

## KEYTAKEAWAYS FROM THE ANNUAL REPORT 2015-16

### Brands

Segment	Formal (Men)	Casual (Men)	Women	Denim	Ethnic	Kids	Accessories
Bridge to Luxury							
Super Premium							
Premium							
Sub-Premium							
Value							
Mass							

ABFRL combines India's leading Power- Brands with India's largest value fashion Retailer to create a Fashion Powerhouse. With over 2100 stores spanning across 5.5 million square feet, ABFRL reaches out to over 13 million discerning customers. The year under review was a muted one for the apparel industry with most players recording low growths. Consumer spending was subdued which did impact the apparel sector.

Despite this challenging economic scenario, ABFRL recorded a revenue of 6060 Crore with an EBITDA of 409 Crore, making it one of the best performing companies in the Apparel sector.

As part of its planned strategy to play in the emerging fast growing segments of the market, ABFRL acquired the online and offline rights of young women fast fashion brand 'Forever 21'. With this acquisition, ABFRL has created a strong play in one of the fastest growing segments in the Indian Apparel market.

### **COMPOSITE SCHEME OF ARRANGEMENT**

#### **Creation of India's Largest Pure Play Fashion and Lifestyle Company with a strong bouquet of leading fashion brands and retail formats**

During the year under review, the apparel retail businesses of the Aditya Birla Group, housed under separate entities viz. the Company, Aditya Birla Nuvo Limited ("ABNL") and Madura Garments Lifestyle



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Retail Company Limited (“MGLRCL”), were consolidated under the Company, vide the Composite Scheme of Arrangement amongst the Company.

Composite Scheme was undertaken with a view to enable the business activities to be carried out with greater focus and specialisation for sustained growth and also to benefit from the potential synergies of combining with the similar and related businesses, thereby resulting in enhancement of shareholder value. This consolidation is also expected to unlock value and accrue potential synergy benefits for the business arising inter alia on account of operational efficiency in matters such as sourcing, infrastructure and information technology.

Pursuant to the Composite Scheme becoming effective, Madura Fashion - the branded apparel retailing division of ABNL and Madura Lifestyle - the luxury branded apparel retailing division of MGLRCL, were demerged from ABNL and MGLRCL respectively to the Company, to collectively form a division of the Company viz. Madura Fashion & Lifestyle (“Madura Fashion & Lifestyle Division”) w.e.f. April 1, 2015 (i.e. the Appointed Date as per the Composite Scheme). Pantaloons Format business forms another separate division of the Company (“Pantaloons Division”).

### Change of Name

To reflect the enhanced scope of the operations post consolidation vide the Composite Scheme, name of the Company was changed from “Pantaloons Fashion & Retail Limited” to “Aditya Birla Fashion and Retail Limited” (“ABFRL”). A fresh Certificate of Incorporation pursuant to the change of name of the Company was issued by the Registrar of Companies, Mumbai on January 12, 2016.

### Changes in Share Capital

During the year under review, pursuant to the Composite Scheme, the Authorised Share Capital of the Company was increased from 1,60,15,00,000/- (Rupees One Hundred Sixty Crore Fifteen Lakh only) to 10,10,15,00,000/- (Rupees One Thousand Ten Crore Fifteen Lakh only).

- a) In consideration of the demerger of Madura Fashion from ABNL into the Company - 26 (Twenty Six) Equity Shares of 10/- (Rupees Ten only) each credited as fully paid-up for every 5 (Five) Equity Shares of 10/- (Rupees Ten only) each fully paid up held by each member in ABNL.
- b) In consideration of the demerger of Madura Lifestyle from MGLRCL into the Company -
  - 7 (Seven) Equity Shares of 10/- (Rupees Ten only) each credited as fully paid-up for every 500 (Five) Equity Shares of 10/- (Rupees Ten only) each fully paid up held by each member in MGLRCL;
  - 1 (One) Equity Share of 10/- (Rupees Ten only) each credited as fully paid-up for all 1,00,00,000 (One Crore) Preference Shares of face value ` 10/- (Rupees Ten only) each fully paid up held by a Preference Shareholder of MGLRCL.

Consequent to the allotment, the paid-up Equity Share Capital of the Company increased from 2,80,51,260/- (Rupees Ninty Two Crore Eighty Lakh Fifty One Thousand Two Hundred Sixty only) (9,28,05,126 Fully Paid-up Equity Shares of 10/- each) to 7,68,84,27,260/- (Rupees Seven Hundred Sixty Eight Crore Eighty Four Lakh Twenty Seven Thousand Two Hundred Sixty only) (76,88,42,726 Fully

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Paid-up Equity Shares of 10/- each).

