Issue Snapshot:

Issue Open: April 25 – April 28, 2011
(For QIB Bidders IPO closes on April 27, 2011)

Price Band: Rs. 10 - Rs. 11

Issue Size: Rs. 750.0 crs

Issue Size: 68.18 cr – 75.00 crs equity shares

QIB	upto	50% eq sh
Retail	atleast	35 % eq sh
Non Institutional	atleast	15 % eq sh

Face Value: Rs 10

Book value: Rs 8.94 (December 31, 2010)

Bid size: - 600 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity: Rs. 826.24 cr
Post issue Equity: Rs. 1508.06 cr *
* = assuming pricing at higher end of band

Listing: BSE & NSE

Lead Manager: Kotak Mahindra Capital Company Ltd, Enam Securities Pvt Ltd, JM Financial Consultants Pvt Ltd.

Registrar to issue: Link Intime India Pvt Ltd

Shareholding Pattern

	Pre issue %	Post issue % *
Promoters & Promoter Group	59.38	32.53
Public (incl institutions & employees)	40.62	67.47
Total	100.0	100.0

* = assuming pricing at higher end of band

CARE IPO grading: 3/5 indicating average fundamentals

Background & Operations:

Future Venture India Ltd (FVIL) is a part of the Future Group focusing on consumption-led businesses in India and is also one of India's leading organized multi-format retailers. Pantaloon Retail (India) Limited, the flagship company of the Future Group, has incubated, nurtured and brought to maturity several businesses and formats, including Future Capital Holdings Limited, Future Generali Insurance, Future Supply Chain, Future Agrovet, Future Media, Future Brands, Future Bazaar, Pantaloons, Central, Big Bazaar, Food Bazaar, Home Town and E-zone.

FVIL seeks to create, build, acquire, invest in and operate innovative and emerging businesses in growing "consumption-led" sectors in India, whose growth and development will be determined primarily by the growing purchasing power of Indian consumers and its changing tastes, lifestyle and spending habits. 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.

It intends to exercise operational control or influence in the business ventures that it promotes. In addition to allocating and providing capital, it intends to create, operationally manage and strategically mentor these businesses, which it refers to as the "Business Ventures". As of April 2011, it has 14 Business Ventures, six of which are its subsidiaries. Out of its 14 Business Ventures, it has indirect shareholding in three of its Business Ventures and one of its Subsidiaries is a step-down subsidiary. It seeks to enable its Business Ventures to conceptualize and implement its growth and development strategies and to help them convert ideas and insights into viable business propositions. It intends to be a long-term owner, operator and/or partner of the Business Ventures and seeks to create value as an active shareholder by deploying the consumer insights, operating skills and capabilities available to it as a part of the Future Group. It seeks to access opportunities at various stages of the enterprise growth cycle, from nascent to more mature businesses, with a view towards medium to long-term value creation for its shareholders.

FVIL intends to provide the Business Ventures with access to a wide range of resources within the Future Group. Pantaloon Retail (India) Limited, along with other arms of the Future Group, is expected to assist the Company in providing mentoring to the Business Ventures, to actively assist its strategic growth and business development plans. It has entered into a Mentoring Services Agreement with Pantaloon Retail (India) Limited to provide mentoring services to it and/ or the Business Ventures. Additionally, it has entered into a Consulting and Advisory Services Agreement with Future Capital Holdings Limited under which it will, amongst other things, support resource mobilisation in investee companies, advise on mergers and acquisitions and exit strategies and provide research services in relation to Treasury Assets. It has also entered into a Master Service Agreement with Future Corporate Resources Limited for providing support and other services related to business activities, such as governance, risk mitigation, human relation policies and information technology, guidance regarding corporate and legal compliance and advice on fund raising. It expects that the capabilities of Pantaloon Retail (India) Limited, Future Capital Holdings Limited and Future Corporate Resources Limited will help to create, develop and generate long term value from its Business Ventures.

Objects of Issue:

The objects of the Issue are:

- To create, build, invest in or acquire, and operate Business Ventures.
- For general corporate purposes.
- To meet the issue expenses and achieve the benefits of listing on the Stock Exchanges.

