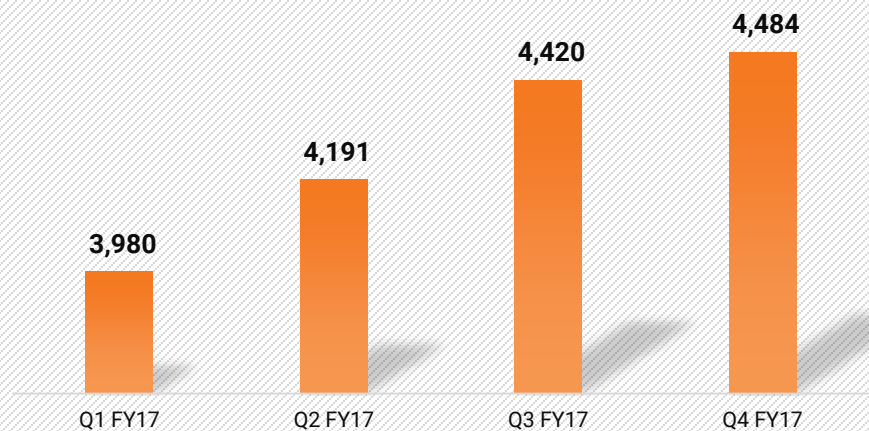
Home Town:

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

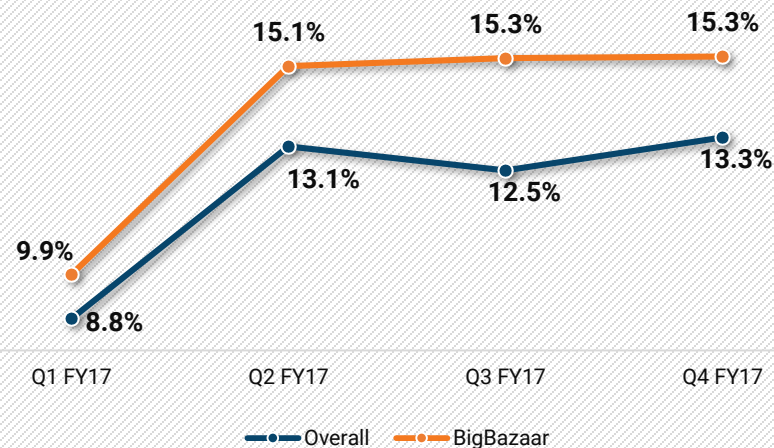


Robust business growth & capitalizing on strengths created over years

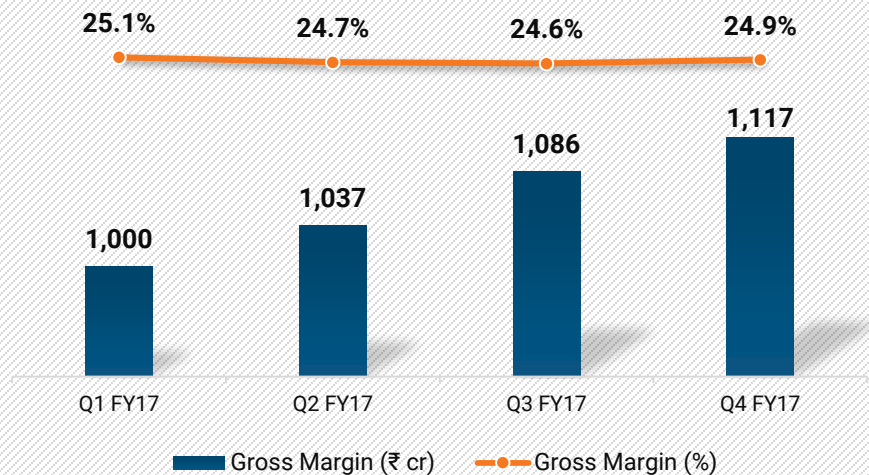
Income from Operations (₹ cr.)



