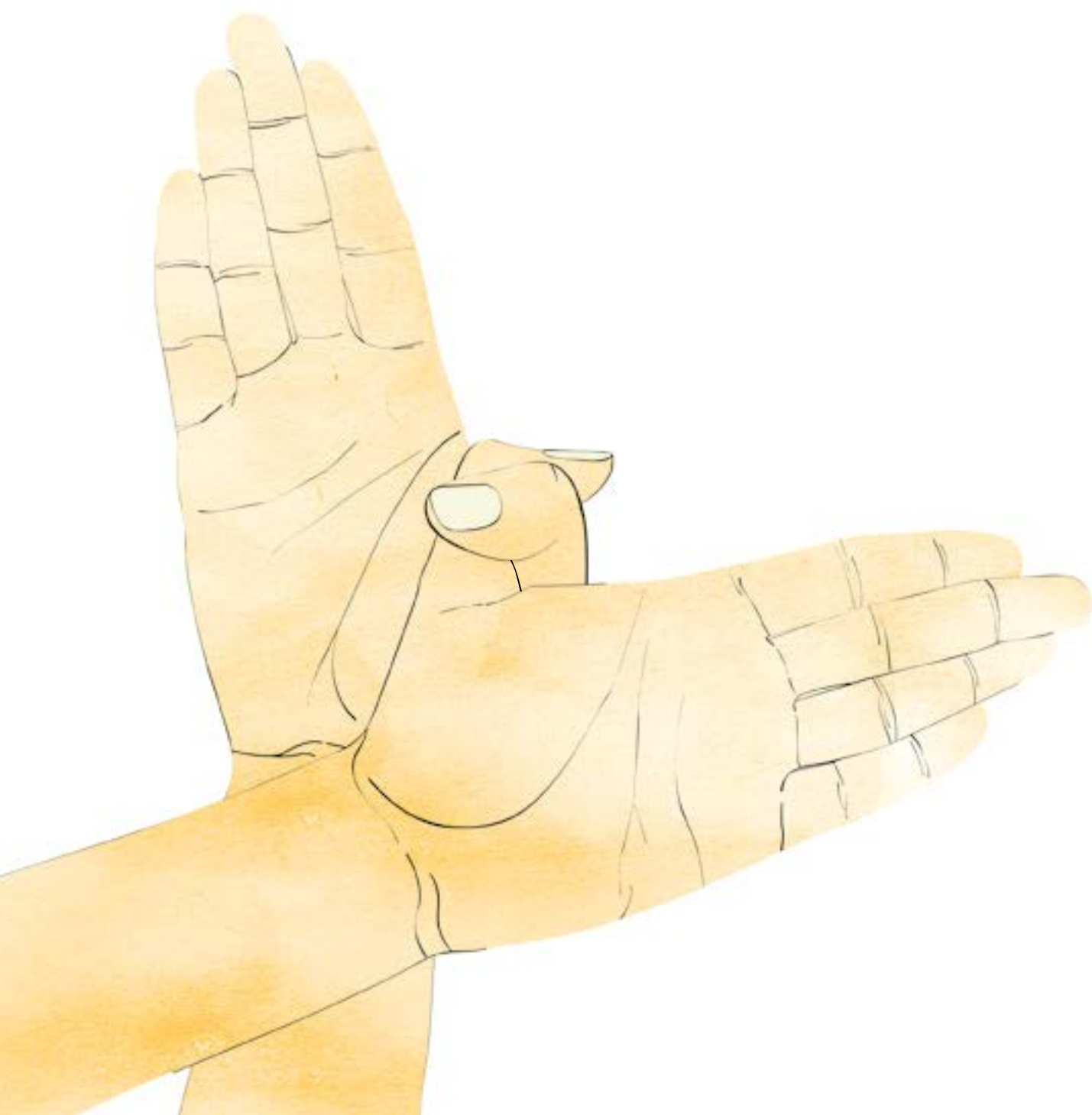


DISCOVERING VALUE!

Annual Report
2011-12

Pantaloons Retail (India) Limited

is now Future Retail Limited



येतो हस्तस्ततो दृष्टिर्यतो दृष्टिस्ततो मनः
येतो मनस्ततो भावो येतो भावस्ततो रसः ॥

*Where the hands are, there goes the eyes, Where the eyes are, goes the mind
Where the mind goes, there goes belief, Where there is belief, the sentiment or
behaviour is evoked.*

*We believe that our belief shapes our behaviour and our behaviour shapes our
business. This report captures our belief, behaviour and business and how
these have helped us create value for our stakeholders through the expression
of hands or mudras.*

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CORPORATE INFORMATION

Name of company has been changed to “Future Retail Limited” with effect from March 16, 2013 pursuant to approval received from Registrar of Companies, Maharashtra and issue of fresh certificate of incorporation upon change of name.