### Change in promoters of the Company

As mentioned above, upon effectiveness of the Composite Scheme, Equity Shares of the Company were allotted to the eligible shareholders of ABNL and MGLRCL including the promoters of ABNL and MGLRCL. Accordingly, the promoters of ABNL and MGLRCL became promoters of the Company w.e.f. the date of allotment i.e. January 27, 2016. Further, ABNL IT & ITES Limited and ITSL ceased to be the promoters of the Company w.e.f. March 31, 2016, consequent to their amalgamation with ABNL ("ABNL amalgamation").

### ACQUISITION OF FOREVER 21, INDIA BUSINESS

With a view to create a strong foothold in the women's wear business in the western wear segment, the Board approved the proposal to acquire the exclusive online and offline rights of the global brand forever 21, for the Indian market and its existing store network in India from the current franchise of Forever 21 i.e. Diana Retail Private Limited ("Diana Retail") ("said Acquisition").

On July 5, 2016, the Company executed a Business Transfer Agreement with Diana Retail and DLF Brands Limited (the promoter of Diana Retail), for the acquisition of the business undertaking of Diana Retail relating to the business of operating retail stores in India for the sale of clothing, artificial Jewellery, accessories and related merchandise under the Forever 21 brand and also through E-Commerce channels

("Forever 21 Undertaking") on a going concern basis, by means of a "slump sale" (as defined in Section 2 (42C) of the Income Tax Act, 1961), for a lump sum consideration. Company also executed a Franchise Agreement with Forever 21, Inc., in terms of which the Company has acquired the exclusive franchise rights for the brand "Forever 21" for the Indian market.

### Industry Structure and Developments

Women and Youth have emerged as two important new demographic segments driving demand for younger, casual and more fashionable products. Women's wear business has been gaining prominence and demand for casual wear was seen to be growing faster than the industry.

Rapid growth of digital ecosystem with improvement in telecom infrastructure, penetration of smart phones and rapid growth of social media is changing the way consumers interact with fashion category and shop for their clothes. E-Commerce is evolving as a significant channel with consumer shift being aided by deep investments in marketing and discounting by E-Commerce players.

Entry of international brands has created greater choice for consumers at the higher end of the Market

At lower price points, value fashion retailers have been rapidly expanding their retail footprint, offering good quality, fashionable products at affordable prices to the fast growing middle class which is upgrading from unbranded products.

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### Consolidation

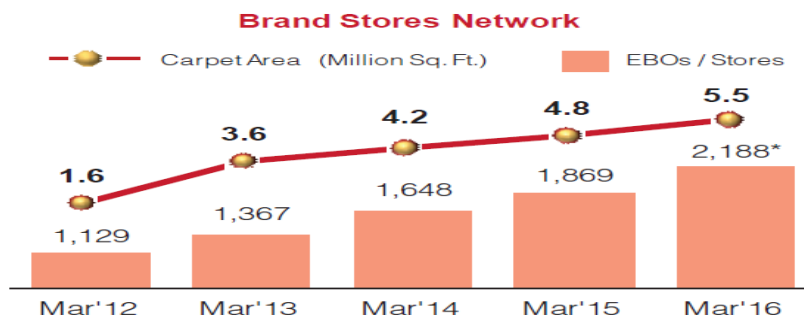
The portfolio of the Company is well positioned for growth with the combined strengths of Madura Fashion & Lifestyle in mens wear and Pantaloons strength in women's wear.



Company's major brands - Louis Philippe, Van Heusen, Allen Solly and Peter England, continue to be leading brands in their respective segments. These brands continued to successfully expand their franchise by building new brand extensions to cover more wearing occasions and product categories spanning formals, casual, denim and accessories.

### Expand the portfolio through strategic entry in faster growing segments

Your Company continuously identifies the emerging segments in the market and seeks to enhance its play in these segments through sub-brand extensions, new product launches and organic and inorganic actions. In the last few years, the Company has expanded its play in casual wear segment through brand extensions, while acquisition of Pantaloons has given the Company a strong play in the fast growing value fashion segment. The Company will continue to explore further growth opportunities in womens wear, casual and super-premium segments of the market. In line with this strategy, the Company in July, 2016 has acquired the offline and online rights of Forever 21 – a leading fast fashion brand targeted towards young women.



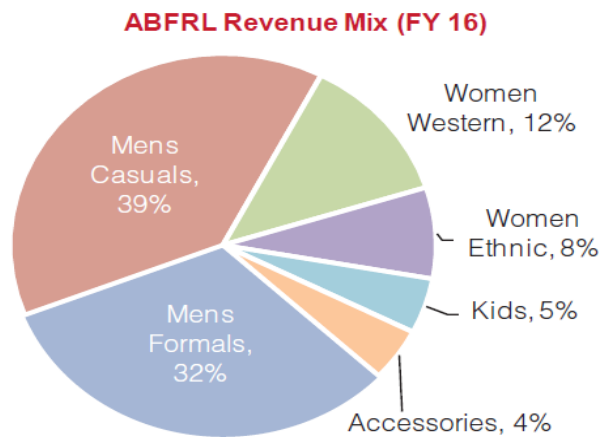
\* Includes 148 value stores of Madura division which are not included in the count upto Mar'15