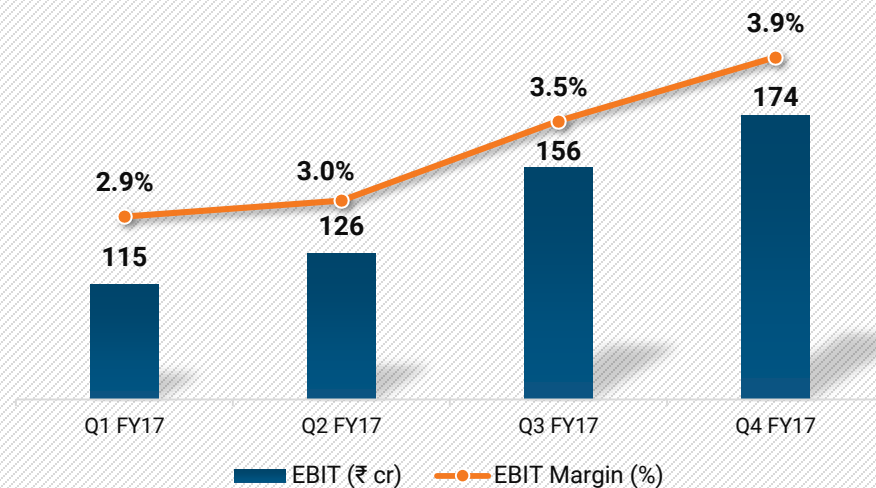
Same Store Sales Growth (%)



