

Future Ventures India Ltd. (FVIL)-IPO Note

23rd April, 2011

FVIL is a part of the future group, led by Mr. Kishore Biyani. The group focuses on consumption-led businesses in India with multiple businesses under one umbrella. The group has successfully demonstrated the ability to identify, incubate and grow various consumption-led businesses in India like Pantaloon Retail India Ltd., Future Capital Holdings Ltd., Future Generali Insurance, Future Media, Future Brands, Future Supply Chain, Future Bazaar, Central, Big Bazaar, Food Bazaar, Home Town and E-Zone. It has popularized brands like *Lee Cooper, John Miller, Indigo Nation, Scullers, Biba, Holli, Ching's Secret, Smith & Jones* under its nourishing umbrella. However, at this stage, profitability is under pressure and company has accumulated losses.

With due consideration to factors like company's established presence in most of the business ventures, across the value chain such as Life style, FMCG and Food products segment, robust capital adequacy levels, debt free profile (at standalone level), possibility of potential upsides in terms of divestment gains, we believe it may be a dark horse in the future and recommend investors with a higher risk appetite to 'SUBSCRIBE' to the issue.

Financial summary (Consolidated)

Y/e 31 Mar (Rs. mn)	FY09	FY10	9MFY11
Total income	1,306	1,779	3,997
Total expenses	1,818	1,976	4,215
PBT	(514.7)	(196.7)	(217.5)
Reported PAT	(545.7)	(90.1)	(146.7)
Equity Capital	3,688.4	5,762.4	8,262.4
Reserves and Surplus	(620)	(717)	(904)
Total Borrowings	560	1,690	1,778

Source: Company, Ajcon Research

Issue date	25th-28th, April, 2011
Issue size	Rs.7.5 bn
FV	Rs. 10
Price Band	Rs. 10-11
Fresh issue	681.8-750mn equity shares
Equity shares prior to issue	826.2mn
Equity shares post issue	1,576.2 mn
Book Running Lead Managers	ENAM, JM Financial, Kotak
Co – Book Running Lead Manger	Edelweiss
IPO Grading	Grade 3/5 by CARE
Registrar to the issue	Link Intime

Shareholding Pattern (%)	Pre Issue		Post Issue	
Promoters	59.38		32.00	
Others	40.62		68.00	
Total	100		100	

UNIQUE BUSINESS MODEL

Future Ventures India Ltd (FVIL) was incorporated as Subhikshith Finance & Investments Limited on July 10, 1996 and undertook the business of NBFC. Subsequent to its acquisition by Pantaloon Future Ventures Limited in July 2007, it started undertaking the business of investing in, and operating, innovative businesses in consumption-led sectors. In addition to providing capital, it intends to create, operationally manage is a step-down subsidiary. FVIL's investments are in business ventures which are in growth/nascent phase of operations, with established presence across the retail value chain. The company strategically mentors these businesses, referred to as the "Business Ventures. Within the consumption-led sectors, it intends to focus primarily on opportunities in the business segments of (i) fashion, (ii) FMCG, (iii) food processing, (iv) home products, (v) rural distribution and (vi) vocational education.