Means of Finance

The entire fund requirement will be met through Net Proceeds of the fresh issue.

Please read important disclosures on the last page

Triggers:

Synergy with the Future Group: The Future Group is a leading Indian business group, which focuses on consumption led businesses. The Future Group has successfully demonstrated the ability to identify, incubate and grow various consumption-led businesses in India like Pantaloon Retail (India) Limited, Future Capital Holdings Limited, Future Media, Future Brands, Future Supply Chain and Future Bazaar, and it expects to derive benefits from its strategic relationship with it. Access to the following attributes of the Future Group provide it with a competitive advantage:

- Track record of incubating and growing businesses coupled with proven execution skills in creating one of the largest organized multi-format retail networks in India:
- Deep understanding of the Indian consumption-led sectors and the evolving needs of the Indian consumer:
- Business sourcing opportunities:
- Relationship with Pantaloon Retail (India) Limited and the Future Group:

Uniquely positioned to access opportunities in consumption-led sectors: FVIL would have access to the experience and industry networks of the Future Group, all Business Opportunities would be independently evaluated by its Investment Management Team and approved by it. This would provide FVIL with a unique perspective for evaluating Business Opportunities which are closely aligned to its investment philosophy and which may have significant potential for growth on account of consumer demand in the businesses it operates. Additionally, within the consumption-led sectors, it has presence or seek to establish its presence in business opportunities belonging to diverse segments comprising of fashion, home products, food processing, FMCG, rural distribution, vocational education and edutainment, which reduces its exposure to risks associated with, or downturns that may afflict, any particular segment.

Access to diverse growth businesses through long-term and liquid investment opportunities: There are number of business opportunities in India that for a variety of reasons offer the potential for long-term growth. For example, due to rapidly rising income levels in India and the resultant changes in consumption patterns, consumption-led industries are considered to have high growth potential. FVIL will look to explore opportunities for capital across entities operating in consumption-led sectors and will seek to offer its shareholders access to the potential growth prospects presented by these opportunities.

Brand equity of certain of its Business Ventures: FVIL intends to focus on consumption-led sectors and brand recognition is a significant element of successfully operating in the consumption-led sectors. Certain of its Business Ventures have been successful in creating distinct brands. The brand equity of its Business Ventures provides with a wider access to the markets within its respective business segments. It also provides with an ability to leverage the existing brand equity to launch new brands and/ or products. The strength of the brands established by its Business Ventures is testimonial to its commitment to provide quality products to customers.

Experienced management team: FVIL's business is supported by a talented and experienced pool of finance, operating and investment professionals with a variety of backgrounds in finance, accounting and retailing, including its CEO, President, Vice-President and its Company Secretary & Head-Legal.

Business Strategy:

Focus on consumption-led sectors in India: FVIL 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. Its target sectors will benefit from the rapidly rising income levels in India and the resultant changes in consumption patterns. Accordingly, it will focus on sourcing opportunities in industries, which are consumer driven, and have high growth potential. Its strategy is not to concentrate its businesses, but to consider opportunities across various segments within consumption-led sectors.

Actively operate and manage its Business Ventures: FVIL intends to promote or hold a significant stake in its Business Ventures, and to exert operational control or influence over them through, among other methods, maintaining board or senior executive representation as well as placing persons in management or advisory roles. It also pursue appropriate longer-term value creation strategies, which may include unlocking value in its Business Ventures through public market or private sales after taking into account factors such as the stage of development of the relevant Business Venture and general market conditions. It also proposes to provide the Business Ventures with access to expertise and experience of Pantaloon Retail (India) Limited and has entered into the Mentoring Services Agreement with Pantaloon Retail (India) Limited to facilitate the same.

Diversify its businesses: FVIL intends to participate in emerging businesses, including those within consumption-led sectors, both through building new businesses directly and partnering with other companies to develop or grow Business Ventures jointly. It also intend to participate in more mature opportunities in companies which has unrecognized growth potential, or are undervalued or can identify hidden assets or recovery potential. This approach will position it to perform well in a variety of market conditions and add complementary assets to its business. It is its strategy to extract optimal capital growth in its Business Ventures while managing risks, with a view to providing an acceptable return on assets.

