

Details of the issue	
Face Value	Rs. 10
Opening Date	April 25, 2011
Closing Date	April 28, 2011
Price Band	Rs. 10 - Rs. 11
Issue Type	100% Book Building Issue
IPO Grade (CRISIL & ICRA)	3/5
Bid Lot	600
Listing on	BSE & NSE

Lead Managers	
JM Financial	
ENAM Securities	
Kotal Mahindra Capital Company Ltd.	

Registrar	
Intime Spectrum Registry Ltd.	

Investment Details	
No. of shares at cut-off	18,000
Max. Amount to be paid (Rs.)	1,98,000
Cheque favouring	"Escrow Account FVIL IPO Non QIB - R"

Shareholding Pattern				
	Pre-Issue		Post-Issue	
	Shares	%	Shares	%
Promoters	490,638,700	59.4%	49,06,38,700	32.5%
Others	335,605,000	40.6%	1,017,423,182	67.5%
Public	826,243,700	100.0%	1,508,061,882	100.0%

Financial Snapshot				
Particulars (Rs. Mn.)	9 months ended Dec31, 2010	Year ended Mar31, 2010	Year ended Mar31, 2009	Year ended Mar31, 2008
Net Income	3997.02	1779.13	1306.45	51.55
PBT	(217.51)	(196.76)	(514.73)	(40.97)
PAT	(228.89)	(213.41)	(556.08)	(43.65)
EPS (Rs.)*	(0.27)	(0.23)	(1.49)	(0.98)
RONW *	(1.99)	(1.78)	(17.84)	(2.39)

\* Annualized

## Objective of the Issue

To create, build, invest in or acquire, and operate Business Ventures; mainly focusing on (i) fashion (ii) FMCG (iii) food processing (iv) home products (v) rural distribution and (vi) vocal education.

## Company Background

Futures Ventures India Limited (FVIL) is a part of the Future Group led by Kishore Biyani, focusing on consumption-led businesses in India and is also one of India's leading organized multi-format retailers. Company currently has 14 business ventures, 6 of which are subsidiaries.

## Investment Rationale

### Excellent track record of the parent

The Future Group 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. FVIL would continue to access the experienced pool of finance, operating and investment professionals belonging to the Future Group for providing guidance and mentoring to the Business Ventures.

### Access to diverse business opportunities

FVIL believes that business ventures in consumption-led industries in India offer potential for long-term growth due to rapidly rising income levels and socio-economic changes sweeping the country.

### Strong brand equity of Business Ventures

FVIL has several popular business ventures to its credit such as AND Designs, Biba Apparels, Lee Cooper, Ching's Secret, Smith & Jones, Amar Chitra Katha, Indigo Nation, John Miller, Scullers and many more. Success of existing brands provides company with an ability to launch new brands and products.

### Key Risks

- FVIL has been continuously making losses for the past 3 financial years and losses have magnified in the year to date (9 month period ended Dec31, 2010).
- The issue lacks strong objectives to direct the issue proceeds.
- Out of 36 group companies, 30 have reported losses for FY10 and 23 have reported losses for the past 3 financial years.
- Bennett Coleman And Company Limited, a significant shareholder of the company has reduced its holding from 27.11% to 12.10% over the past 2 years.
- FVIL has indicated that it may not immediately deploy the issue proceeds and plans to temporarily invest the proceeds in "quality interest bearing liquid instruments". This could indicate adverse liquidity position of the company. Also, FVIL has not yet identified any business opportunities for investing the issue proceeds.
- Company has no plans to pay dividends and shareholders may not receive distributions from any sale of its Business Ventures.

### Valuation & Recommendation

FVIL looks to invest in new opportunities in the consumption-led sector. Hence there could be a risk of the business venture not performing well or taking time to show positive results. Such businesses are highly capital intensive and require significant gestation periods. The company has been making losses for the past 3 financial years which is a concern for prospective shareholders. At the IPO price band of Rs.10 - Rs.11, the share is available at a P/BV of 1.12x and 1.23x at the lower and upper price bands respectively. Although on P/BV basis, the issue looks cheap, considering the other factors, we recommend investors to **AVOID** the issue.