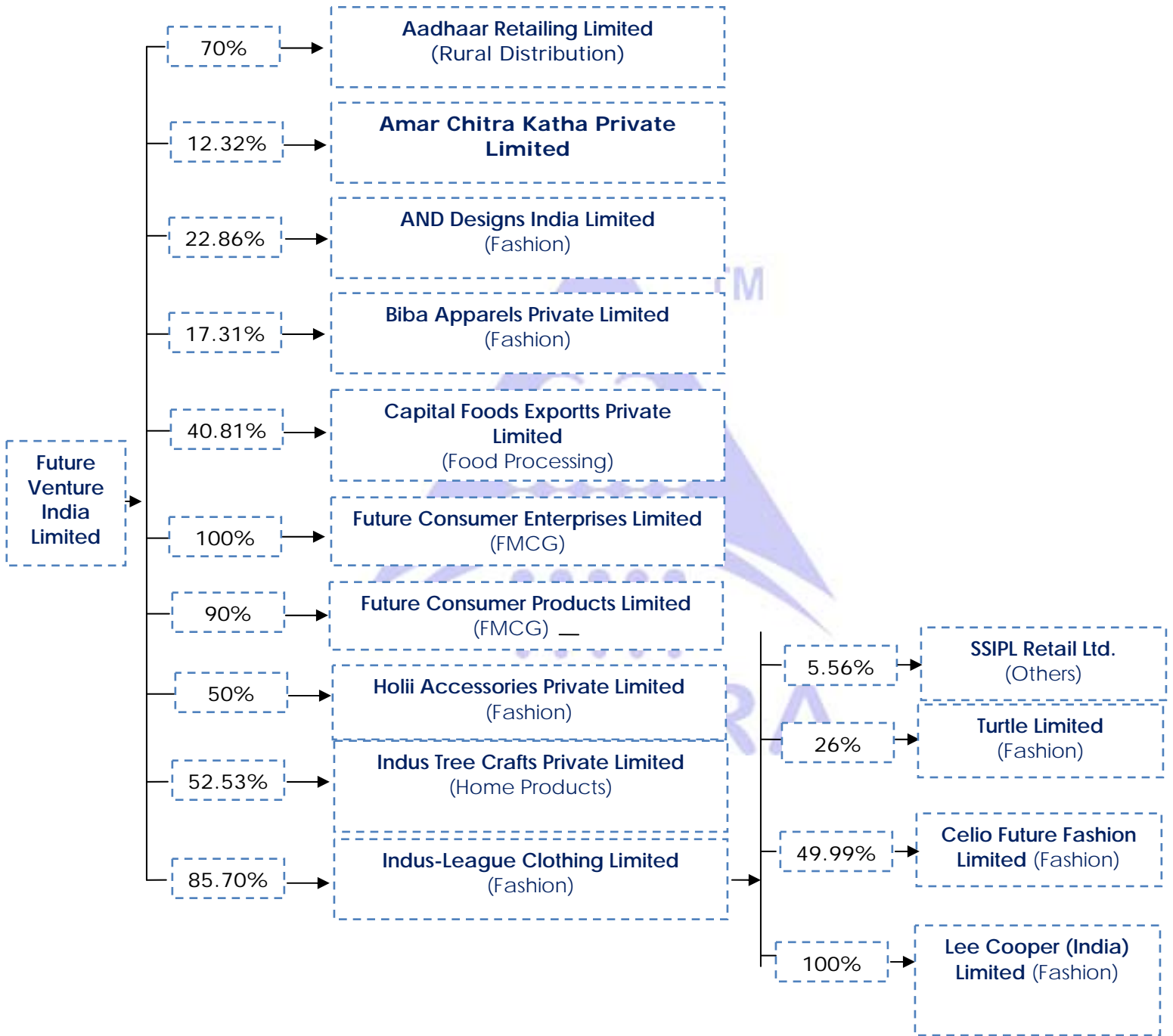
As of the date of the Red Herring Prospectus, it has 14 Business Ventures, out of which six are its subsidiaries. It has indirect shareholding in three of its Business Ventures and one of its Subsidiaries of equity shares, debentures and

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preference shares, In accordance with its investment policy; it has invested in Business Ventures within its preferred business segments in the consumption-led sectors. Its shareholding in the Business Ventures is as follows:

Business Ventures



At standalone level, as on December 2010, investments accounted for 89% of FVIL's asset book. As on September 2010, it has invested in ventures spanning across different segments. Investments in Indus League Clothing Ltd. (Lifestyle retailing), Future Consumer Enterprises Ltd. (FMCG), Aadhaar Retailing Ltd. (rural retailing) and Capital Foods

Exports Pvt. Ltd. (Food processing) account for around 90% of FVIL's investments as of September, 2010. The balance 10% investments by FVIL are accounted by Turtle Ltd., Celio Future Fashions, Lee Copper India Pvt. Ltd., AND Designs India Ltd., Biba Apparels Pvt. Ltd., Holii Accessories Private Ltd., Indus Tree Crafts Pvt. Ltd. and SSIPL Retail Pvt. Ltd.

