



Harnessing an opportunity called “India”
to deliver growth and profitability

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Harnessing an opportunity called "India"

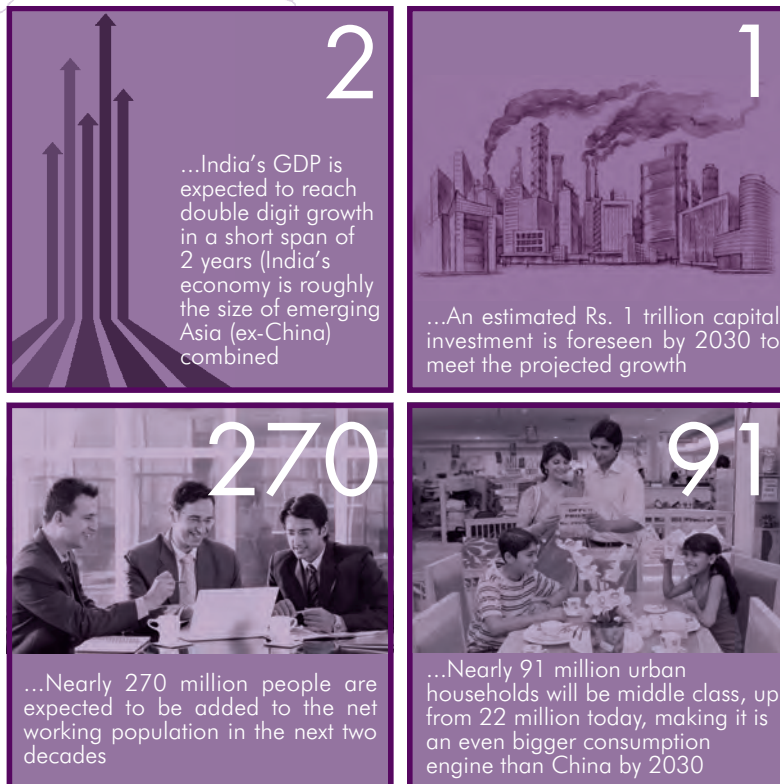
Vibrant. Optimistic. Confident.

That's the spirit that defines the new India. An India driving itself to scale new levels of economic growth, leaving its mark on the global map as the world's fastest recovering economy.

It's an India rooted in deep fundamental strengths and driven by sustained consumption growth and boost in investment.

It's an India propelled by changing demographics in the form of a young, vibrant and rapidly growing population and buoyed by exuberant consumer activity clocking double digit growth.

The opportunity space offered by this India, which is traversing new frontiers of progress and is all set to unfurl unprecedented prosperity, is a compelling story of growth and progress.



(*Source: McKinsey Global Institute's Report on India's urban awakening: Building inclusive cities, sustaining economic growth, April 2010)

A space that FCH is strategically poised to harness:

- By facilitating consumption, and promoting wealth building with appropriate financial products and services.
- By helping entrepreneurs, organisations and corporates realise their dreams and transforming their aspirations into achievable goals through extension of financial credit.
- By leveraging the captive consumer base and ecosystem of the Future Group – a Group that drives the Indian consumption story as much as it is driven by it.

A journey which will enable FCH to unleash a new era of growth and profitability for all its stakeholders in the years to come.



"We are happy to share that your company grew its businesses by 35% and posted a net profit Rs. 593 million, as compared to loss of Rs. 321 million in the previous year."

Dear Stakeholders,

It is my pleasure to present your company's Annual Report for the year 2009-2010. As you must be aware, the first three quarters of the financial year posed an extremely challenging economic environment. We believe we were able to cope with the external environment and we are happy to share that your company grew its businesses by 35% and posted a net profit of Rs. 593 million, as compared to loss of Rs. 321 million in the previous year.

However, the financial numbers present only a vignette of the transformation that your company went through during the year.

The external economic environment provided us an opportunity to introspect and review where our strengths lie and what opportunities we should pursue to deliver more stakeholder value. Based on the recommendations of the Board and the Senior Management, we realigned our businesses with a stronger focus on leveraging the consumption economy in India.

It has been our belief that in India, only those non-banking financial companies that reflected and aligned their business objectives with the needs of the nation at different points of time, were able to deliver superior stakeholder return. Post-independence, as the country geared up to build the necessary industry and infrastructure, non-banking financial companies that focused on areas like infrastructure financing, industrial lending and housing finance were able to achieve disproportionate growth. The financial organisations that are today household names are mostly from these set of non-banking financial companies that focused on the needs of the post-independence period.

