

# FUTURE RETAIL

09th March, 2020

To,  
Dept. of Corporate Services (CRD)  
**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400 001

Listing Department  
**National Stock Exchange of India Limited**  
Bandra Kurla Complex,  
Bandra East,  
Mumbai - 400 051

**Scrip Code: 540064**

**Symbol: FRETAIL**

**Scrip Code of Debt: 958809 & 958810**

Dear Sir / Madam,

**Sub.: Call / Presentation to Investors / Rating Agency related to USD denominated Notes**

With reference to above captioned subject, the schedule of call of Investor / Rating Agency related USD denominated Notes to be attended by the officials of the Company are as follows:

Day / Date	Name of Investor	Type of Meeting
Tuesday, 10 March, 2020	Holders of US Dollar denominated Notes and Rating Agency related to Notes	Investor Call

*Note: The schedule of the above Investor call is subject to change. The change may happen due to exigencies on the part of Investor and/or the Company.*

Please find enclosed herewith the presentation being forwarded to Investor and same is also to be made available on the website of the Company.

This may also be treated as disclosure under Regulation 30 and other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Thanking you,

Yours faithfully,  
For **Future Retail Limited**

  
**Virendra Samani**  
Company Secretary



Encl. : as above.

CC:

**Singapore Exchange Securities Trading Limited**  
2, Shenton Way, #02-02, SGX Centre 1.  
Singapore - 068 804

# FUTURE RETAIL



Investor Update

March 2020

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# Update on Operations



## Delivering one of the highest margin profiles

### Strong scale and efficiency profile

#### Scale



**1,388**  
Retail stores

#### Depth



**>350 mn**  
Customer footfalls<sup>1</sup>

#### Efficiency



**~11%**  
Same Store  
Sales Growth  
(SSSG)<sup>2</sup>



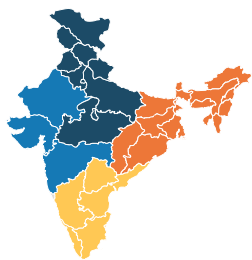
**16.1**  
**mn sq. ft.**  
Retail Space



**414**  
Cities



**28.7%**  
Gross Margin



Revenue split almost  
equally across North,  
South, West and East



**>67%**  
Revenue from non-  
food categories<sup>3</sup>

Notes: All data as of Dec-19, unless mentioned otherwise

1 as of FY19

2 for Big Bazaar for FY19

3 as of Sep-19, excludes other operating income

### Unparalleled network strength...

**65%**

of FRL stores in Tier-I cities  
and above in FY19

**24%**

of FRL stores in Tier-III and  
below towns in FY19

✓ Well-placed to capture metros  
and tier-I consumption story

✓ Grew by 50% in the last two  
years

✓ Well positioned to capture  
growth in relatively under-  
penetrated market

### ...with customer retention as key focus



**~25mn**

High spenders' member  
customers

✓ Ensures  
customer-  
retention while  
focusing on  
growth

✓ Locks-in  
customers  
across formats  
and categories

## Entrenched Consumer-centric National Platform

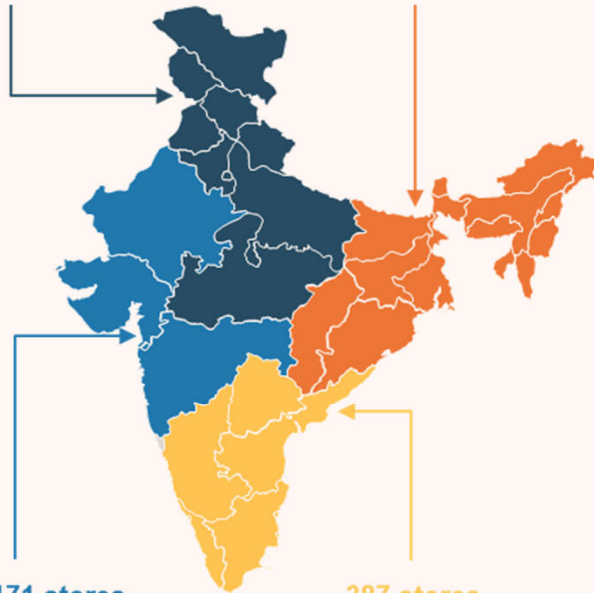
### India's leading multi format pan India retailer

#### 666 stores

74	Big Bazar
565	Easyday/WHSmith
22	fbf
04	Foodhall
01	eZone

#### 164 stores

75	Big Bazar
67	Easyday/WH Smith
19	fbf
03	eZone



#### 171 stores

70	Big Bazar
81	Easyday/WHSmith
17	fbf
03	Foodhall

#### 387 stores

71	Big Bazar
37	fbf
277	Easyday/Heritage/WHSmith
02	Foodhall

**414 cities across 29 states<sup>1</sup>**

#### Financial support from Future Group

2014: Preferential issue of warrants of c. Rs. 2,000 Mn to the promoters

2015: Rights issue of c. Rs. 16,000 Mn

2019: Subscription to warrants of Rs. 20,000 Mn

**Leading market position**

**#1**

player

in Food & Grocery and General Merchandise organized retail in India

**14.9%**

Market share<sup>2</sup>

**Fashion destination**

for youth population

#### Market leading brands

**BIG BAZAAR**

- ❖ Established in 2001; One of the largest hypermarket chains in India
- ❖ Among the **top 40** most valuable brands in India<sup>3</sup>

**fbf**

- ❖ Value fashion chain

**easyday Club**

**fresh**

- ❖ Smaller format convenience stores

**ezone**

**Foodhall**

- ❖ Specialty stores for electronics and gourmet retail

**WHSmith**

- ❖ Convenience store chain operating primarily at transit locations like airports, metro stations, etc.