DETAILS OF BUSINESS VENTURES

Segments	Business venture/Key brands	Nature of business
Fashion	AND designs Ltd. promoted by Anita Dongre	Women's apparel
	Biba Apparels	Women's apparel
	Holii Accessories Pvt. Ltd. (JV with Hidesign India Pvt. Ltd.) Key brand "Holii"	Leather handbags for women and Wallets
	Indus - League Clothing Ltd. Key brands like Indigo Nation, John Miller, Scullers and Urban Yoga.	Designer, manufacturer and retailer of readymade garments
Home Products	Indus Tree Crafts Pvt. Ltd. Key brand "Mother Earth"	Social entrepreneurship which distributes hand crafted furniture and home accessories
Food Processing	Capital Foods ExPorts Pvt. Ltd. Key brands like Ching's Secret, Smith and Jones, Raji, Mama Marie and Kaeng Thai	Food processing (instant noodles, sauces, chutneys and microwavable rice)
FMCG	Future Consumer Enterprises Ltd.	Product development, designing, branding and distribution of FMCG products.
Rural Distribution	Aadhaar Retailing Ltd.	Rural and semi-urban retailer of agricultural products and consumer products.
Others	Amar Chitra Katha Pvt. Ltd.	Produces publications and animated films, conducts Edutainment oriented theatrical productions
	SSIPL Retail Ltd.	Retailer of Nike branded products, manufacturer of sports footwear and apparel

KEY POSITIVES

Synergy with future group, established market presence:

Future group's track record of incubating and growing businesses coupled with proven execution skills has resulted in being one of the largest organized multi-format retail networks in India. It has conceptualized, supported and developed various consumption-led business concepts such as Pantaloons, Central, Big Bazaar, Food Bazaar and Home Town, which enjoy wide brand recognition and customer loyalty. A key element of the Future Group's growth has been its strategy of actively mentoring its projects and as a result FVIL expects to benefit from access to such mentoring capabilities. It has entered into a Mentoring Services Agreement with Pantaloon Retail (India) Ltd, pursuant to which Pantaloon Retail (India) Ltd. would provide mentoring services to FVIL and/or the Business

Ventures. The assistance to be provided by Pantaloon Retail (India) Ltd. would include, amongst other things, insights into consumer behavior, advice regarding business strategy, review or development of business plans for the Business Ventures, guidance in development of new businesses, products and/or distribution strategies, assistance in sourcing products and materials, and assistance in brand building and marketing of products.

Business sourcing opportunities

On account of its strong market presence and successful track record of establishing new formats, the group has access to a range of business opportunities in consumption-led sectors in India. Strong network with industry will help the company to source business opportunities which were evident in the past with respect to its business ventures such as Biba Apparels Private Ltd., AND Designs India Ltd., Indus Tree Crafts Private Ltd., and Capital Foods Exports Pvt. Ltd.

KEY NEGATIVES

The company started undertaking the business of investing in, and operating, innovative businesses in consumption-led sectors in July, 2007. As a result, it has limited experience in creating, building, acquiring, investing in and operating innovative and emerging businesses in consumption led sectors in India, which may increase its vulnerability to various risks.

Secondly, the company being in its nascent stage of operations has accumulated losses, as result its ability to successfully turnaround operationally and financially the business ventures would be a key aspect.

Thirdly, with regards, to utilization of IPO proceeds, FVIL has not entered into any definitive agreements and may not deploy the Issue proceeds immediately following the Issue.



For research related queries contact Mr. Akash Jain at ajconresearch@ajcon.net

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