Industry:

India has witnessed a sustained average growth of 6 % in GDP since 1991. Despite the global economic recession in 2008, in 2009-10 the Indian GDP grew by 7.2%. The Indian economy has shown an expected resilience, with no failed financial institutions, no industry wide bankruptcies, no massive layoffs, no significant increase in consumer loan defaults, India's public sector has shown amazing resilience to withstand the turbulence in the environment. With increase in per capita income the per capita consumption in India has been steadily increasing. Consumption has played a bigger role in India's growth story than in other developing countries in Asia. At an earlier stage, India has entered a virtuous long term cycle in which rising incomes lead to increasing consumption, which, in turn, creates more business opportunities and employment, further fueling GDP and income growth. This is further highlighted by India's resilience to global economic recession, which illustrates the importance of domestic consumption for sustainable growth in India. India's GDP is poised for an average growth of 8-9% which will fuel private consumption. Rising incomes have lead to a higher proportion of aspiring middle class households. India is expected to experience tremendous consumption growth in its booming middle class and upper classes.

Apparel: Indian domestic apparel market is one of the fastest growing market in the world. It is expected to become one of the major consumption bases in near future. Out of the total domestic market size of US $ 40 Billion, Clothing contributes US $ 30 Billion, while rest US$10 billion is contributed by Textiles (Home textiles, Technical textiles and other textiles end-uses). The domestic market has shown a significant growth in past few years registering a Compounded Annual Growth Rate (CAGR) of ~13%.The domestic apparel market is expected to grow at around 9% in the next 5 years. Therefore, the industry needs to focus on the domestic market more intensely and understand the market dynamics in more detail in order to tap the complete potential. The growth drivers for the domestic apparel market include favorable demographics, rising incomes, dropping dependency ratio, rising education levels, increasing urbanization and penetration of organized retail. It is evident that the Indian consumer is ready for change, demanding options and looking out for product that suits and matches its needs and aspirations. With the back drop of changes, Indian apparel market is moving away from the traditional segmentation to a much deeper and wider segmentation based on consumer needs. Indian apparel market can be broken up into men, women and kids, but within each there are a number of segments that are emerging reflecting changing needs.

Food and Food Processing: Indian Food Industry is estimated to be ~ $ 250bn in 2011. Food and Food products constitute ~ 40% of urban household spend and 50% of rural household spent. India, with a population of more than 1.1 billion, is one of the largest consumer markets in the world. Food consumption in India is expected to grow to 300 billion in dollar terms by 2015 from 200 billion in 2007. Food and Beverages is largest category in Indian 5 consumer spending and is expected to remain in the future. With agriculture at the core of Indian economy and more than two-thirds of the population dependent on farming, a developed Food Processing sector can be a strong link between agriculture and the consumers. Government's high priority to the sector coupled with a growing consumption-led demand is leading to a fast pace growth in the sector. Processed food in India is estimated to be ~44% of the total food Industry by 2011 i.e.~ $110bn.

FMCG: FMCG is the 4th largest sector in the Indian economy. It has grown consistently over the last 3-4 years, including the last 12 months of economic slowdown. India's FMCG sector is fragmented and a substantial part of the market comprises of unbranded and unpackaged products. The sector is estimated at US$ 25 billion (` 120,000 crores) at retail sales, in 2008. Based on current trends, growth is projected at 10-12% for the next 10 years; reaching an industry size of US$ 43 billion (` 206,000 crores) by 2013 and US$ 74 billion (` 355,000 crores) by 2018. Implementation of the Goods and Services Tax (GST) and opening up of Foreign Direct Investment (FDI) in retail can accelerate this growth.