Note: All data as of Dec-19, unless otherwise mentioned; <sup>1</sup> Including 4 union territories; <sup>2</sup> In FY19; <sup>3</sup> By Interbrand India



## Fulfilling consumer needs across food, fashion & home

Category	Brands	# of stores	# of cities	Scale (FY19 Revenue <sup>(3)</sup> )	Partner
Large Stores		290	148	Rs 163,276 Mn	
		95	48		
Small Stores		990 <sup>1</sup>	315	Rs 27,725 Mn	
Others		9	4	Rs 2,957 Mn	
	<b>Cumulative<sup>(2)</sup></b>	<b>1,388</b>	<b>414</b>	<b>Rs 193,958 Mn</b>	

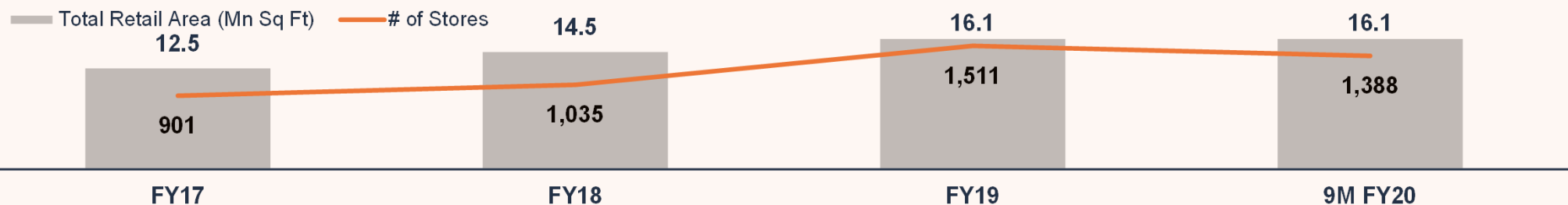
Note: All data as of Dec-19

1: includes 98 WH Smith Stores owned by one of FRL's subsidiaries

2: includes 4 consumer durable and electronic stores (eZone)

3: FY19 Total Revenue from Operations (excluding other operating income of Rs 7,688 Mn)

### Total Retail Area (mn sq. ft.) & No of Stores





**Kishore Biyani**  
*Executive Chairman*

- Has over 40 years experience in the field of manufacturing, marketing of ready-made garments and retail. Known as the pioneer of modern retail industry in India and has led the Group's foray into organized retail and brands across food, fashion and home



**Rahul Garg**  
*Non-Executive Director*

- Partner and Co-Head of India based Private Equity of Premji Invest. He leads investments in BFSI and Consumer/Retail sectors
- Previously associated with ICICI Bank and worked across the entire financial services spectrum covering private equity, corporate banking, structured and project finance



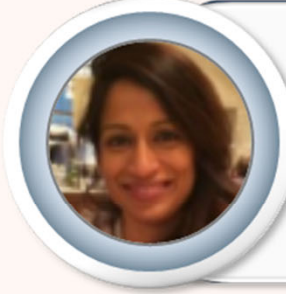
**Rakesh Biyani**  
*Managing Director*

- Associated with Future Group for over 20 years. Leads the management and expansion of the Group's flagship formats, including 'Big Bazaar' and 'fbb'



**Ravindra Dhariwal**  
*Independent Director*

- Senior Advisor to TPG India and brings with him the experience of 39 years of building consumer business all over the World
- Previously associated with Bennett & Coleman & Co. Ltd. as CEO, Global President of International News Media Association and Pepsico



**Sridevi Badiga**  
*Independent Director*

- Currently runs a cross border advisory practice in the Middle East. Previously she worked in Investment Banking and was part of GAP Inc's Corporate Finance Team
- She holds an MBA degree from Kellogg School of Management



**Gagan Singh**  
*Independent Director*

- Previously CEO – Business (India) and Chairperson Sri Lanka Operations of Jones Lang LaSalle
- In past, has been associated with Benetton India, DCM International, Soaltee Group and Ranbaxy Laboratories



**Shailendra Bhandari**  
*Independent Director*

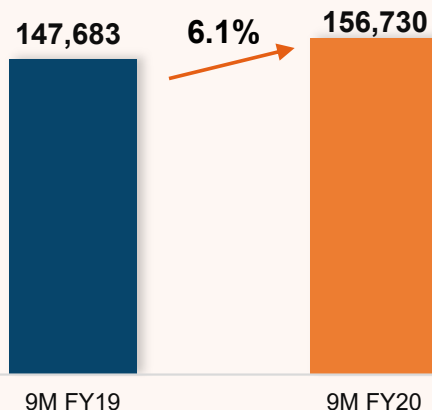
- Seasoned finance professional with ~36 years of experience and an impressive track record of accomplishments
- His areas of expertise include Banking, Private Equity and Mutual Funds

FRL has **4** Independent Directors including **2** Independent Women Directors

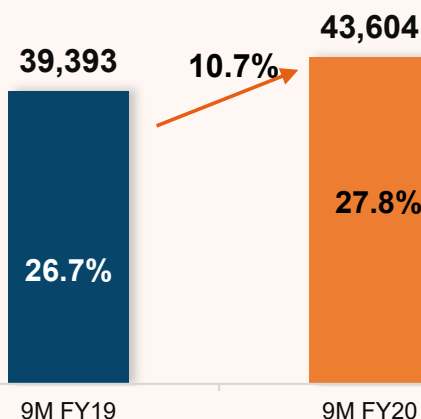


## Continuing to post robust growth in business

### Income from Operations (₹ Mn)



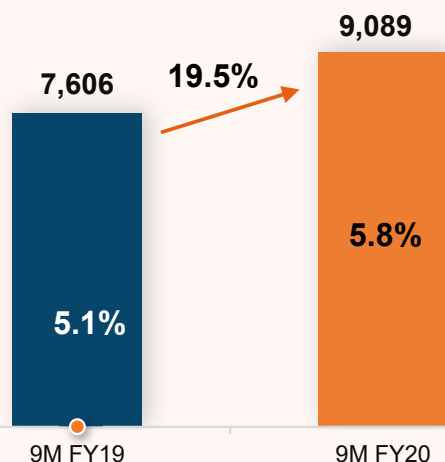
### Gross Margin (% / ₹ Mn)