The last two decades in India, beginning with the economic liberalisation has transformed our economy. Both the purchasing power as well as the size of the consuming class has increased significantly. Along with this, a younger demographic and increasing urbanisation has resulted in the rise of the consumption economy. The consumption economy in India today contributes over 55% of our gross domestic product, a share that is among the highest among all emerging economies.

Your company was conceived as a non-banking financial company that can leverage upon the growth of India's consumption economy. At Future Group, our retail and allied consumption businesses reaches out to 200 million customers in a year, cutting across all customer demographics, in over 75 cities and 65 rural locations. Continuous market research and focused group studies have consistently thrown up low penetration of financial products; a major part of the solution is our customer, who visits our various retail networks.



Letter to Stakeholders

Your company was designed to be built on the foundation and strengths laid down by Future Group. Whether it was through financing consumption needs and desires of Indian households or distribution of investment and savings product, we believed there lied a huge opportunity to add value to customers. In the current financial year, we realigned our organisational strategy to meet these objectives. Along with a set of very experienced professionals, as well as outside talent, we are working towards building what is among India's first consumption-led non-banking financial company.

The realignment of organisational strategy has already started yielding results. Revenues from retail credit business have started gaining momentum. Along with aligning this business with Future Group's reach and distribution, we also focused on appropriate product mix, enhanced efficiency in collections, along with improved risk management processes that has helped this business turn the corner.

Your company's overall credit business, which also includes corporate credit, has grown significantly as well. The credit book grew to Rs.13.94 billion from Rs 6.01 billion. Along with these, the company's investment in the asset management business has started delivering increased value creation. Your company will continue to maintain its focus on improving the value proposition to all its stakeholders in terms of rapid growth and providing best in class products and services. I am sure that with continuous improvements in various systems, processes and structures in your company, we aim to be a leader in the financial services industry.

I would like to thank our board of directors and leadership team for their wise counsel and continued guidance. We acknowledge the contributions of our partners for the success of the company. Most importantly we also acknowledge the immense contribution made by the employees of our company through their dedication and commitment. We are thankful to all our Stakeholders for their enduring confidence reposed in the organisation and we look forward to your continued support and encouragement.

Warm Regards,

Kishore Biyani
Chairman



Retail Financial Services

... A one-stop shop for all financial services

Simple, Easy and Convenient. These three words precisely describe the company's retail financial offerings. The company's products and services are designed to set new standards of excellence in the expanding space of organised retail financial services in India.

Expanding opportunity

The mortgage to GDP ratio in India is at 7%, as compared to most other developing Asian countries, where it is pegged at between 20-25%. The low penetration of mortgages in India represents a huge growth opportunity for the retail financing sector. Over the next 5 years, it is estimated that over 9 million first-time retail customers are likely to buy a financial product.

It's this expanding opportunity space that FCH is well-placed to explore due to the unmatched, extensive reach across the length and breadth of the country leveraged through the eco-system of Future Group. An eco-system nurtured by 35,000 employees, providing direct access to 200 million customer footfalls spanning 75 cities, 65 rural locations across 15 million sq. ft. of retail space spread over 1,000 stores. A synergistic relationship through which FCH services the entire Balance Sheet of the customers, while the Future Group creates formats to service the Profit and Loss items of the customer.

One-stop solution

As consumption levels continue to increase utilisation levels, FCH is well-poised to exploit the unfolding opportunities with its innovative range of financial products and services that are primed to meet the diverse needs of its customers - from fulfilling personal aspirations and family goals to enabling customers build their personal wealth.

The company offers a one-stop solution in retail finance. Whether it's consumption loans, home equity loans, distribution of credit cards or the need for a protective umbrella for insurance or sending money to your near and dear ones through forex

"Finally a house of my own, now I need to get the furniture in place...will I be able to raise a loan for it?"





distribution and remittance overseas – the FCH portfolio of products and services spans the entire range of financial needs of an individual across his life span.

Along with its key consumption loan portfolio, FCH also distributes insurance products of Future Generali (a joint venture between Future Group and Generali Group, Italy-based Insurance Company). In the mutual fund space, the company distributes products of various leading mutual fund companies, including SBI Mutual Fund, LIC Mutual Fund, Kotak, etc., and is continuously expanding the third-party product distribution business to provide the best range of products and improve profitability.

Through its joint ventures, FCH also offers Portfolio Management Services, equity broking, forex and remittance services.

Moving forward

Adding to the current pan-India presence in mass retail space, FCH is targeting deeper penetration and conversion through the Group formats – Big Bazaar, Home Town, Central, Pantaloon, E-Zone - with presence through kiosks, in-store branches to vendor programs and independent presence on high streets. The company is confident of leveraging the Group's access to consumers to further drive growth in the consumption loans that it offers.