Education: As per industry analysis, nearly 75 to 80 million jobs will be created in India over the next five years. It is estimated that more than 70% of India's incremental GDP and 60% of new jobs over the next five years are expected to be generated by the services sectorThe current vocational training infrastructure caters to just 2.5 million annually through the Directorate General of Employment and Training (DGET) and other departments. It is estimated that only 5% of the youth are single skill vocationally trained, as compared to 96% in Korea or even 22% in Botswana. Vocational Education Training (VET) Institutes today are characterized by structurally rigid and outdated centralized syllabi that do not have much sync with the prevailing market conditions. They impart skills that do not necessarily match industry requirements. Vocational training today does not equip people with the necessary soft skills. Other problems include the mismatch with demand, courses that are outdated and too long and lack scalability. This has resulted in a situation where there is a large enough labor force that is willing to work, but is not employable because of irrelevant skill sets.

Home Products: The furnishings and furniture market is estimated to be at Rs 85,000 crore (excluding home electronics) and is expected to grow at 10-12%. Nearly, 85% of the home furnishing industry is in the unorganized sector and remaining 15% is in the organised sector. The organized retail segment grew by about 13-15% last year. Some of the major segments in furniture industry are residential, office, contract and institutional. India has a rich and diverse heritage of craftsmen and products, with the sector moving from the unorganised to organised, efficiencies in systems and processes and economies of scale are expected to lead to higher productivity and profitability.

Rural Distribution: The rural markets offer a sea of opportunity for the retail sector. The urban rural split in consumer spending stands at 9:11 with rural India accounting for 55% of private consumption in the country. According to NCAER rural India is home to 720 mn consumers across 627,000 villages 17% of the villages account for 50% of the rural population. Even though urban markets are growing fast rural market cannot be ignored. With several states permitting retailers to purchase produce directly from the farmers, the farmers too are adapting to the new opportunity to cultivate assigned crops and take special care of the same, creating a huge opportunity for the rural distribution networks. Rural distributors among other things ,provides technical guidance, soil and water testing services to the farmers along with creating a organized platform for the farmer to sell his produce and providing complete solution under one roof to all the farmers needs.

Concerns:

- FVIL has limited experience in creating, building, acquiring, investing in and operating innovative and emerging businesses in consumption led sectors in India and it cannot be assured that it will achieve its business objective.
- The due diligence process FVIL will undertake in connection with its business ventures may not reveal all the facts that may be relevant in connection with such ventures.
- FVIL's ability to achieve its financial objectives will depend on its ability to identify, evaluate and accomplish participation in suitable companies. If it is unable to source business opportunities effectively, it may not achieve its financial objectives.
- FVIL relies on Future Capital Holdings Limited to provide it with various types of advisory services, on Pantaloon Retail (India) Limited to assist it and its Business Ventures in strategic growth and business development plans and on Future Corporate Resources Limited for providing support and other services. If Future Capital Holdings Limited, Pantaloon Retail (India) Limited or Future Corporate Resources Limited do not perform as expected, its business could be materially and adversely affected.
- FVIL operates in a highly competitive market for business opportunities and may not be able to identify or participate in business opportunities that satisfy its financial objectives. Any delay or inability to participate in suitable business opportunities may have an adverse effect on its financial condition and results of operations.
- FVIL has not yet identified any opportunities for investing the net proceeds of the Issue.
- FVIL has significant investments in its Subsidiaries. The valuation for its investment in certain Subsidiaries was based on management estimates. Any inaccuracy in arriving at such valuations may have an adverse impact on its ability to exit such investments profitably, or at all, which may have a material adverse effect on its financial condition and results of operation.
- A significant portion of FVIL's net worth is comprised of intangible assets.
- FVIL's business strategy is focused on consumption-led sectors in India, and adverse developments in these sectors could materially affect its financial performance.
- FVIL depend on the knowledge and experience of its Managing Director and other key managerial personnel for its growth and profitability. The loss of its services may have a material adverse effect on its business, financial condition and results of operations.
- FVIL may undertake investments in, or acquisitions of, business opportunities, which may expose it to additional risks and uncertainties.
- Revenue and operating results of FVIL will fluctuate, particularly as it cannot predict the timing of realization events such as exit from any of the Business Ventures or other factors such as changes in value of its investment or dividends paid by the Business Ventures. Accordingly, its performance in a specific period should not be relied upon as being indicative of performance in future periods.
- FVIL could acquire interests in companies that it does not control. Certain decisions of or risks taken by, majority stakeholders or managements of such companies may impair the value of its assets and materially and adversely affect its financial condition, results of operations and cash flow.
- FVIL and its Business Ventures' reputation is important to its business and any adverse impact on the same may have a material adverse impact on its business, results of operations and financial condition.
- Conflicts of interest may arise in relation to FVIL's business sourcing opportunities and its failure to deal with them appropriately could damage its reputation and adversely affect its business.
- The interests of FVIL's Promoter or certain directors may conflict with its interests or with the best interests of its other shareholders. Any inappropriate resolution of such conflicts may adversely affect its business, results of operations and/ or the interests of its other shareholders.
- FVIL depends upon its risk management systems, and any shortcoming or deficiency in these systems or its implementation may have a material adverse impact upon on its business, results of operations and financial condition.
- Difficult conditions for FVIL's Business Ventures could adversely affect it in many ways, including by reducing the value or performance of any Business Venture that it acquire.
- FVIL relies on third parties to enable it to invest in suitable business opportunities and its inability to retain suitably qualified and experienced advisers may result in it participating in inappropriate or risky business opportunities, which could have a material adverse effect on its financial condition and results of operations.