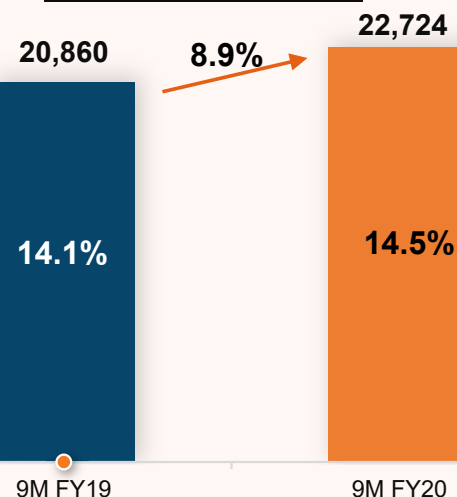
### Commentary

1. In order to do a like for like comparison, the numbers depicted here are pre IND-AS adjustments.
2. 9M overall revenue increased by 6.1%. The growth was impacted by the loss of business due to political disturbances in a few large centers, closure of stores and decline in de-prioritized electronics business in Q2 and Q3.
3. Quality of earnings on the new business continues to be strong. GM and EBITDA expanded by 11% and 20% respectively.
4. Operating costs, including one-time expenditures, grew by ~9%. The main impact of cost optimizations shall accrue in the coming quarters.

### EBITDA (% / ₹ Mn)



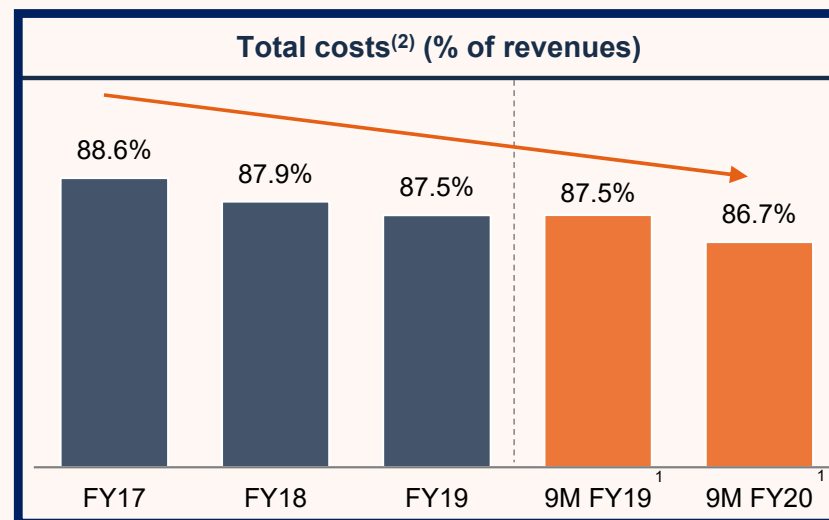
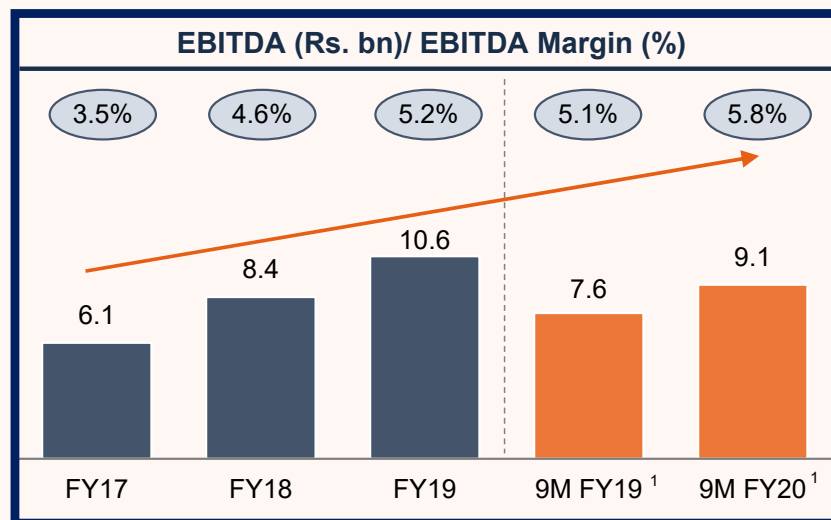
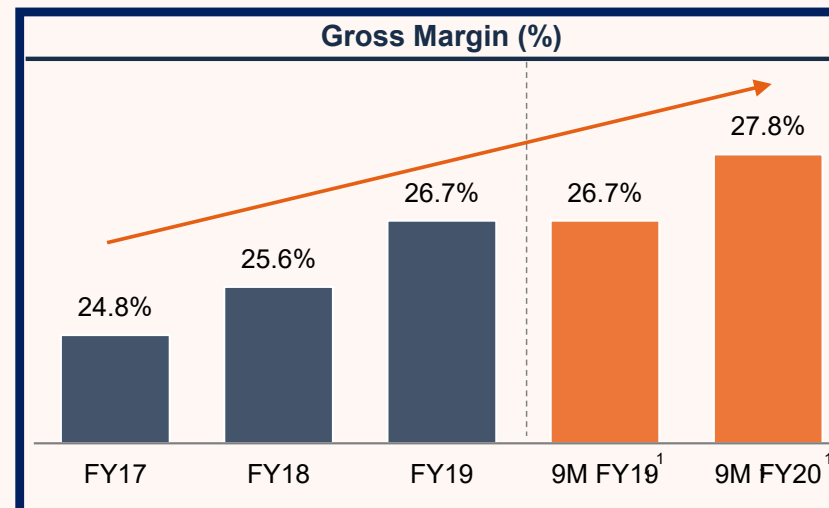
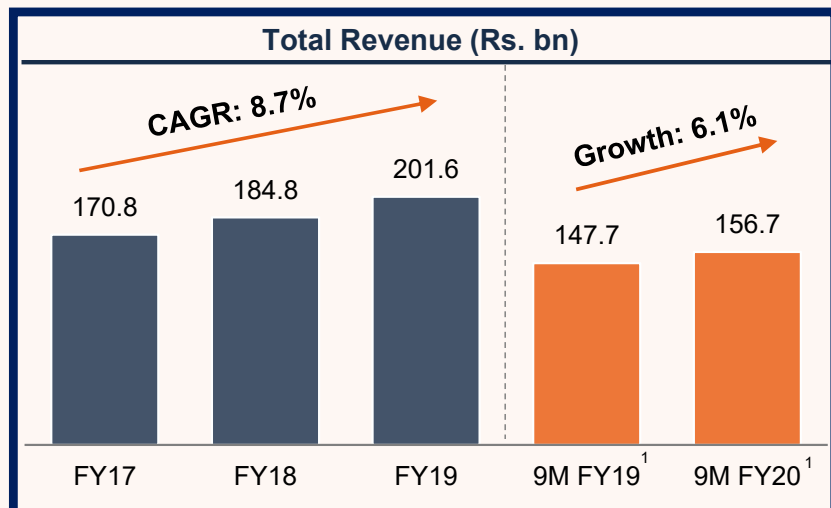
### Operating Costs (% of Sales / ₹ Mn)



Note: Operating costs include all operating expenses except rentals.

