

FUTURE RETAIL



Q2 FY20 Presentation

November 2019

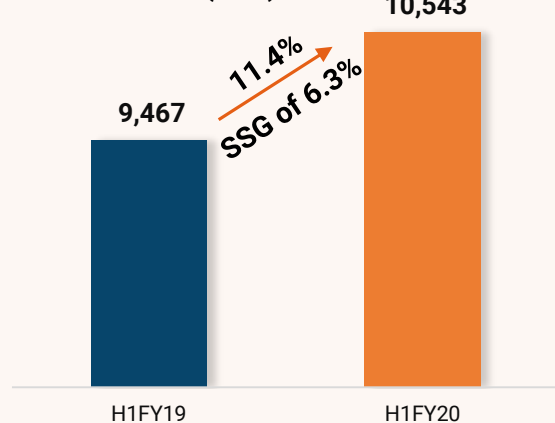
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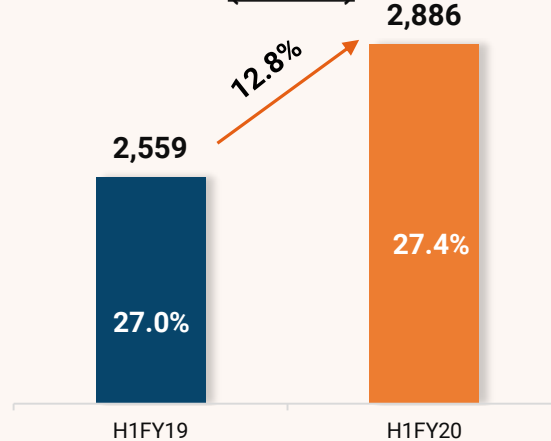
PERFORMANCE UPDATE



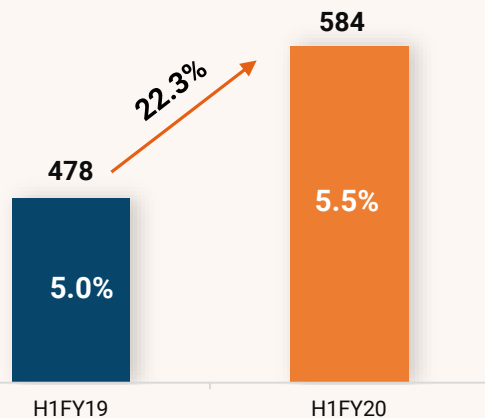
Income from Operations (₹ cr)



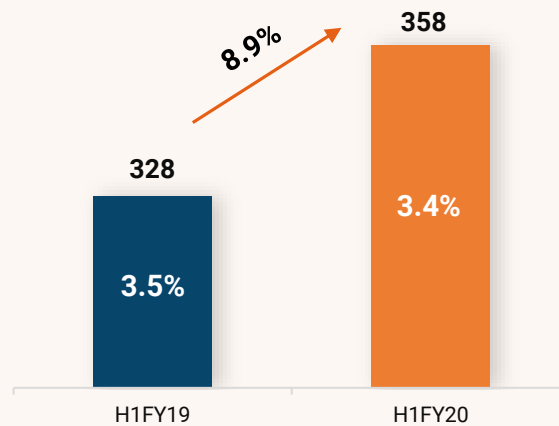
Gross Margin (% / ₹ cr)



EBITDA* (% / ₹ cr)

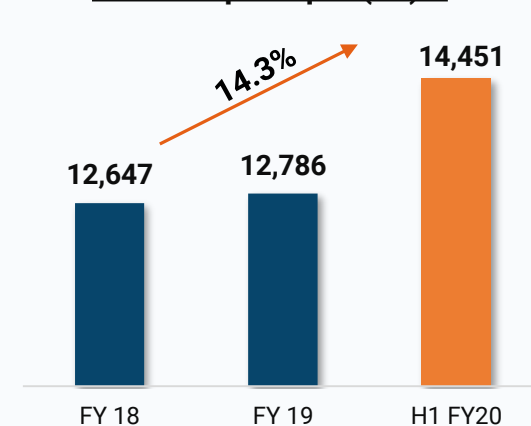


PAT* (% / ₹ cr)