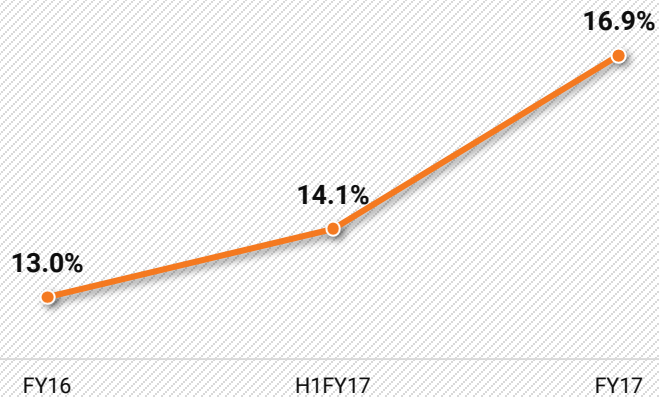
Gross Margin



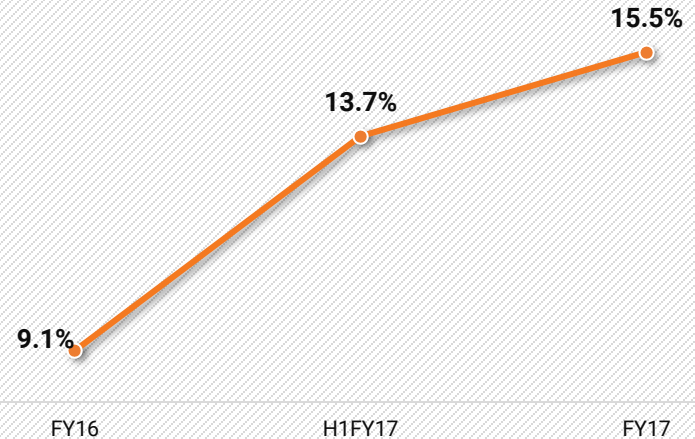
EBIT Margin



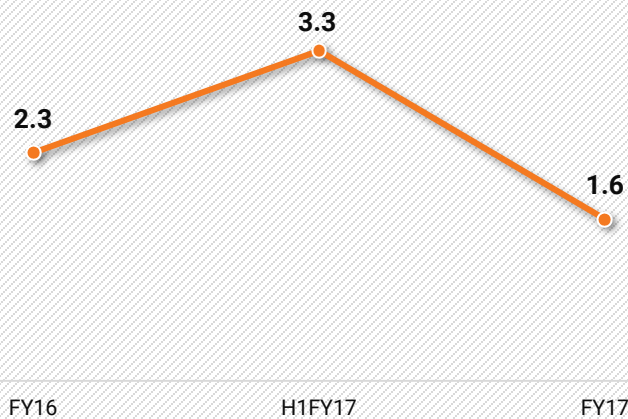
ROCE



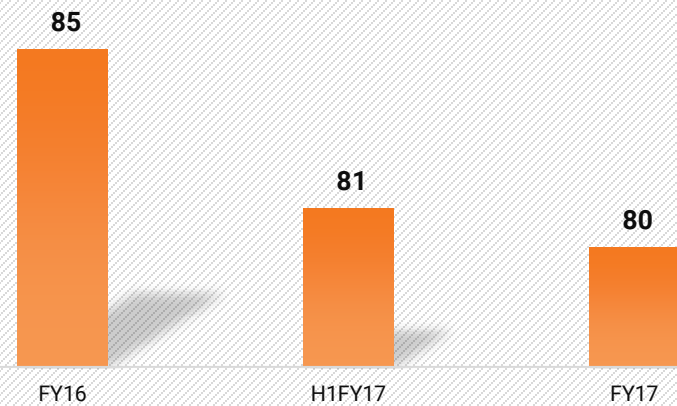
ROE



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
Total income from Operations	4,484	4,420	4,191	3,980	17,075
Gross Profit	1,117	1,086	1,037	1,000	4,241
Gross Margin %	24.9%	24.6%	24.7%	25.1%	24.8%
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
Total expenditure	937	930	909	883	3,659
Other Income	3	9	6	6	24
EBITDA	183	165	135	122	605
Depreciation and Amortisation	9	9	8	7	33
EBIT	174	156	126	115	573
EBIT Margin %	3.9%	3.5%	3.0%	2.9%	3.4%
Finance Costs	51	55	53	45	204
PBT	123	101	74	71	368
Tax Expenses	-	-	-	-	-
PAT	123	101	74	71	368
PAT %	2.7%	2.3%	1.8%	1.8%	2.2%

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

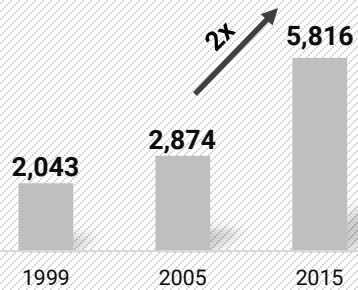
Why 4,000 Neighbourhood Stores?



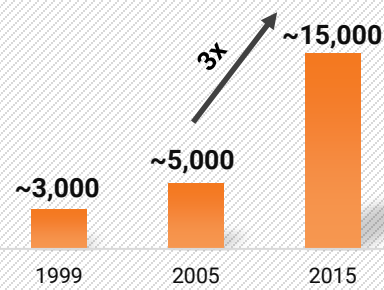
What happened in Other Countries?

Thailand

GDP per capita

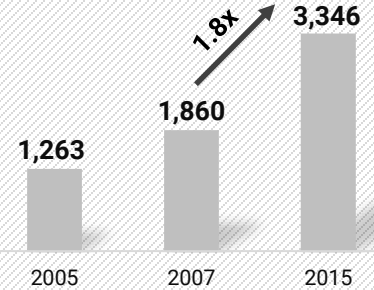


Neighbourhood stores



Indonesia

GDP per capita

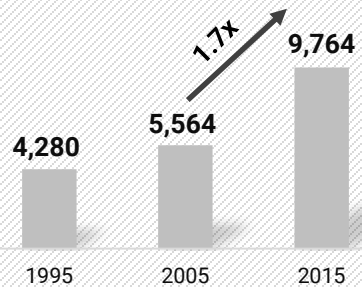


Neighbourhood stores

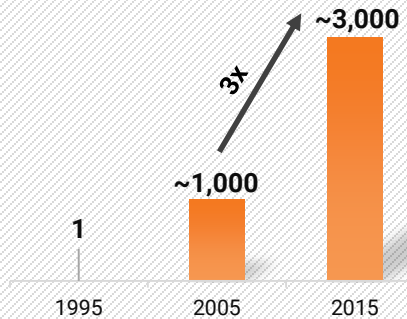


Malaysia

GDP per capita

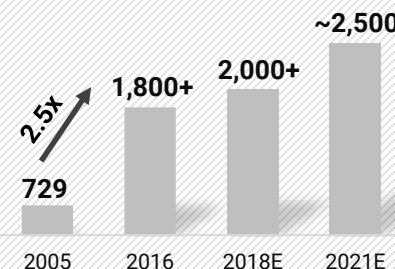


Neighbourhood stores



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	 Travel Time (km/hr)			 Urban Population	 GDP per capita	 Consumer Brands	 Supply Chain Trade
	Delhi	Mumbai	B'lore				
2005 - 2007	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
2015 - 2016	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
What Next?	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