- Due to absence of readily available market price for the securities of the Business Ventures, the valuation of such securities determined by FVIL may be inaccurate.
- FVIL's Business Ventures primarily operates in the consumption-led industry and its ability to maintain the market share will depend on its ability to identify and introduce popular and contemporary products.
- The business of majority of FVIL's Business Ventures depends on its ability to obtain and retain quality retail spaces.
- The success of the business Ventures is dependent on FVIL's procurement systems, supply chain management and efficient logistics, and any disruption in the same may affect its business adversely.
- Business Ventures of FVIL faces competition from existing and potential domestic and international competitors that may adversely affect its competitive position and its profitability.
- Currently FVIL do not have any plans to pay dividends and shareholders may not receive distributions from any sale of its Business Ventures.
- Business Ventures of FVIL operating in the food processing business segment are subject to food industry risks that could adversely affect its operating results.
- FVIL has not made any provisions for the decrease in the value of its investments. Further, if provision is made in future on account of permanent decrease in value of these investments, its profits would reduce to the extent of such provision. This may have an adverse impact on its results of operations and financial conditions.
- Difficult market conditions can adversely affect FVIL's business in many ways, including by reducing the value or performance of its investments in the Business Ventures or by reducing its ability to raise or deploy capital, each of which could negatively impact its net income and cash flow and adversely affect its financial condition.
- A slowdown in economic growth in India could cause FVIL's business to suffer.

Financials - P&L:

Rs. Crs

Particulars	**9MFY11**	**FY10**	**FY09**	**FY08**
Total Sales	371.35	123.89	120.18	0.06
Other Income	2.47	22.98	0.04	0.02
Other Operating Income	25.89	31.04	10.42	5.08
Total Income	399.70	177.91	130.64	5.15
Expenditure	385.90	178.54	172.60	9.09
% of sales	*103.92*	*144.11*	*143.62*	*16528.18*
Operating Profit	**13.81**	**-0.63**	**-41.95**	**-3.94**
OPM %	*3.72*	*-0.51*	*-34.91*	*-7156.00*
Interest & Financial Charges	17.47	10.43	2.20	0.13
Depreciation	18.09	8.62	7.00	0.03
PBT	-21.75	-19.68	-51.16	-4.10
PBTM %	*-5.86*	*-15.89*	*-42.57*	*-7448.91*
Tax (incl. FBT & DT)	1.14	1.67	4.14	0.27
Adjustments	-0.60	1.74	-0.75	0.00
Share in Associates	2.59	0.37	-9.47	-4.15
Minority Interest	6.22	10.22	11.26	0.02
Effective Tax Rate %	*-5.23*	*-8.46*	*-8.08*	*-6.54*
PAT	**-14.68**	**-9.02**	**-54.26**	**-8.50**
PATM %	*-3.95*	*-7.28*	*-45.15*	*-15462.91*
Equity	826.24	576.24	368.84	363.84
EPS (on pre-issue equity)	**-0.18**	**-0.16**	**-1.47**	**-0.23**
EPS (on fully diluted equity)	**-0.10**	**-0.06**	**-0.36**	**-0.06**