\*9M Operating Performance with Ind AS 116 is part of Appendix

## Consistent improvement in operating & financial metrics thereof



Note: All the above financials are on standalone basis. Financials for FY ended Mar 2019 are not comparable with previous years, due to effect given to demerger of Home Retail Business undertaking to Praxis Home Retail Limited and vesting of demerged Retail Undertaking of Heritage Foods Retail Limited and demerged Retail Business Undertaking of Hypercity Retail (India) Limited with the Company at different period of times during the previous years and in the financial year under review

<sup>1</sup> Like to like basis (without IND AS 116)

<sup>2</sup> Total costs are inclusive of all costs above EBITDA except rentals

## Driving efficiencies, deleveraging and enhancement of leadership

### Optimisations, Efficiencies & Expansions

- FRL has **pruned its fixed costs** across corporate overheads, operations, people and marketing
- **Break-even for small stores** to be achieved by **Sept 2020** (*177 small format stores have been closed which were a mix of low-density or bottom of tail stores*)
- In the near future, FRL shall focus on opening new large format stores & new small stores in existing profitable clusters in a gradual manner before scaling up
- **Update on Amazon Partnership\*:**
  - ✓ **20 Big Bazaar stores live on Prime Now** in 170 pin codes. Majority stores to be covered in 2 years
- **Update on 7 Eleven Plans\*:**
  - ✓ First 7 Eleven store to open by April 2020 in Mumbai

*\*Further Details on Amazon & 7 Eleven Partnership covered on next slide*

### Balance Sheet Deleveraging

- Equity infusion of Rs 15,000 Mn by Future Coupons Private Limited has been largely utilized for payment of working capital loans
- **Target Net Debt/EBITDA** of c.1.5x in 24 months (by FY2022) and **< 0.2x in 3 years**
- The proceeds from the **USD Notes** have been used to purchase the fixed assets from FEL and subsequent retirement of FRL guaranteed debt at FEL:
  - ✓ *Strong commitments from across US (42%), EMEA (21%) and Asia (37%)*
  - ✓ *Long haul funds led the demand with 84% contribution, private banks generated 8%, insurance funds / pension funds 5% and other banks /institutions generated 3%.*

### Enhancement of Leadership

- **Mr. Kishore Biyani**, who earlier held the position of Chairman & Managing Director, has been **re-designated as Executive Chairman**
- **Mr. Rakesh Biyani** who earlier held the position of Jt. Managing Director has been **re-designated as Managing Director**
- With effect from 5<sup>th</sup> March 2020, **Mr. Sanjay Jain has been appointed as Chief Executive Officer (CEO)**. He was earlier the Group CFO

Best in their core domains are FRL's strategic partners for Incremental Business

## Amazon Partnership

## 7-Eleven Partnership

Prime now deliveries through Future Retail

Own brands via Future Retail platform to Amazon Pantry

Fashion / fbb brands on Amazon

Electronics Brand Koryo on Amazon

General merchandize and home products on Amazon

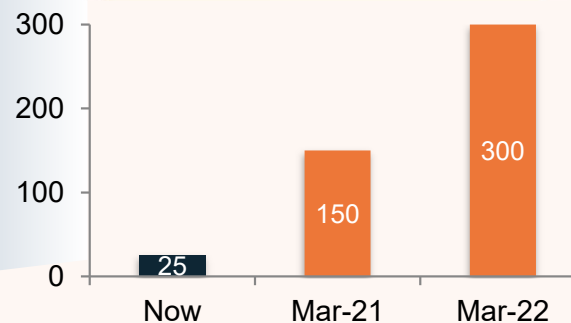
Unlocking Digital wallet (Amazon Pay) opportunity

Digital integration of big events

Key Beneficiary

Avenues for Synergy

# of Big Bazaar stores' Integration with Amazon



- FRL entered into an 80 year franchisee agreement (including renewal term) with 7-Eleven Inc. to bring 7-Eleven convenience chain format to India in Feb'2019
- Strategy: Gradual expansion in pre-targeted urban clusters
- Plans to open the first 7-Eleven store by Apr'2020 in Mumbai. Expect 10 – 12 stores (max) by Mar' 2021
- Dedicated team of representatives from 7-Eleven Japan at the helm of execution.

Amazon has a Call Option to acquire controlling stake in FRL between 3<sup>rd</sup> and 10<sup>th</sup> year subject to applicable laws

# Impact of COVID-19



## Relatively Low Impact on FRL's business

- ❑ First case was reported on 31<sup>st</sup> Dec 2019 in Wuhan – China and since then 100,000+ cases confirmed in more than 100 countries
- ❑ China accounts for 13% of world exports and 11% of world imports & the lockdown has affected 500 million people in the country

### Impact on India

- ❑ As the pandemic has hit investor confidence, BSE Sensex has lost nearly 6,000 points in 17 sessions since February 12, 2020
- ❑ Extremely high import dependence on China would have ramifications for India in sectors such as shipping, pharmaceuticals, mobiles, electronics etc.
- ❑ However, with the onset of the summer season in India and considering the demographic dividend (median age of just 28 years), the Indian economy is bound to be relatively resilient to the impact of COVID - 19

### Impact on FRL

- ❑ Products sold by FRL are relatively non-discretionary and the demand for these products is largely inelastic regardless of the macro-economic situation
- ❑ Smartphones & consumer durables (*two largest categories that have been impacted due to current situation in China & South Korea*) comprise less than 2% of FRL sales
- ❑ FRL's proactive approach has resulted in 11% growth in sales this weekend (March 7 & 8, 2020) over the previous weekend