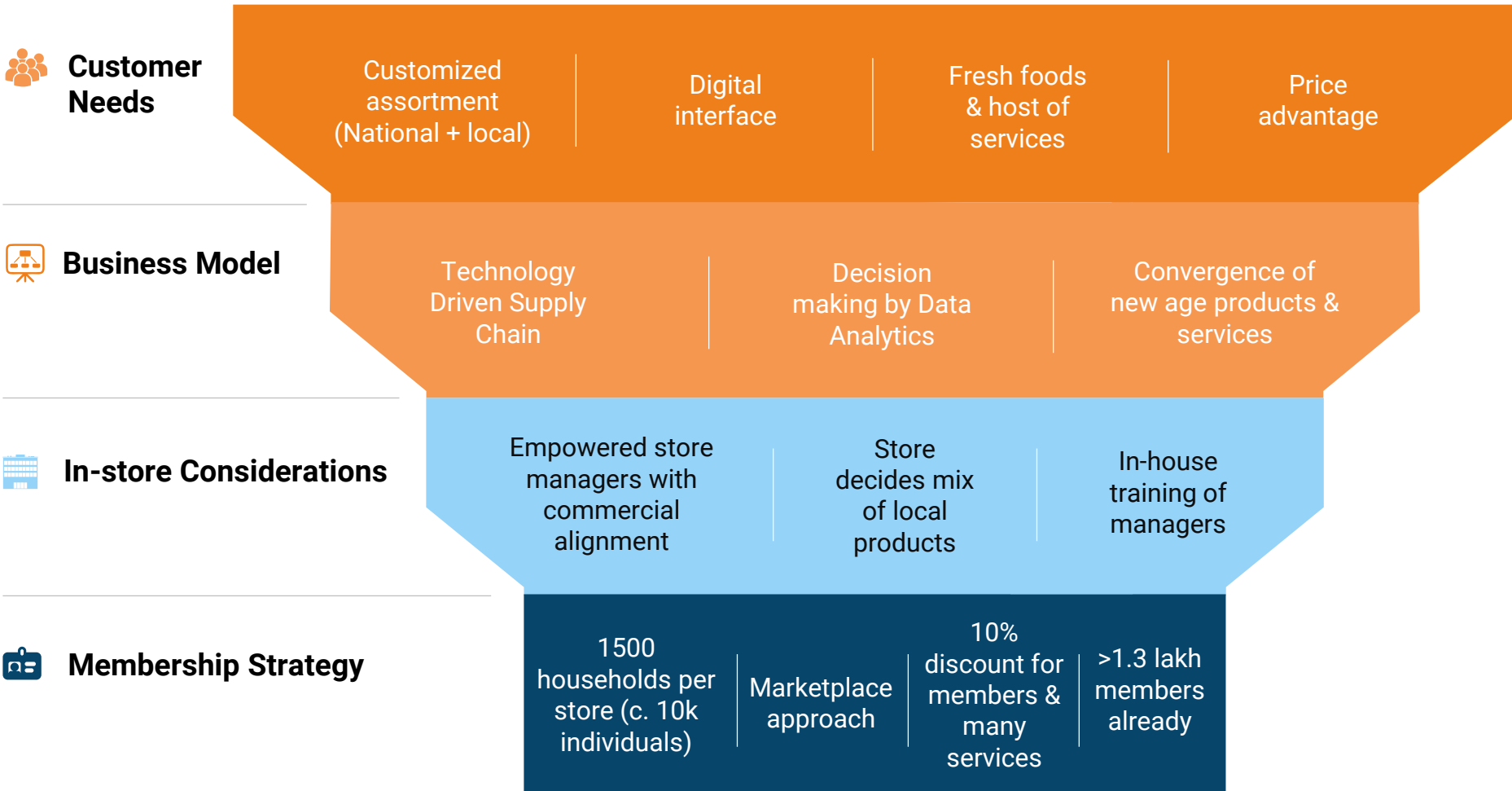


Assortment

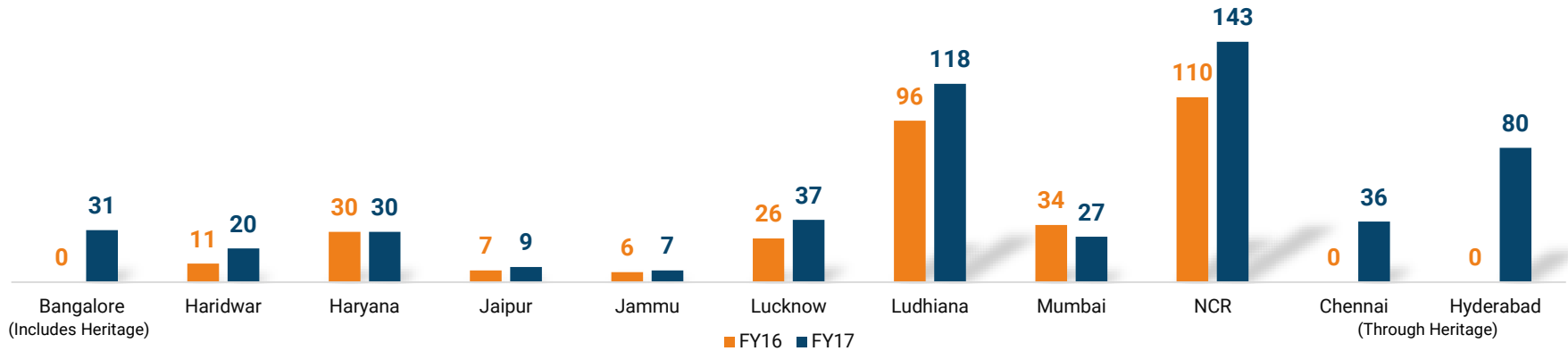
- Quality + Availability
- Essentials & aspirational products
- Brands

