Pantaloon Retail & Future Ventures Demerge Lifestyle Fashion Businesses to Create India's Leading Integrated Fashion Company

Realignment aimed at simplifying business structure and providing growth impetus to individual businesses thereby unlocking value for shareholders of PRIL and FVIL

Mumbai, November 9, 2012: The Boards of Directors of Pantaloon Retail India Limited ("PRIL") and Future Ventures India Ltd, ("FVIL") approved a proposal to consolidate their fashion businesses into a new to be listed entity ("Future Fashion"), which would emerge as one of India's largest integrated fashion brands and retail company.

The respective Boards approved the demerger of the fashion businesses of PRIL consisting of its Central, Brand Factory, aLL and Planet Sports formats, fashion brands, sourcing and distribution businesses, and the demerger of the fashion businesses of FVIL consisting of Indus League, Lee Cooper, Celio, Holii, Indus Tree and strategic investments in AND, Biba and Turtle into Future Fashion.

Post this realignment, the Future Group will have three distinct listed companies that emerge as market leaders in their businesses with independent growth paths.

- **PRIL** will have as its core businesses the country's leading hypermarket and supermarket chain, Big Bazaar and Food Bazaar, which along with aligned formats, and Home Town, eZone currently operate around 11 million square feet of retail space. In addition, the company will continue to own its existing investments in subsidiaries involved in supply chain solutions, sourcing, ecommerce, office supplies, and joint ventures in insurance and textile mills in Mumbai.

- **Future Fashion** will own and operate retail chains Central, Brand Factory, aLL and Planet Sports and will emerge as a leading integrated fashion brands and retail company with domestic and global brands, an extensive distribution and retail network and manufacturing capabilities. It will operate around 3.5 million square feet of retail space across 140 department and specialty retail stores. The portfolio of fashion brands being transferred from Future Ventures to this company include Indigo Nation, Scullers, Urbana, Urban Yoga, Jealous 21, Biba, AND, Global Desi, Turtle, Celio, Lee Cooper, Clarks, Holii, Daniel Hechter, Manchester United and Privilege Club, among others. These are also distributed through over 200 Exclusive Brand Outlets and over 1000 Multi Brand Outlets in 121 cities.

- **FVIL** will be a company focussed on the Food & FMCG sector with a portfolio of FMCG brands, its own rural distribution chain, Aadhar and convenience store chains, KB's Fairprice & Big Apple. The FMCG brands portfolio includes Fresh & Pure, Premium Harvest, Tasty Treat, Clean Mate, Care Mate, Poonya, Ekta, Sangi's Kitchen along with Smith & Jones and Chings Secret that are owned through a 43.7% stake in Captial Foods. It also owns an upcoming Food Park being set up for sourcing and processing of Food & FMCG products. It will focus on developing an integrated Foods and FMCG business to emerge as a leader in marketing and distributing food and FMCG

products and brands in the country. FVIL will also reorganise some of its businesses held in subsidiaries to emerge as an operating company and will continue to look for investment opportunities for its growth.

Commenting on the realignment, **Mr. Kishore Biyani, Group CEO, Future Group** said *"This consolidation will help create the base for the next phase of growth of the Future Group in modern retail. We grew multiple formats in the early stages of our growth, and now as each one of them has become sizeable, we are giving them independence to propel their growth. This is in continuation with the business realignment exercise we embarked on last year. We have already exited our financial services business, and unlocked shareholder value through the demerger and partnership of our Pantaloons format. This consolidation will now further unlock value for our shareholders and give them shares in independent attractive businesses"*.

Key Objectives for the Realignment

- Future Group creates a simplified business structure with independent companies in hypermarket and supermarket chains (PRIL), fashion (Future Fashion) and food and FMCG business (FVIL).

- Achieves unlocking of value for shareholders of both PRIL and FVIL as they get shares in the fashion business in addition to shares they continue to hold of the other businesses.

- Creates financing flexibility for each of the companies by enhancing their ability to attract partners and investors and raise and deploy capital according to their business requirements.

- PRIL further deleverages with Rs 1,226 crore of debt being transferred to Future Fashion. Future Fashion will have strategic / noncore investments that may be monetised to further reduce leverage.

Transaction Steps

- PRIL and FVIL will demerge their fashion business into Future Fashion (which will be listed), subject to necessary regulatory approvals.

- The exchange ratio recommended by the valuers and approved by both the boards is 1 equity shares of Future Fashion, for every 3 equity/DVR shares held in PRIL, and 1 equity shares of Future Fashion, for every 31 equity shares held in FVIL.

- Post the realignment, shareholders of PRIL will hold 49.8% in Future Fashion, shareholders of FVIL will hold 30.5% and 19.7% will be held by PRIL as a corporate entity.

- FVIL will acquire businesses of some of its subsidiaries by way of merger and demerger and will emerge as an operating company. It will cease to be an NBFC. As a consequence of the demerger of the fashion business, it will also reorganise its share capital to change the face value of its shares from Rs 10 to Rs 6.

- The shareholding pattern of PRIL and FVIL will remain unchanged.

Key regulatory approvals

According to the merger scheme approved by both the Boards, the merger is proposed to be undertaken through a Court approved Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956. The merger will further be subject to various statutory approvals, including those from the shareholders and the lenders / creditors.

Advisors

The valuation process was jointly undertaken by Baker Tilly Singhi and Grant Thornton. KMPG and PwC acted as tax advisors to the transaction. Axis Capital and JM Financial acted as Financial Advisors to PRIL. IDFC Capital acted as Financial Advisor to FVIL. JM Financial and Axis Capital acted as Transaction Advisors.

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Annexure to Press Release

Proposed Structure of Three Entities

PRIL (Listed)

Value Retail (Core Business)

- Big Bazaar
- Fashion@ Big Bazaar
- Food Bazaar & Food Hall

Other Formats

- Home Town
- eZone

Other Investments

- Future Supply Chain, Future Agrovet, Future Ecommerce, Future Generali Insurance (Life & Non Life), Staples, Goldmohur & Apollo NTC Mills JV

FVIL (Listed)

Food & FMCG Brands

- Tasty Treat, Fresh n Pure, Premium Harvest, Cleanmate, Caremate, Sach, Poonya , Sangi's Kitchen, Think Skin & Ekta

Distribution

- KB's Fair Price
- Big Apple
- Aadhaar

Other Investments

- Capital Foods (Ching's Secrets, Smith & Jones, Raji)
- Integrated Food Park
- Amar Chitra Katha

Future Fashion (New Entity to be Listed)

Fashion Retail Formats

- Central
- Brand Factory
- Planet Sports
- aLL

Brands

- Indus League (John Miller, Indigo Nation, Scullers, Urban Yoga, Urbana, Jealous 21, Lee Cooper, Manchester United, Daniel Hechter, Privileged Club)

Sourcing & Distribution Business

Other Investments

- Celio, Holii, Indus Tree, Clarks, Turtle, AND, BIBA

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