(Source: RHP)

Balance Sheet:

Rs. Crs

Particulars	**9MFY11**	**201003**	**200903**	**200803**
Fixed Assets				
Gross Block	303.48	140.48	82.96	74.86
Less: Depreciation	52.09	34.22	8.34	1.54
Capital Work in progress	3.36	1.62	1.30	0.69
Total Fixed Assets	**254.75**	**107.89**	**75.91**	**74.01**
Deferred Tax Asset	**0.86**	**0.38**	**0.03**	**0.00**

Goodwill on consolidation	**315.99**	**228.78**	**13.72**	**12.83**
Investments	**112.13**	**100.93**	**221.98**	**268.67**
Current Assets, Loans & Advances				
Receivables	192.07	144.99	**5.38**	**0.22**
Inventories	111.00	101.23	**38.68**	**25.10**
Cash and Bank Balances	7.59	18.52	12.88	4.00
Other Current Assets	105.17	128.34	50.36	135.24
Total Current Assets, Loans and Advances	**415.83**	**393.07**	**107.30**	**164.57**
Minority interest	**37.09**	**74.15**	**8.78**	**11.79**
Liabilities and Provisions				
Secured Loans	144.17	113.52	8.11	8.60
Unsecured Loans	33.60	55.27	47.65	48.49
Current Liabilities	136.60	75.92	42.70	94.26
Provisions	9.57	6.73	1.73	1.19
Deferred Tax Liability (net)	0.00	0.32	4.05	0.24
Total Liabilities and Provisions	**323.94**	**251.75**	**104.24**	**152.79**
Net Worth	**738.53**	**505.14**	**305.91**	**355.49**
Represented By:				
Share Capital (including Share Application)	826.24	576.24	368.84	363.84
Reserves and Surplus	0.06	0.06	0.06	0.06
Revaluation Reserve	0.25	0.26	0.00	0.00
Statutory Reserve Fund	3.72	3.39	0.03	0.03
Debit Balance in Profit & Loss Account	-90.44	-74.81	-63.02	-8.45
Miscellaneous Expenditure (to the extent not written off or adjusted)	-1.31			
Net Worth	**738.53**	**505.14**	**305.91**	**355.49**

(Source: RHP)

Extract from grading rationale by CARE:

"The grading factors in Future group's established track record in the organized retail business in India, pan India presence across multiple formats, implicit and explicit support to FVIL from Future group in the form of access to the expertise of the Future Group's management team, capital support from the promoters, mentoring and consulting service from Pantaloon Retail for nurturing FVIL's business ventures. The grading also considers the established market presence of most of the business ventures. Wherein FVIL has invested, across the value chain such as Lifestyle, FMCG and Food products segments, as well as FVIL's robust capital adequacy levels and debt free financial profile (as standalone levels). Further, aggregation of investment in retail sector also enhances the potential upside to FVIL's future disinvestment gains. The grading is however constrained by the low profitably parameters of FVIL at standalone and consolidated level on account of its assets profile basically comprising investments in companies which are in nascent/growth stage of operations. FVIL's ability to successfully turnaround operationally and financially the business ventures, mobilise funds for providing the funding support to the existing/new business ventures and profitably divest stake in its business ventures would eventually determine the success of its unique business model. Slowdown in economic growth in India might impact the growth prospectus of these companies."

RETAIL RESEARCH Fax: (022) 30753435 Corporate Office
HDFC Securities Limited, I Think Techno Campus, Bulding –B, "Alpha", Office Floor 8, Near Kanjurmarg Station Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Fax: (022) 30753435 Website: www.hdfcsec.com