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

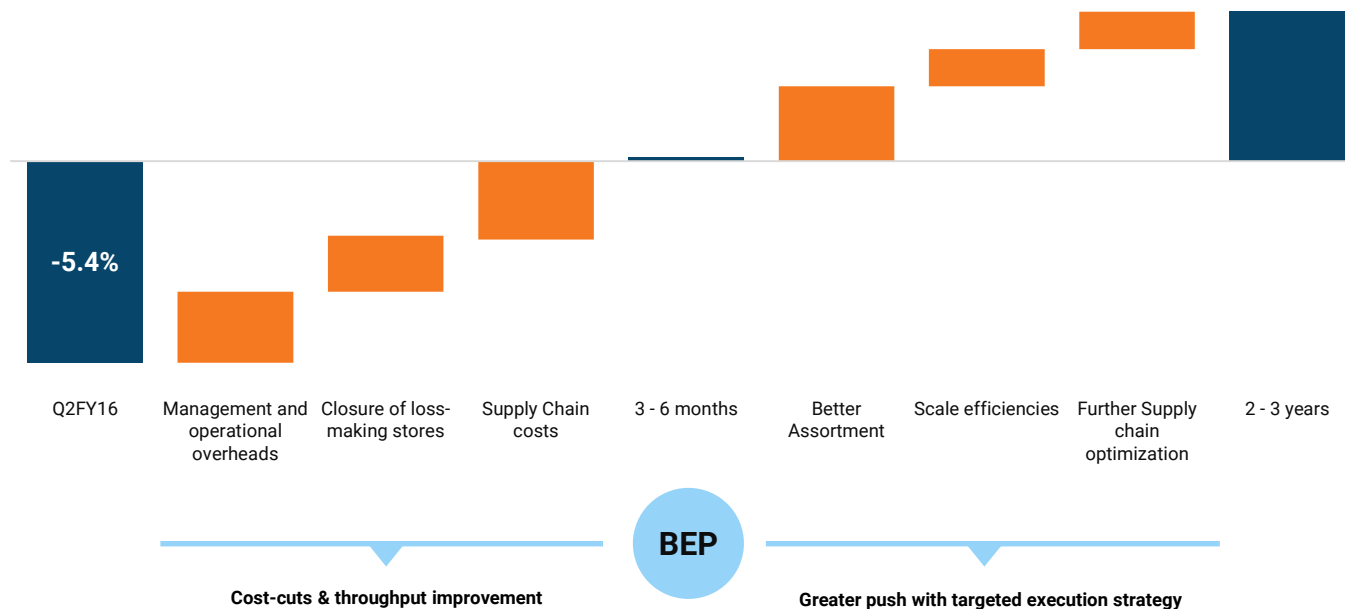




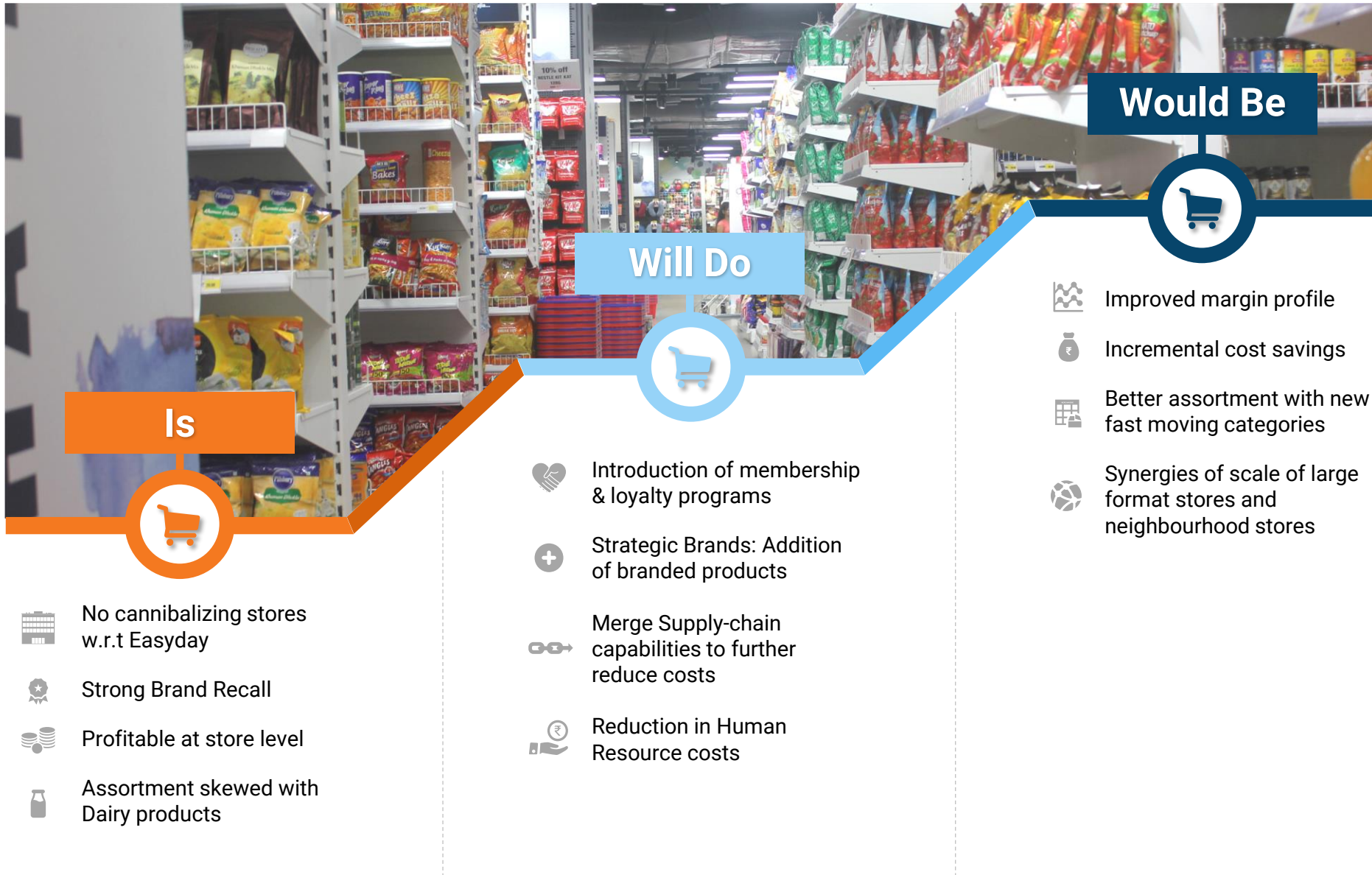
Cluster-wise Roll-out Strategy



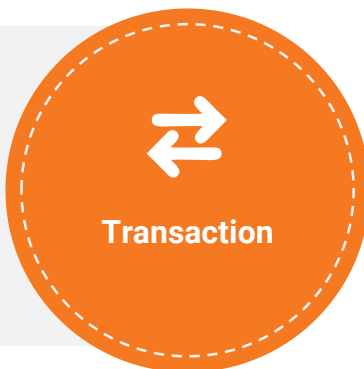
Close to Break-even and Path to profitability



Strategic Updates



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



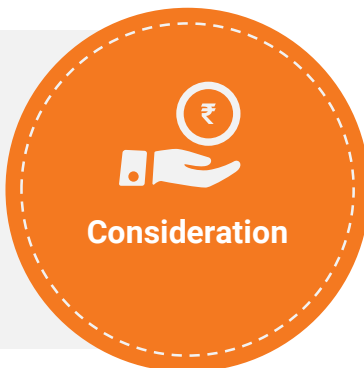
- 0.48mn sq. ft.

- 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 11th May 2017
- Merger effective from 31st 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