# USD Notes Issuance & Key Updates



## On track for security perfection and fall away of cross-guarantees

S. No.	Particulars	Details / Timelines	Status	Remarks
1	Fair Value of Assets to be purchased	Value of Rs. 39,516 Mn		Valuation report and Fairness opinion obtained from agencies of international repute prior to asset purchase
2	Payment to FEL for Asset Purchase from bond issuance proceeds	Payment done of c. Rs. 35,600 Mn (including GST)		Remaining purchase amount to be adjusted against security deposit already with FEL
3	Lease Payment to FEL	Reduction in FRL annual lease rentals by c.Rs. 6,500 Mn (cash accrual)		Would result in an increase of EBITDA by an equivalent amount (in accordance with the IND-AS 116)
4	Hedging	Completed		Inclusive of coupon and principal both
5	Extinguishment of Cross Guarantees (CG) between FRL & FEL	Targeted to fall away by March 31, 2020		<p><u>FRL CG given for:</u></p> <ul style="list-style-type: none"> <li>FEL Term Loans / NCDs: Approval received from majority lenders (<b>87% of Total Limits</b>)</li> <li>FEL WC facilities: Approval received from 4 banks (<b>61% of Total Limits</b>)</li> <li>Rest in progress and on track</li> </ul> <p><u>FEL CG given for:</u></p> <ul style="list-style-type: none"> <li>FRL WC facilities: Approval received from 8 banks (<b>76% of Total Limits</b>)</li> <li>Rest in progress and on track</li> </ul>
6	Security Perfection	Outer timeline available of 150 days (i.e. June 19, 2020)		On track and would be done well within the timelines