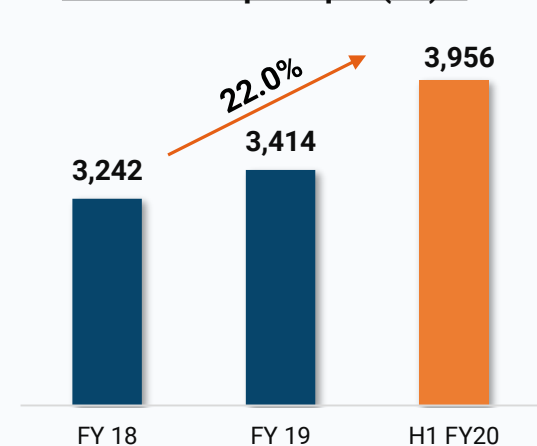


Productivity Trends

Revenue per sq. ft (Rs)⁽¹⁾



Gross Profit per sq. ft (Rs)⁽²⁾



Note:

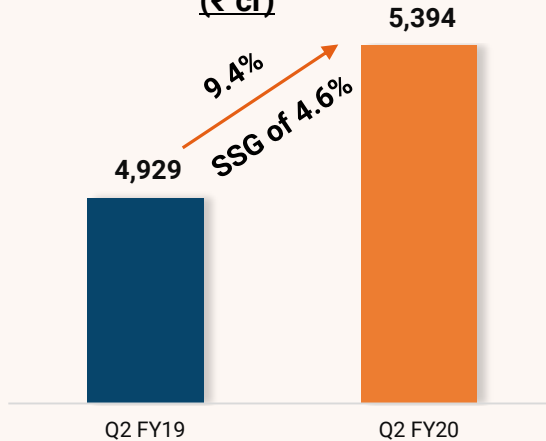
1. Revenue from Operations/ Leased area (average)
2. Gross Profit/ Leased area (average)
3. Revenue for H1FY20 considered as 45% of the annual revenue

*Like to like basis (without IND AS 116)



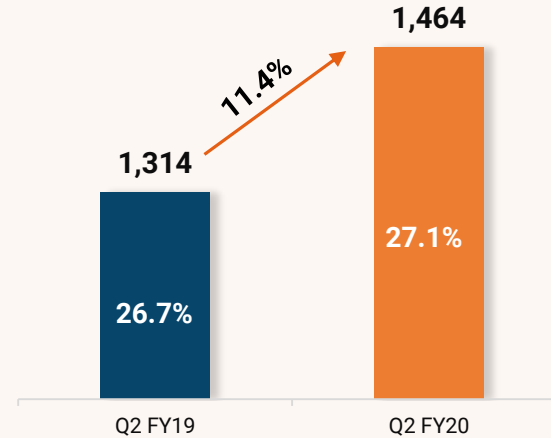
Income from Operations

(₹ cr)

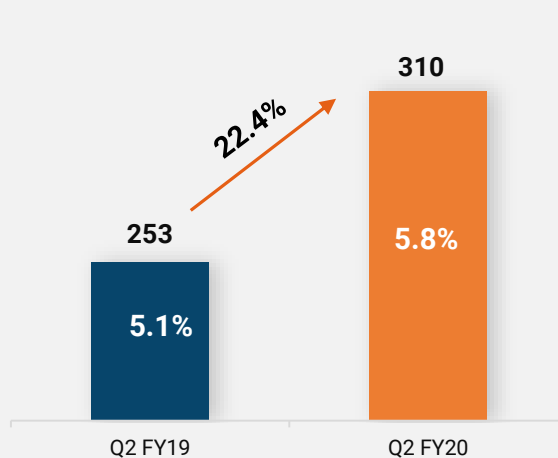


Gross Margin

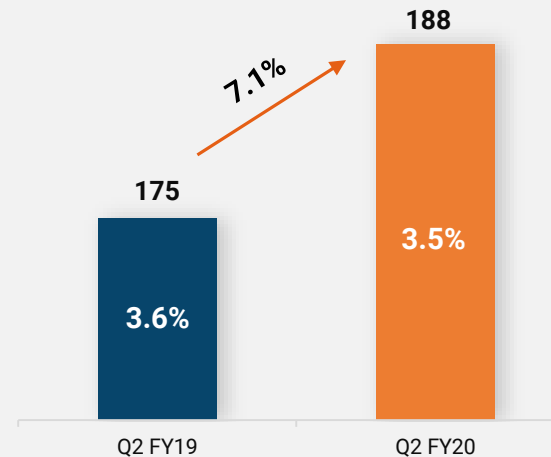
(% / ₹ cr)