Board of Directors

Mr. Shailesh Haribhakti
Chairman

Mr. Kishore Biyani
Managing Director

Mr. Rakesh Biyani
Joint Managing Director

Mr. Vijay Biyani
Wholetime Director

Mr. S. Doreswamy
Director

Dr. Darlie Koshy
Director

Mr. Anil Harish
Director

Mrs. Bala Deshpande
Director

Mr. V. K. Chopra
Director

Mr. Gopikishan Biyani
Director

Company Secretary

Mr. Deepak Tanna

Statutory Auditors

NGS & Co. LLP

Risks Advisors

Ernst & Young Pvt. Ltd.

Share Transfer Agent

Link Intime India Pvt. Ltd.
C-13 Pannalal Silk Mills Compound
LBS Marg, Bhandup (West), Mumbai 400 078
Tel no: +91 22 2596 3838
Fax no: +91 22 2594 6969

Bankers

Bank of India
Axis Bank
Andhra Bank
Corporation Bank
HDFC Bank
IDBI Bank
State Bank of Travancore
UCO Bank
Standard Chartered Bank
The Federal Bank
Union Bank of India
Bank of Baroda
Allahabad Bank

Registered Office

Knowledge House, Shyam Nagar,
Off. Jogeshwari-Vikhroli Link Road
Jogeshwari (East), Mumbai 400 060
Tel no: +91 22 6644 2200
Fax no: +91 22 6644 2201
www.pantaloonretail.in / www.futureretail.co.in

RETAIL NETWORK



161
stores
7.88
mn sq. ft. of area
27
stores opened

The country's leading hypermarket network present in over 90 cities sported a new, renovated look at many of its stores. An improved merchandise mix and a better assortment helped attract new customers and increased basket size for existing customers. Simultaneously, a focus on optimising operational areas and rationalising store space has helped improve efficiency and store productivity.



14
stores
1.20
mn sq. ft. of area
2
stores opened

HomeTown moved into a hub and spoke model with smaller stores across each city acquiring customers and the flagship store becoming a central location for servicing the entire needs of a customer. The chain also consolidated its backend to a single distribution center that has led to better inventory management and is synergising its operations and marketing with sister chain, eZone.



43
standalone stores
0.48
mn sq. ft. of area
5
stores opened

Food Bazaar focused on increasing ticket size by offering a larger assortment. Stores also have a much larger offering in fresh fruits and vegetables and that has brought back customers more often to the store. More importantly, its focus on eliminating negative labour in their kitchen through customer Seva has won mind-share and heart-share of many of its customers.



38
stores
0.38
mn sq. ft. of area
15
stores opened

While 5-city strategy to increase focus and dominance in only these cities helped reduce inventory and marketing costs, better product assortment and increasing collaboration with supply partners has increased the customer value proposition within stores.



26
stores
0.33
mn sq. ft. of area
16
stores opened

The company's latest retail brand is offering more contemporary and aspirational fashion merchandise fabulous prices. Led primarily through private brands, FBB has brought in new, younger customers into its parent format.



22
stores
2.43
mn sq. ft. of area
4
stores opened

While Nashik boasted of a new Central, the retail chain strengthened its leadership in Pune with two new stores and in Bengaluru with a new store at the Orion Mall. Brand.New – Central's new avatar is more fashionable, contemporary and offers an even larger choice of brands for its customers. Central is now expected to rapidly expand into newer cities.



42
stores
0.21
mn sq. ft. of area
7
stores opened

Sportswear specialty chain offering exclusive international labels like Converse, Speedo, Sketchers, Clarks, among others, added new stores in the leading metros of the country like Mumbai, Pune and Kolkata.



67
stores
1.99
mn sq. ft. of area
13
stores opened

Improved brands and merchandise offerings, a stronger loyalty program and a presence in fast growing cities like Patna, Ranchi, Ludhiana, Howrah, Vizag, Bareilly, along with new stores in metros has strengthened the chain's leadership amongst the fashion stores in the country.



