

Future Retail

Target price adjusted for De-merger of Future lifestyle fashion

The record date for determining the entitlement of Equity Shares of Future Lifestyle Fashions Limited (FLFL) to Shareholders of Future Retail is 24th June 2013. The exchange ratio has been fixed at 1:3 i.e. one equity share of FLFL shall be issued and allotted for every 3 equity shares of Future Retail. The theoretical impact of the demerger would be Rs 48/ share (based on swap ratio). Shares of Future Retail purchased hereon would not receive any entitlement in FLFL and hence we adjust target price downwards for the same. FRL is left with the value format biz i.e. (Big bazaar, Food bazaar etc.). We value the business at 8x EV/EBITDA which translate into Rs 127/share.

With this de-merger now FRL becomes largely a play on Hypermarket retailing with some presence in Home and Electronics. As this a partial de-merger (75%) FRL continues to hold 20% stake in FLFL.

We adjust our target price to Rs60 for this de-merger and maintain our BUY recommendation.

Residual Investments of FRL

Particulars	Stake	M cap/ value/Revenue
Capital First	9.55%	10,780
Future Ventures	9.52%	15,440
Future Life Insurance	27%	14,000
FSC	76%	6,000
Future Generali	10%	10,000
BIBA	28.30%	3,500
AND	22.90%	2,500
FLFL	20%	16,050

Value of FLFL

Particulars	Multiple	Rs Mn
EV	10	31,050
Debt		15,000
Equity Value		16,050
Per Share Value for FLFL Share holders (Rs)		104
Per Share Value for Pantaloon/Future Retail Share holders (Rs)		48

Value of Future Retail

Particulars	Multiple	Rs Mn
Sales		100,181
EBITDA		7,814
EV	8	62,513
Debt		33,000
Equity Value		29,513
Value Per Share (Rs)		127

Source: Company, PhillipCapital India Research

BUY

FRL IN | CMP RS 98

TARGET Rs 127 (+30%)

Company Data

O/S SHARES (MN) :	216
MARKET CAP (RSBN) :	21.1
MARKET CAP (USDBN) :	0.4
52 - WK HI/LO (RS) :	276 / 98
LIQUIDITY 3M (USDMN) :	13.6
FACE VALUE (RS) :	2

Share Holding Pattern, %

PROMOTERS :	43.7
FII / NRI :	22.0
FI / MF :	14.3
NON PROMOTER CORP. HOLDINGS :	12.5
PUBLIC & OTHERS :	7.6

Price Performance, %

	1mth	3mth	1yr
ABS	-7.6	-22.8	-13.4
REL TO BSE	-11.6	-29.7	-35.9

Price Vs. Sensex (Rebased values)



Source: PhillipCapital India Research

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Recommendation History

Recommendation	Target, Rs	CMP, Rs	Date
BUY	127	98	21 June 2013
BUY	186	146	18 April 2013
BUY	221	185	11 March 2013
Neutral	211	208	26 February 2013
Neutral	UR	202	12 November 2012
Neutral	138	151	9 August 2012
Neutral	170	148	4 June 2012
Neutral	160	147	16 May 2012
Neutral	199	189	2 May 2012
Sell	144	176	13 Feb 2012
Neutral	160	145	14 Dec 2011
Neutral	160	172	11 Nov 2011
Neutral	244	272	26 Aug 2011
Neutral	276	240	16 May 2011
Buy	323	256	15 Feb 2011
Buy	518	438	15 Nov 2010
Buy	558	473	6 Sept 2010
Buy	569	394	11 May 2010

Management

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