EBITDA* (% / ₹ cr)



PAT* (% / ₹ cr)



*Like to like basis (without IND AS 116)

Particulars (₹ cr)	For 6 months ended		
	30-Sep-19	30-Sep-19	30-Sep-18
	With IND AS 116	Without IND AS 116	Without IND AS 116
Total income from Operations	10,543	10,543	9,467
Gross Profit	2,886	2,886	2,559
Gross Margin %	27.4%	27.4%	27.0%
Employee benefits expense	513	513	522
Rent including lease rentals	55	808	732
Other Expenditures	1,010	1,010	837
Total expenditure	1,579	2,332	2,090
Other Income	29	29	9
EBITDA	1,337	584	478
EBITDA%	12.7%	5.5%	5.0%
Depreciation and amortisation	501	74	43
EBIT	836	510	435
EBIT %	7.9%	4.8%	4.6%
Finance Costs	503	153	106
PBT	334	358	328
PBT%	3.2%	3.4%	3.5%
Tax Expenses	-	-	-
PAT	334	358	328

Particulars (₹ cr)	For 3 months ended		
	30-Sep-19	30-Jun-19	30-Sep-18
	With IND AS 116*	With IND AS 116*	Without IND AS 116*
Total income from Operations	5,394	5,149	4,929
Gross Profit	1,464	1,423	1,314
Gross Margin %	27.1%	27.6%	26.7%
Employee benefits expense	232	281	270
Rent including lease rentals	28	27	367
Other Expenditures	528	482	429
Total expenditure	789	790	1,067
Other Income	21	9	6
EBITDA	695	642	253
EBITDA%	12.9%	12.5%	5.1%
Depreciation and amortisation	261	240	23
EBIT	435	402	230
EBIT %	8.1%	7.8%	4.7%
Finance Costs	263	239	55
PBT	171	162	175
PBT%	3.2%	3.2%	3.6%
Tax Expenses	-	-	-
PAT	171	162	175

Refer Slide 21 for more details

PARTICULARS (₹ cr)	For 6 months ended 30 Sep 2019
Cash flow from Operations	
EBITDA	1,337
Working Capital changes (net)	-956
Capex (net)	-235
Surplus from Business	146
Changes in Other Current Asset (net)	-1,069
Investments	-15
Sub Total	-1,084
Cash flow from Financing Activities	
Interest payment	-153
Lease rental payments	-753
Proceeds from 25% of warrants application money	500
Increase in borrowings	1,287
Sub Total	881
Opening Cash & Cash Equivalents	205
Surplus/(Deficit) during the period	-57
Opening Cash & Cash Equivalents	149

- Increase in Working Capital is on account of :
 - Increase in Inventory by Rs 532 cr
 - Increase in Trade Receivables by Rs 140 cr
 - Decrease in Trade Payables by Rs 273 cr
- Increase in Inventory mainly resulting from:
 - Early Festive & winter season build up in Fashion
 - Broader slowdown in General Merchandise
 - *We expect the inventory to normalize by Mar' 2020*
- Increase in Other Current Assets is emanating from the initiation of decoupling of the lease rentals
- The outcome of the ongoing operating and strategic initiatives is expected to reflect by Mar' 2020 and onwards.

PARTICULARS (₹ cr)	As at 30 Sep 2019	As at 31 Mar 2019
	With IND AS 116	Without IND AS 116
A) ASSETS		
Non-Current Assets	8,694	2,406
Inventories	5,598	5,066
Trade Receivables	456	316
Other Current Assets (Net)	3,603	2,740
TOTAL ASSETS	18,351	10,528
B) EQUITY AND LIABILITIES		
Equity	3,300	3,852
Non Current Liabilities		
Borrowings	545	375
Other Non-Current Liabilities	6,940	195
Current Liabilities		
Borrowings	3,296	2,179
Other Current Liabilities	4,271	3,927
TOTAL EQUITY AND LIABILITIES	18,351	10,528

P&L Statement

Particulars (₹ cr)	For 3 months ended	
	30-Sep-19	30-Jun-19
Total income from Operations	5,449	5,197
Gross Profit	1,494	1,450
Gross Margin %	27.4%	27.9%
Employee benefits expense	239	286
Rent including lease rentals	29	29
Other Expenditures	530	488
Total expenditure	798	803
Other Income	21	9
EBITDA	717	656
EBITDA%	13.2%	12.6%
Depreciation and amortisation	279	251
EBIT	439	405
EBIT %	8.1%	7.8%
Finance Costs	273	245
PBT	166	160
PBT%	3.0%	3.1%
Tax Expenses	-	-
PAT	165	159