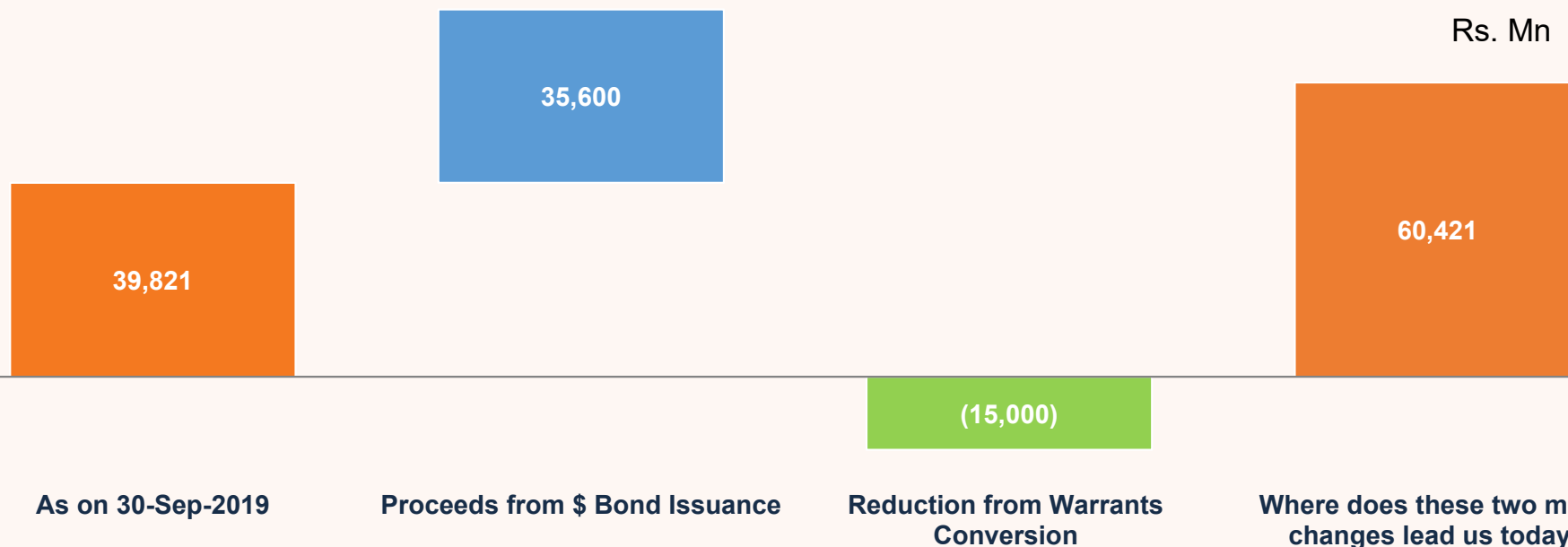


# Liquidity Profile and Principal Uses of Cash

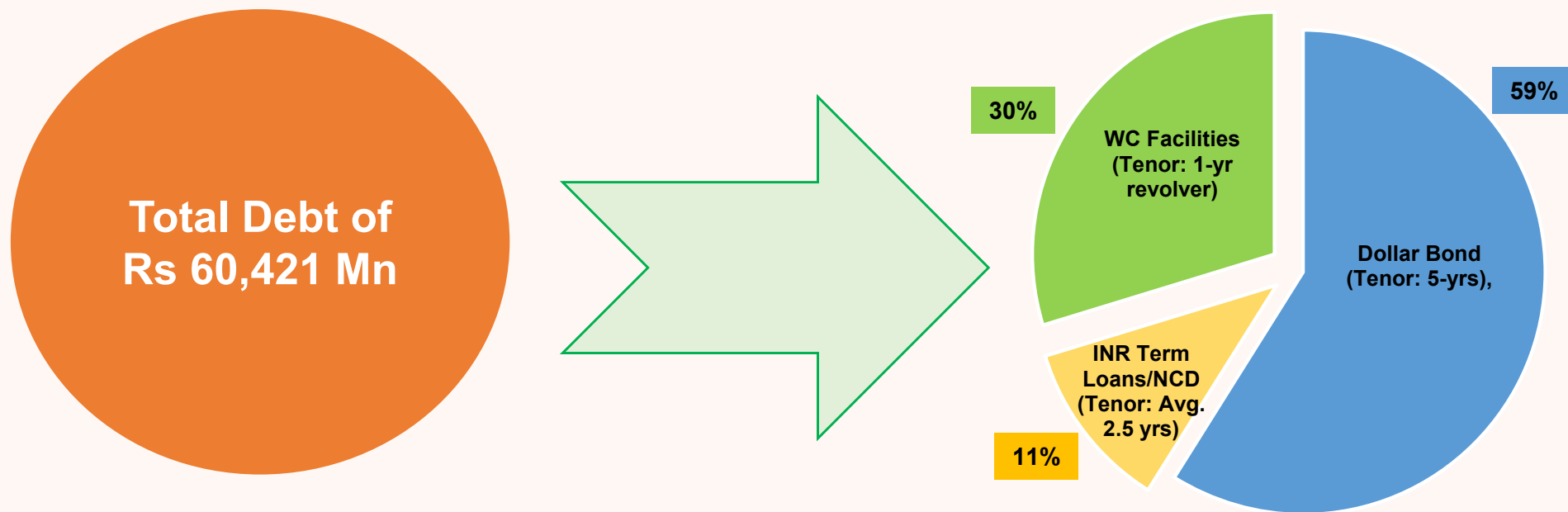


Movement in Debt

Rs. Mn



- ❑ **Since Sep'2019** the two largest changes to debt position have been:
  - Increase through USD Notes issuance of c. Rs. 35,600 Mn (USD 500 Mn)
  - Decrease through equity warrants conversion of c. Rs. 15,000 Mn
- ❑ The USD Notes issuance is resulting in purchase of fixed assets from FEL and **fall-away of lease rentals** (c. Rs. 6,500 Mn) and **corporate guarantees**
- ❑ The combined impact of above would lead to **Debt/EBITDA well within the covenants**



- ❑ With respect to the long-term borrowings, only c. Rs. 1,500 Mn is due for payment in FY21; with **c. 85% of the long-term borrowings due for repayment only in FY25**
- ❑ Post the assessment of the revolving working capital consortium lines by the lead bank, **there is an enhancement underway by 37% (Rs. 21,250 Mn)** over Sep'2019 limits

**FRL has comfortable maturity profile with ample sources of liquidity**

## Principal uses of cash

### Working Capital Requirements (Potential for release)

- ❑ Emphasis is on following tight WC management policy through following measures:
  - **Reduction in inventory days**: sharper buying, cutting long tail of SKUs, supply chain initiatives, better inventory management / assortment mix
  - **Reduction in payable days**: negotiating better sourcing terms from vendors in return for shorter payment cycles

### Capex Plans (Calibrated approach)

- ❑ No plans to pursue any acquisitions/engage into any M&A activity in the near term
- ❑ Focus is essentially on **organic growth** and operating efficiency (i.e. “**Getting more out of the same**”)
- ❑ In order to achieve organic revenue growth, capex plans would be more calibrated:
  - In the near future, FRL shall be **focused on opening new large store formats**
  - FRL shall consider opening **new small stores in existing profitable clusters in a gradual manner** before scaling up roll-out of further stores

*Macro-economic factors such as corona virus scare, slow-down in economy, etc. may have an impact on the above spends.*

## The multipronged approach of:

Driving operating efficiencies

Focus on working capital and potential release thereof

Calibrated approach in capex

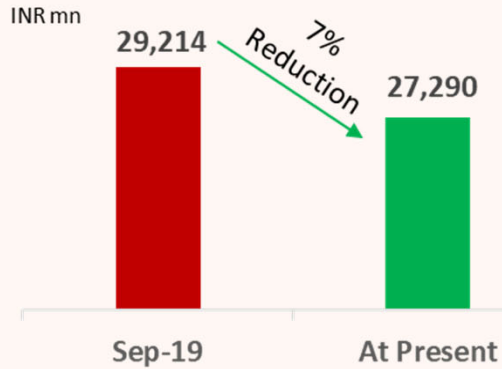
Enhancement of leadership

**To ensure further enhancement of existing EBITDA and operating cashflows thereof.**

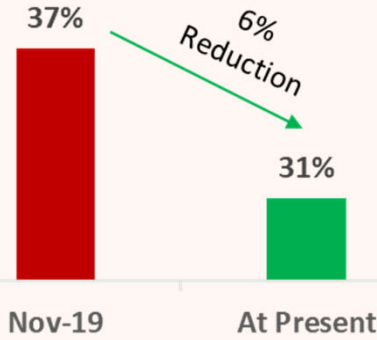
# Promoter Company & Pledge Shares Details



## FRL Shares linked debt at holding companies

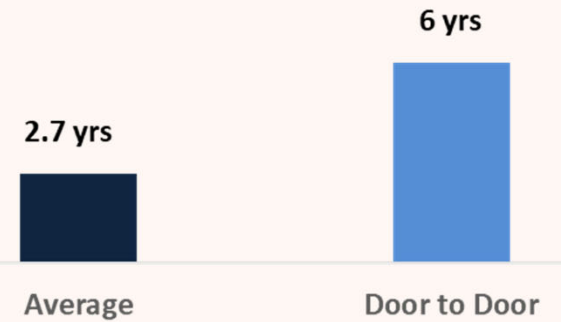


## Encumbrance levels in FRL shares



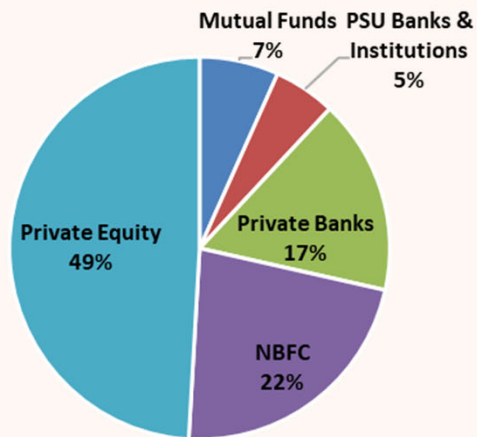
Note: Present levels calculated on a fully diluted basis