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## KEYTAKEAWAYS FROM THE ANNUAL REPORT 2015-16

### Financial Performance

During the year under review, by virtue of the Composite Scheme, Madura Fashion & Lifestyle division was demerged into the Company w.e.f. April 1, 2015, in addition to the Pantaloon division of the Company, as explained in detail hereinabove. Accordingly, the financial figures as on March 31, 2016 i.e. for the year under review, include figures of the Madura Fashion & Lifestyle division, whereas the figures as on March 31, 2015 represent figures only w.r.t. Pantaloon division. Therefore, the figures for the year under review same are not comparable with the figures as on March 31, 2015 for the financial year 2014-15 (“the previous year”).



### Revenue

Your Company reported revenue of 6,060 Crore during the year under review, recording a growth of 227.4% over previous year, mainly attributable to inclusion of figures of Madura Fashion & Lifestyle division.

#### Segment: Madura Fashion & Lifestyle

It reported revenue of 3,996 Crore. During the year, it added 142 stores (net of closures). Its retail channel, which comprises of 1,877 Exclusive Brand Outlets (“EBOs”) and 148 value stores spanning 2.6 million square feet, accounts for 44% of Madura’s revenue and reaches out to 8.5 million loyalty customers base. Besides these EBOs, Madura is reaching customers through 7,000+ additional points of sales including Multi Brand Outlets (“MBOs”) and Department Stores.

#### Segment: Pantaloon

It reported revenue of 2,164 Crore recording growth of 17% over previous year. During the year, it added 29 stores (net of closures) taking the total number of stores to 163 including 1 Pantaloon Kids store and 27 Factory Outlets spanning 2.9 million sq ft. It reaches out to 5 million loyalty customer base. Pantaloon has a diversified customer base with Men, Women, Kids and Non-Apparels and has increased its share of exclusive brands from 52% to 62%.



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### Operating Profit

Combined EBITDA of both the Divisions excluding other income is 397 Crore as compared to previous year EBITDA of 73 Crore representing only the Pantaloons division.

### Borrowings

During the year under review, there is a reduction in the average borrowing cost from 10.17% in previous year to 9.3%.

Further, during the year, at the Eighth Annual General Meeting of the Company, approval of the Members was obtained by way of a Special Resolution, to raise funds by issuance of Non-Convertible Debentures for an amount of upto ` 1,000 Crore, on private placement basis

### Weaknesses

While the Company has a strong presence and brands in mens wear segment, it has a relatively lower presence in western womens wear, casual wear, denims and kids-wear segments. As part of its strategy, your Company is keenly focusing to quickly build capabilities in these segments.

### Strengths

With its portfolio of established brands and large format fashion retail presence, your Company has a leading position in the Indian apparel market and caters to consumers across all segments, from Luxury to Value, straddling men, women and kids in the formal and casual space.

Rising incomes, favourable demographics, increasing disposition towards fashion, greater access and awareness about brands is creating a large shift towards branded fashion across the Country.

The emerging E-Commerce channel opens up opportunities for the Branded Apparel business to reach out to a large base of consumers.

### PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

Name and Description of main products/ services	NIC Code of the product/ service	% to total turnover of the Company
Branded Fashion Apparels and Accessories	1410	64.41
Retail sale of clothing, footwear and leather articles in specialized stores	4771	35.59

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### Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year <sup>#</sup>				No. of Shares held at the end of the year <sup>#</sup>				% Change during the year <sup>#</sup>
	Demat	Physical	Total	% of total Shares <sup>‡</sup>	Demat	Physical	Total	% of total Shares <sup>‡</sup>	
<b>A. Promoters</b>									
1) Indian									
a) Individual/ HUF	-	-	-	-	7,08,254	-	7,08,254	0.09	0.09
b) Central Government	-	-	-	-	-	-	-	-	-
c) State Government(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	6,73,90,782	-	6,73,90,782	72.62	45,37,94,948	26,60,915	45,64,55,863	59.37	(13.25)
e) Banks/ FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total(A)(1)</b>	<b>6,73,90,782</b>	<b>-</b>	<b>6,73,90,782</b>	<b>72.62</b>	<b>45,45,03,202</b>	<b>26,60,915</b>	<b>45,71,64,117</b>	<b>59.46</b>	<b>(13.16)</b>

### Remuneration to Managing Director, Mr. Pranab Barua:

(Amount in ₹ Lakh)

Sr. No.	Particulars	Total
1	Gross salary	
	a. Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	454.72
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	3.11
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-
2	Stock Options*	-
3	Sweat Equity	-
4	Commission	-
	- as % of profit	-
	- others, specify	-
5	Others, please specify	-
	a. Company's Contribution to Provident Fund	15.14
	b. Food coupon	0.13
	<b>Total (A)</b>	<b>473.10<sup>@</sup></b>