Balance Sheet

Particulars (₹ cr)	As at 30 Sep 2019
A) ASSETS	
Non-Current Assets	8,919
Inventories	5,619
Trade Receivables	486
Other Current Assets (Net)	1,782
TOTAL ASSETS	16,806
B) EQUITY AND LIABILITIES	
Equity	3,236
Non-Current Liabilities	7,187
Net Debt	3,646
Trade Payables	2,737
TOTAL EQUITY AND LIABILITIES	16,806

What had we committed?

1. In the earnings release of Feb' 2019, management had estimated this to be done by Sep' 2020
2. On 4th Feb' 2019, an equity infusion from Future Coupons Limited of Rs. 2,000cr was committed in order to support the decoupling.

Where are we?

1. Through a combination of following steps, management expects to complete the decoupling by Mar' 2020, 6-months ahead of the schedule
 - a. The amount of purchase consideration for assets has been crystalized at around Rs. 4,000cr by Grant Thornton India LLP
 - b. The same has been approved by Board and Shareholders of FRL and FEL
 - c. 50% of the above purchase consideration is to be funded through equity: The same has been fully tied up
 - d. Balance is being funded through an appropriate mix of debt & internal accruals and advance already paid
 - e. With the full visibility on source of funds, the process of payment to FEL has already begun
2. Management expects FRL to start realizing the annual lease rental savings of approx. Rs. 650cr for full year of 2020-21. The corporate guarantee of ~Rs 3,600 cr provided for loans of FEL shall also be withdrawn.
3. The benefit of savings from lease rentals shall accrue from the next quarter itself

BUSINESS TRANSFORMATION JOURNEY



1

Efficiencies & focused execution

Driving **efficiency savings of ~Rs 160 – 200 cr / yr** across corporate OH & store costs (marketing, rental, employee & utilities)

Drive **SSSG in large format** across network through leadership in key cities

Breakeven of Small format stores in 3-6 months (run- rate)

2

Strong cashflow generation

Deliver operating cashflow (post capex) to EBITDA conversion of ~50% – targeting monthly ~Rs 200cr EBITDA & Rs 100cr free cashflow by Feb/ Mar '20

Will deliver this through EBITDA expansion from efficiencies and margin uplift, tightly managing working capital, and minimal new store capex

3

Balance sheet deleveraging

Deleverage balance sheet through strong cashflow generation and superior ROCEs (>20% post tax ROCE in next 36 months)

Targeting Net Debt/EBITDA of ~1.5x in 24 months (by April 2021) and <0.2x in 3 years

4

Full unwind of RPTs with FEL

On track to buyback store assets from FEL by March '20 at arms length fair value

Post-buyback, **all RPTs with FEL to be unwound** across lease rentals (~Rs 650 cr/yr). **All corporate guarantees provided by FRL on behalf of FEL (~Rs 3,600cr) will be fully removed.**

5

Key Enablers: Rakesh Biyani (Joint Managing Director) has been fully empowered and entrusted to deliver the above.

"Lean and Nimble":

Driving business efficiencies

- **Significant cost-saving initiatives in progress** across store rental renegotiations, store opex reduction, lower employee costs and increased use of contract labour, leaner & targeted marketing spends, process automation at corporate HQ
- Shutting down unprofitable stores across small format – already in progress
- **Targeting annualized savings of ~Rs 160-200 cr in FY21 from efficiencies**

***"More from the same":* Large format SSSG growth and margin expansion**

- Driving **2% higher SSSG growth through existing store network** through leadership in key cities, aligning assortment more closely with customer needs and driving better loyalty
- **Gross Margin expansion of ~150 bps in Large format through better pricing / markdown management** (including rationalizing cashbacks, removing pricing inefficiencies) & back income

***"Business model enhancements":* Small format breakeven in next 3-6 months**

- **Shut all unprofitable stores and stores outside delivery network within next 3 months.**
- **Optimize remaining network with no net space addition.**
- **Focus on growth in core markets (Punjab, NCR) to deliver sustained ~12-15% SSSG for 2-3 years**