24
stores
0.85
mn sq. ft. of area
12
stores opened

The outlet mall expanded at a rapid pace entering new cities like Mysore, Bhubaneswar and Nagpur, while adding new stores in Bengaluru, Pune, Hyderabad and Kolkata. A larger choice in brands, some even exclusive to Brand Factory is bringing lifestyle brands to a larger number of aspirational customers.



20
standalone stores
0.03
mn sq. ft. of area
4
stores opened

The company's specialty retail chain offering products to a niche clientele of plus-size individuals increased the choice of brands and merchandise for its customers through standalone stores in Lucknow, Mumbai and Pune, apart from increasing its presence within Central and Pantaloons.



LETTER FROM THE MANAGING DIRECTOR



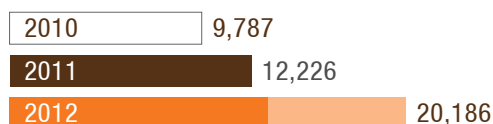
Dear Shareholders,

We are pleased to share with you the Annual Report for the financial period 2011-12 (18 months). The company has posted a consolidated revenue from operations of ₹ 20,186 crore, net profit of ₹ 276 crore and earnings per share (EPS) of ₹ 12.19 for the 18 months ended December 31, 2012.

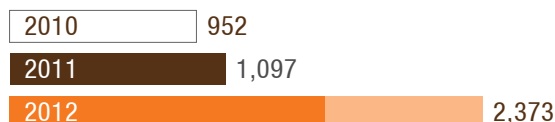
It has been a tumultuous year for the Indian economy as whole and for your company. The country's GDP grew by 6.5% during 2011-12, the lowest in almost a decade. During the first two quarters of 2012-13, growth further slipped downwards to 5.3% and 4.5%. Growth in private consumption was actually much lower, hovering between 2% and 4% during these eighteen months. As a consumer-led business, your company bore the brunt of it. Lower economic growth, coupled with poor rate of job creation, high inflation, increasing interest rates and the impact of the global economic slowdown affected consumer sentiment negatively.

Amidst such an environment, your company's management revisited some of the fundamental characteristics of the organisation. We

REVENUE FROM OPERATIONS (₹ in Crores)



EBITDA* (₹ in Crores)



* Exceptional items not included

PAT (₹ in Crores)



EPS (₹)



decided to monetise our investments made in non-core areas of business and focus purely on the retail business. And within the retail business, instead of adopting a unidirectional approach towards growth, we adopted a multi-dimensional approach to growth. Growth, we believe, need not come from expansion of business alone. Instead, we looked internally to identify and execute strategies that lead to growth in efficiencies, productivity and return in investments of our existing operations. Simultaneously, we worked towards improvement in consumer experience and strengthening relationships that lead to growth in business from our existing customers and store network.

Each of these steps has started showing some early results. But these are just the beginning of what we believe is a steady transformation in the business. We call it our Second Innings.

More from the same

We are fortunate to have got your help and support in building a retail network that has so far earned us a leadership position in modern retailing of some of the key consumption categories in the country. While, maintaining and building upon this leadership remains a priority for us, we also need to reap the benefits of size, scale and the lessons we have gained so far.

During the first decade of operations, the focus was on achieving disproportionate growth by expanding into new categories and geographies. The aim was to capture a majority share of the consumer's wallet. This decade provided the lessons in terms of categories, consumer tastes and consumer evolution along with price points for retailing. The learning and understanding of each of these factors has prepared your company for its second innings wherein it can focus on profitable growth, consolidation and convergence across formats and categories; resulting in increased productivity and profitability.

Over the last eighteen months, your company has focused on growth not only through adding new stores or attracting new customers, but also growth that comes through increase in per square foot sales, increase in ticket size of existing customers and from building and

sustaining a merchandise mix that optimises return on investment. The company has optimised its store network in every large city through rationalisation of space and outlets. This has significantly reduced cannibalisation or one store losing out customers to another nearby store from the same network. Simultaneously, the company led an extensive renovation of a large number of stores to improve customer experience, brand positioning and to appropriately revamp categories like electronics and home appliances, mobile phones, home fashion and footwear.

The company was also able to successfully bring in new excitement and vigour in its value fashion business through the introduction of the FBB brand. The theme, look and feel of the fashion section within hypermarkets has now been completely transformed. In addition, the company also opened 16 standalone stores under this concept. FBB now ensures fresh experience design elements, better levels of customer focus, visual merchandising that focuses on store productivity and a merchandise mix that speaks to the youth of the country. The intent is now to develop FBB brand's equity and establish it as a leading retail brand in India.