## Maturity profile of this FRL shares linked debt at holding companies

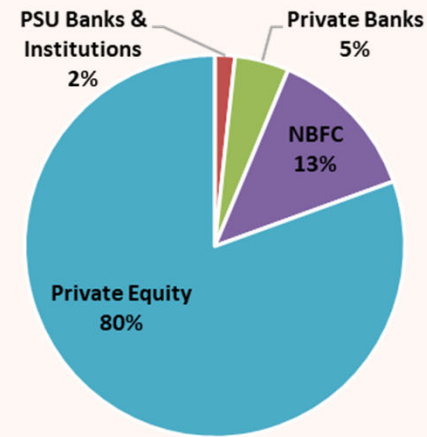


## Counterparty Profile for debt taken across holding companies

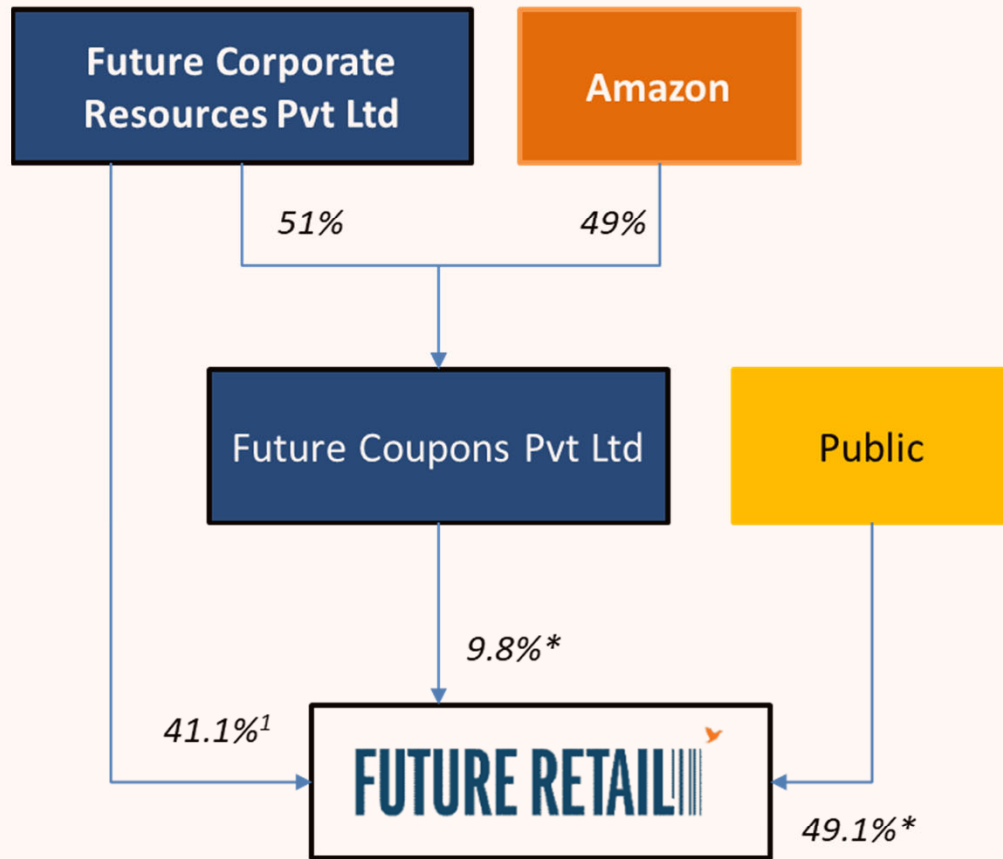
### March 18



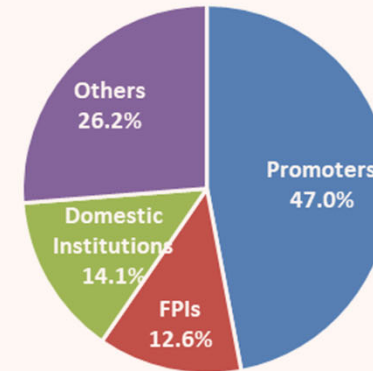
### At Present



Note: For arriving at the facilities backed by FRL shares, we have done a pro-rata exercise to arrive at debt linked to FRL shares



## FRL Shareholding (Dec 19)



## Promoter Shareholding in FRL

	As on Date	After 1 <sup>st</sup> April 2020
Total Shares outstanding	527,398,439	542,202,399
Shares held by Promoters	261,107,631	275,911,591
Promoter Shareholding (%)	49.5%	50.9%
Value of Promoter Shareholding	Rs. 75,604 Mn	Rs. 79,890 Mn <sup>2</sup>

\* On a fully diluted basis

1. Includes shareholding of 0.1% held by other Promoter and Promoter Group on a fully diluted basis
2. Based on closing price as of 6<sup>th</sup> March, 2020 on expanded shareholding post warrants conversion

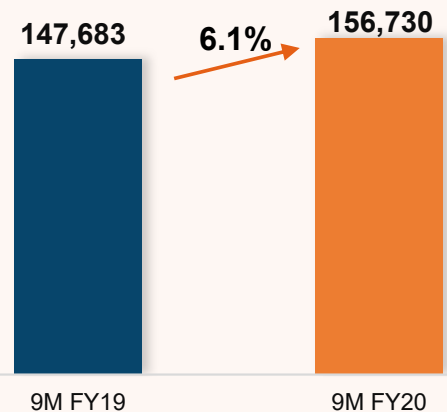


# Appendix

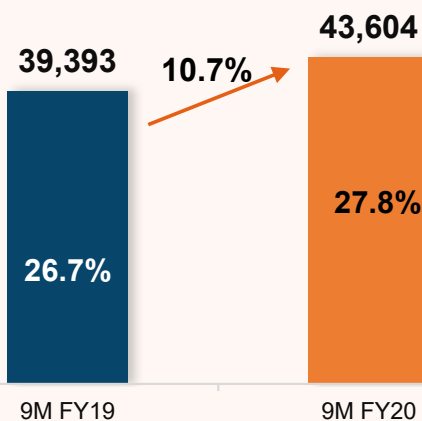


## Continuing to post robust growth in business

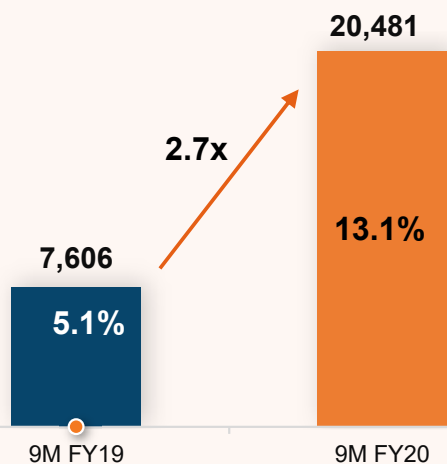
### Income from Operations (\*) (₹ Mn)