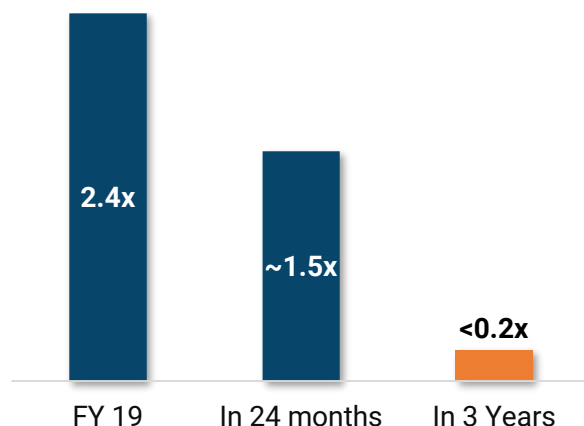
- **No new net space addition** across small format stores
- **No acquisitions** – only organic growth
- Minimal maintenance capex – **store renovation journey now complete**

OCF/EBITDA conversion of 50%
through FY21 and beyond

- Revenue per sqft growth through sustained **10-12% SSSG in large format**
- **150bps GM expansion** through better markdown management and product mix
- **EBITDA expansion through cost efficiencies** of ~Rs 160-200cr per year
- **Shutting unprofitable stores** across large and small format

- **Target to release ~Rs 500cr from inventory in FY20 itself**
- **Tight working capital management – lower inventory days by 5-6 days of sales** every year through sharper buying, cutting long tail of SKUs and supply chain initiatives
- Target to realize the balance equity upside

FRL Net Debt/EBITDA



Committed towards balance sheet deleveraging

- In short-term (next 3-6 months), net debt may rise temporarily as FRL buys back ~Rs 4000cr of store assets from FEL
- **Buyback of store assets from FEL will be significantly ROCE accretive** : lease rent saving of ~Rs 650cr / yr from full year FY21 onwards
- Sustained EBITDA growth through higher SSSG, margin growth and cost efficiencies, as well managing working capital tightly and controlled new store capex will lead to **strong cash generation (OCF to EBITDA conversion of >50%)**

Higher EBITDA, sharp focus on cashflow generation and deleveraging shall lead to >22% post-tax ROCE in 24-36 months

APPENDIX



Impact of IND AS – 116



- New lease standards effective from 1st April 2019.
- No distinction between finance lease & operating lease.
- All leases to be recognized in the balance sheet as an Asset and Liability.
 - The lease liability is measured at present value of minimum lease payments to be made over the lease term.
 - The right to use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, if any
 - Right to use is depreciated over a lease term on a straight-line basis. Interest is added on lease liabilities and actual payments are reduced from the liabilities balance.
- Operating lease expenses will be replaced by Depreciation and interest expenses.
- Exemptions available in the standard is pertaining to short term leases (≤ 12 months) and assets having low values.

Standalone Income Statement (Q2FY20)	Impact (Rs cr)
Revenue	-
Operating costs (excluding depreciation and amortization)	-385
EBITDA	+ 385
Depreciation and amortization	+222
Operating Profit (EBIT)	+163
Finance costs	+179
Profit before tax	-16








Consolidated Income Statement (Q2FY20)	Impact (Rs cr)
Revenue	-
Operating costs (excluding depreciation and amortization)	-407
EBITDA	+ 407
Depreciation and amortization	+239
Operating Profit (EBIT)	+168
Finance costs	+188
Profit before tax	-21

Particulars (₹ cr) For 3 months ended	30-Sep-18	With IND AS 116		Without IND AS 116	
		30-Sep-19	Y-o-Y	30-Sep-19	Y-o-Y
Total income from Operations	4,929	5,394	9%	5,394	9%
Gross Profit	1,314	1,464	11%	1,464	11%
Gross Margin %	26.7%	27.1%		27.1%	
Employee benefits expense	270	232	-14%	232	-14%
Rent including lease rentals	367	28	-92%	413	13%
Other Expenditures	429	528	23%	528	23%
Total expenditure	1,067	789	-26%	1,174	10%
Other Income	6	21	249%	21	249%
EBITDA	253	695	174%	310	22%
EBITDA%	5.1%	12.9%		5.8%	
Depreciation and amortisation	23	261	1035%	39	68%
EBIT	230	435	89%	272	18%
EBIT %	4.7%	8.1%		5.0%	
Finance Costs	55	263	375%	84	52%
PBT	175	171	-2%	188	7%
PBT%	3.6%	3.2%		3.5%	
Tax Expenses	-	-			
PAT	175	171		188	