We are also proud to share with you that our investments in critical areas like supply chain solutions, technology, consumer analytics and loyalty programs is helping the company tremendously in improving its customer delivery at lower costs, better planning, forecasting and allocation of its resources and optimising its marketing spends. The organisational design and culture that we have built has increased accountability and authority of our employees in driving them to achieve higher profitable growth.

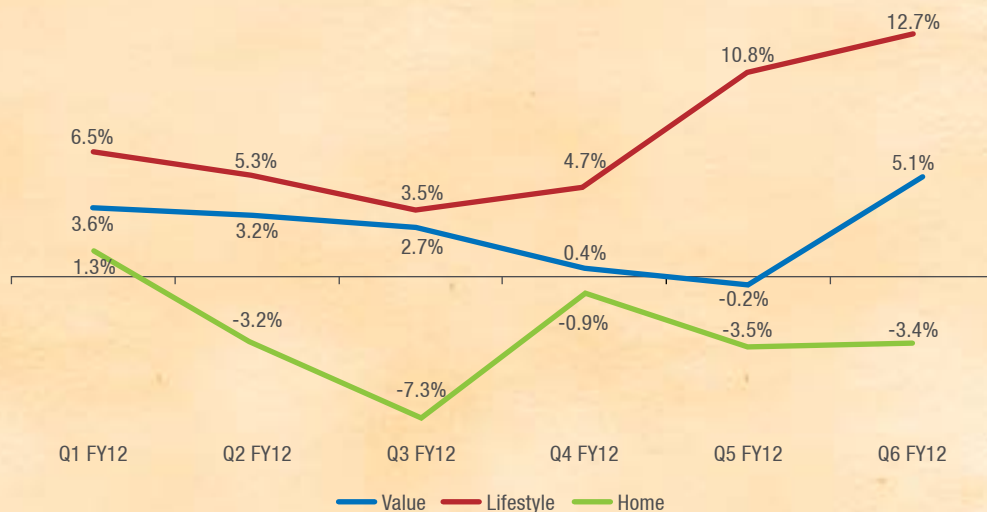
In effect, in an environment that discourages the use of additional resources to build businesses, we are learning to achieve disproportionately more growth from the same set of resources that we have with us.

Unlocking Value

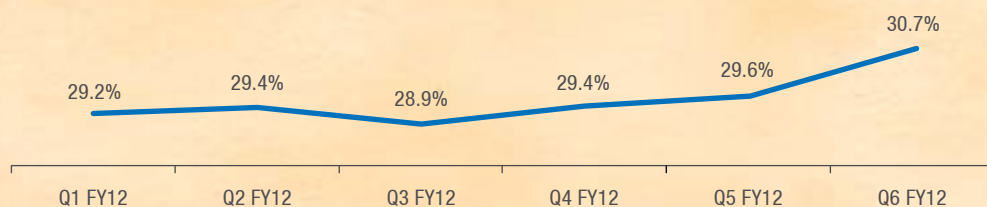
During the last decade, we had also developed businesses in the

Lower economic growth and dip in consumer sentiment impacted business tremendously. Revenue growth was subdued due to low same store sales growth and marginal growth in net operational space due to store rationalisation.

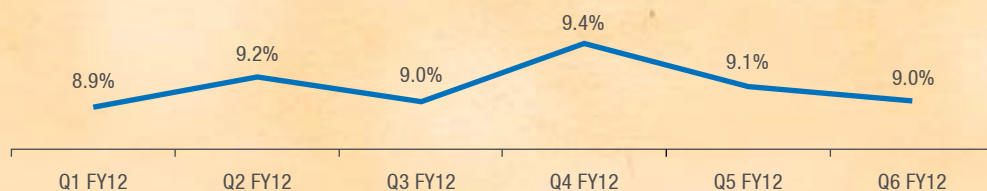
While Same Store Sales Growth started to recover towards the end of the financial year,



Operational improvements and optimisation of costs resulted in consistent growth in Gross Margins and EBDITA. Gross Margins improved from 29.0% in 2010-11, in the core retail business to 29.5% in 2011-12



And EBDITA Margins improved from 8.7% in 2010-11, in the core retail business to 9.1% in 2011-12



Further, deleveraging of balance sheet through monetisation of non-core assets and demergers of business is bringing down interest outgo. This should result in improvement of Net Profit in the forthcoming year.