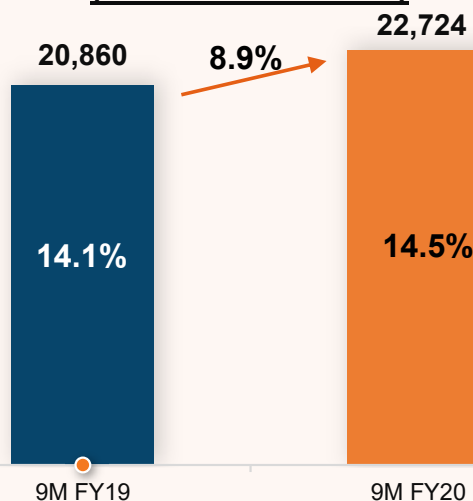
### Gross Margin (\*) (% / ₹ Mn)



### EBITDA (% / ₹ Mn)



### Operating Costs (\*) (#) (% of Sales / ₹ Mn)

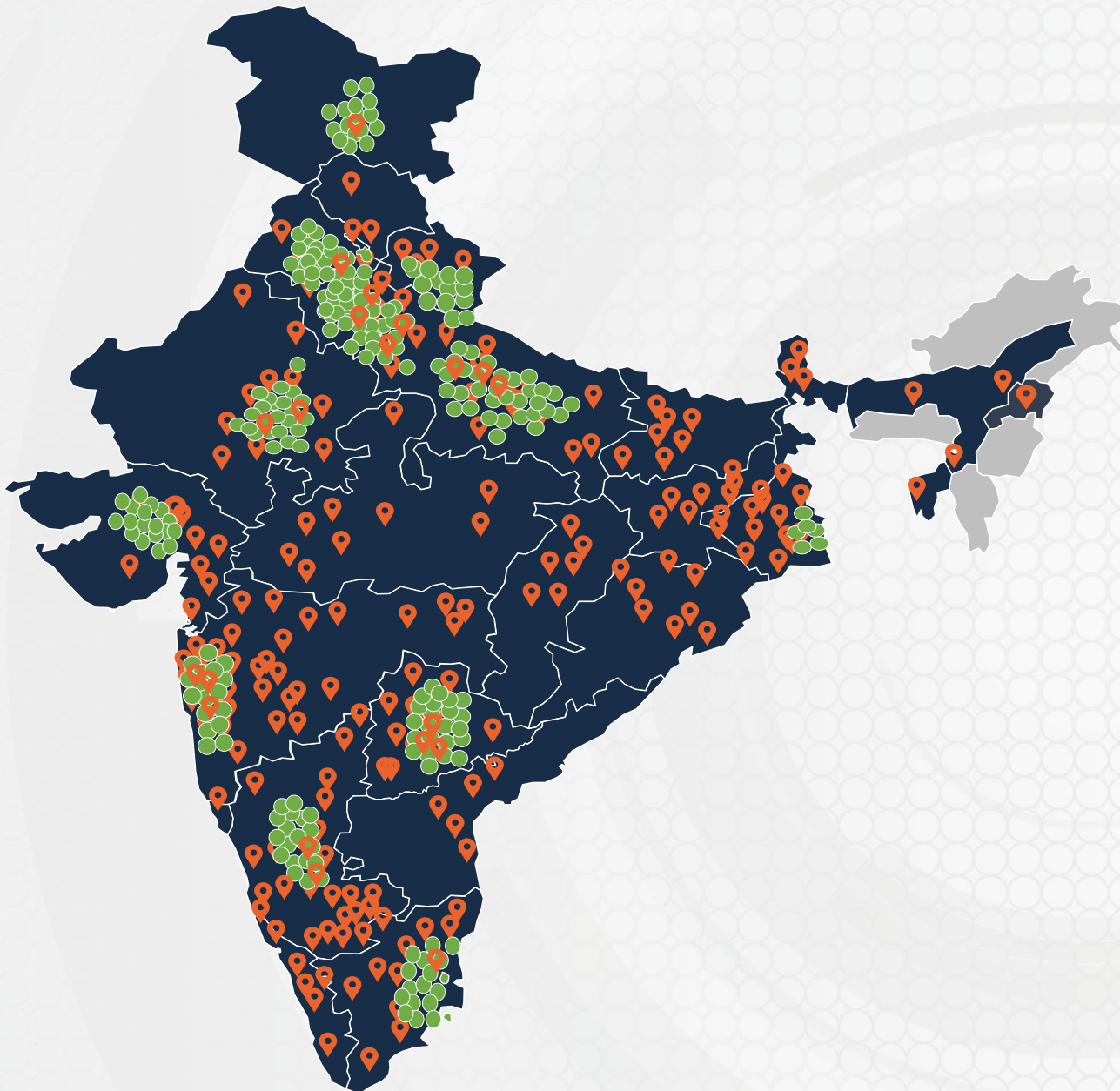


### Commentary:

- EBITDA Margin on account of Ind AS 116 is 13.1% vis-à-vis the EBITDA without Ind AS 116 which is 5.8%
- The only line items which change as a result of transition to Ind AS 116 w.e.f 1<sup>st</sup> April, 2019:

Particulars (Ind AS 116 Impact)	Increase/ (Decrease) Rs Mn	
Rent Expenses	(11,391)	↓
Depreciation & Amortization Expense	6,562	↑
Finance Cost	5,311	↑

Note: (\*) No change as a result of implementation of Ind AS 116 ; (#) Note: Operating costs include all operating expenses except rentals.



**FUTURE  
RETAIL:  
RIGHT  
NEXT  
TO YOU**

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.

**Corporate Office:**

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