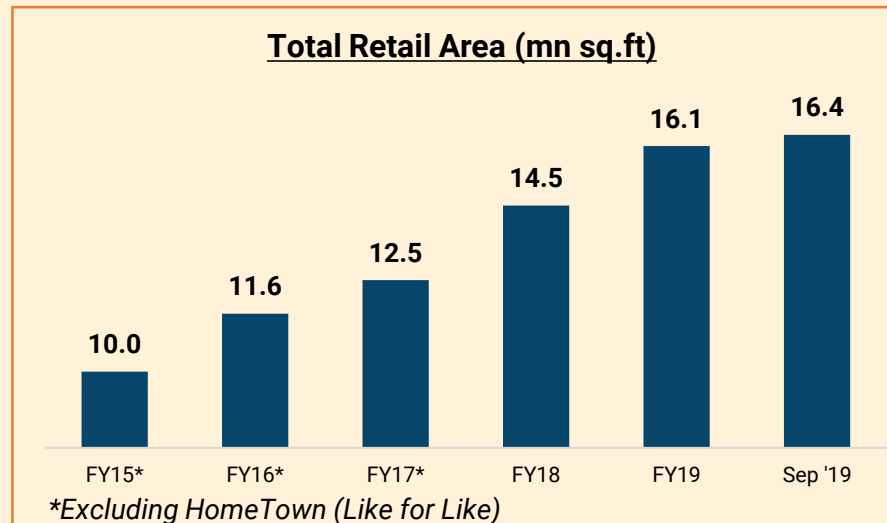
Particulars (₹ cr)	With IND AS 116	Without IND AS 116
For 3 months ended	30-Sep-19	30-Sep-19
Total income from Operations	5,449	5,449
Gross Profit	1,494	1,494
Gross Margin %	27.4%	27.4%
Employee benefits expense	239	239
Rent including lease rentals	29	435
Other Expenditures	530	530
Total expenditure	798	1,204
Other Income	21	21
EBITDA	717	311
EBITDA%	13.2%	5.7%
Depreciation and amortisation	279	40
EBIT	439	271
EBIT %	8.1%	5.0%
Finance Costs	273	85
PBT	166	186
PBT%	3.0%	3.4%

Our Ecosystem Continues to Grow



	Formats	As on 30 June 2019			No of Stores		As on 30 September 2019		
		Stores	Cities	Area (mn sqft)	Gross Additions	Closures	Stores	Cities	Area (mn sqft)
Large Stores	 BIG BAZAAR Making India Beautiful	293	144	12.51	8	8	293	147	12.63
	 fbb India's Fashion Best	96	48	1.02	2	3	95	47	1.04
	 Foodhall	11	5	0.13	-	2	9	4	0.13
Small Stores	 easyday Club  Heritage fresh  WHSmith value your emotions	1,150	352	2.54	63	66	1,147 ¹	344	2.55
Others	 ezone smarter living	7	4	0.07	-	1	6	4	0.06
Cumulative		1,557	437	16.27	73	80	1,550	432	16.40