With robust systems in place, the company plans to continue to focus on building good quality retail credit assets through tighter control on credit, collections and operations. As a measure of prudence and adequate caution, FCH focuses on asset backed financing and aims to maintain a high secured book as a percentage of the total book size.

Moving forward, the company aims to improve operations, monitoring and relationship-deepening processes through technology improvements in a bid to strive and emerge as a financial supermarket and a leading retailer of financial products and services in India.



"It's my daughter's big day. She's getting married. If only I could find a way to make it memorable for her."



"I want to build homes which middle class families can afford and need strong working capital support. But where can I raise the funds?"

Corporate Lending

Buoyant consumer demand, evident pick-up in the manufacturing sector, blockbuster industrial output and expansion in services sector has accelerated the growth momentum across India's USD 1.2 trillion thriving economy. And it is India's robust financial services sector with timely credit offerings that is scripting the story of an economy that is flourishing, vibrant and prosperous.

India has ambitious plans to overhaul the infrastructure in the country over the next decade. Strong economic fundamentals and policy intervention has already seen strong revival in the realty sector in the last fiscal. Striving to tap the huge opportunity potential across the fast growing infrastructure and realty sectors, along with other promising sectors, FCH has evolved various corporate lending and wholesale credit products.

The company offers credit lines to top tier real estate developers offering senior secured lending against cash flow from identified residential projects and also finances select commercial real estates, leveraging the Future Group's eco-system for collateral valuation, developer integrity and other market intelligence.

FCH also offers credit lines for project finance to operating entities and general corporate loans with adequate security and defined take-out. It also offers corporate loans against pledge of listed shares to borrowers with proven track record.

Targeting every facet of possible corporate and wholesale funding requirement, FCH also provides acquisition finance lending against liquid security, against cash flow monetisation of identified assets, collateral in the form of prime real estate in metro cities and/or liquid securities, etc.

By leveraging on the Future Group eco-system for deal origination, extensive market intelligence and long-standing expertise and experience, FCH is confident of expanding this business segment in years to come.

With the turnaround in the economy and credit growth looking up, FCH, with an appropriate product mix coupled with efficient fund raising capabilities, looks forward to the future confidently.

Trade Finance

The Group's long presence in the organised retail sector has been the source of understanding the continually evolving need of working capital requirement in the retail industry and with this as a base has recently forayed into the fast-growing 'Trade Finance' segment, focusing on end-to-end supply chain financing including suppliers credit, short tenor working capital loans, discounting of bills payable and purchase of receivables. The company is uniquely positioned to expand this business segment by leveraging the Group's eco-system.

Asset Management and Advisory



Uncertainty continues to dodge the global markets against the backdrop of the current multiple economic crisis - the Dubai debt default and the grave European crisis. The liquidity crunch on the back of economic slowdown continues to impact the industry. Given the continued global uncertainty accompanied by market volatility, the private equity investors across the globe remained risk averse. Against this volatility, the company's investment advisory business continued to remain disciplined and committed to its original philosophy of creating quality and sustainable value through a long term and differentiated approach.

In the private equity space, the conditions continue to remain challenging. During the year, the company as investment advisors, concentrated on working closely with our investee companies, helping them manage their resources better, revisit and rework growth strategies, assisting them in execution and developing operational efficiencies.

In the real estate advisory business, the company provides full real estate capabilities which include project evaluation, land acquisition, project conceptualisation and design, leasing, property management and exits. During the year, the company focused on timely execution and financial closures to facilitate the implementation and commissioning of ongoing projects.

Even in a challenging business environment which prevailed for a significant period of the last fiscal, FCH sustained its performance in investment advisory segment by remodeling its business approach. Through strategic repositioning, realigning and enhanced focus on efficiencies, the company achieved considerable cost and administrative savings which in turn ensured revenue visibility and sustainability.

With the revival of momentum in the Indian economy and resurgence of traction across sectors, the potential for India as an opportunity has been re-emphasised resulting in the private equity and asset management business segment regaining flavour. It is estimated that private equity investment in Indian companies for the first quarter of 2010 touched a record high clearly dwarfing investments made in the same quarter, in the previous fiscal. Private equity investments, in the country zoomed to USD 630 million in May 2010, nearly three times compared to that clocked a year-ago and therefore providing a strong impetus to the asset management and advisory space.

Within the asset management and advisory space, the company plans to strengthen its presence by offering services like advice and recommendation on investments and exits, mergers and acquisitions, capital restructuring, financial process and systems, treasury management and fund mobilisation.