(1) Includes 100 WH Smith stores



~10 lakh members

~20 Average Yearly store visits

Average ticket size of > ₹2,000

~ ₹40,000 Average annual spend per user



Achieves Over 110%

With 1 lakh+ Recruitments In March 2019

Congratulations

To The Team For Living Up To Its Promise In The Year Of 110%

Your **Benefit Index** Is Set To **Soar High** With The **Big 5 Profit Days**

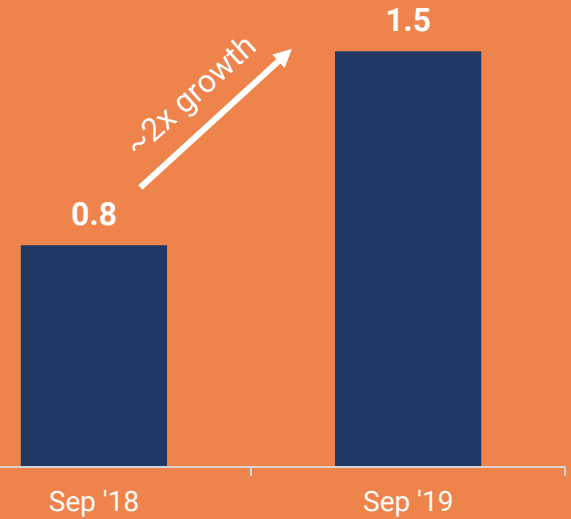
BIG BENEFITS WITH PROFIT CLUB

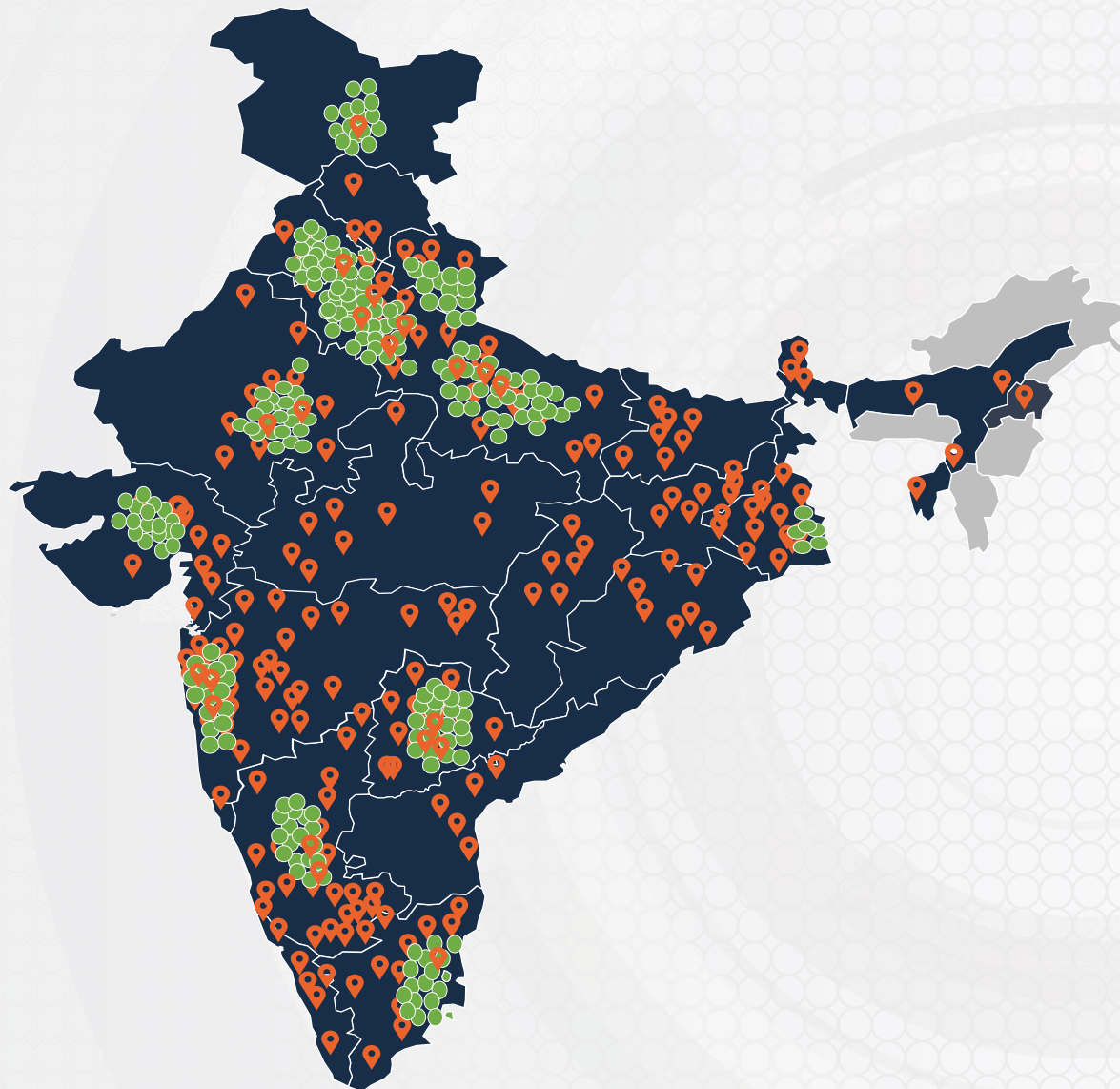
Enrol or Renew
Your Profit Club Membership



Member-centric high-value ecosystem

Easyday Club Members (in mn)





FUTURE RETAIL: RIGHT NEXT TO YOU

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