

## Press Release

For immediate publication

### **Future Retail and Bharti Retail Announce the Merger of their Retail Businesses**

- *Partnership to combine operations of Future Retail and Bharti Retail to create a national footprint of over 570 retail stores in multiple formats across 243 cities*
- *Combined entity to benefit from Efficiencies of Scale, Better Sourcing, Richer Data and Insights to deliver great experience and value to consumers*
- *Consolidation process will result in creation of two distinct entities post merger – one focused on retail operations and other holding the infrastructure and investment*

**May 4, 2015, New Delhi:** The Board of Directors of Future Retail Limited (“Future Retail”), the flagship company of Future Group, and the Board of Directors of Bharti Retail Limited (“Bharti Retail”) at their respective meetings held today have approved a partnership between the companies. The consolidation creates one of India’s foremost retail networks in the fast growing consumption economy of India.

Future Group has been a pioneer in the Indian retail sector and operates over 17 million square feet of retail space in different formats and categories across 166 Indian cities. Bharti Retail currently operates a network of over 200 ‘easyday’ stores in multiple formats across 114 cities with a strong presence in key markets like Punjab, Haryana, National Capital Region, Western Uttar Pradesh, Uttarakhand and Bangalore.

The combined entity will have over 570 retail stores in 243 cities with operational retail space of over 18.5 million square feet. It will operate 203 Big Bazaar and ‘easyday’ hypermarkets, 197 Food Bazaar and ‘easyday’ supermarkets, and 171 other stores comprising of Home Town, eZone, FBB and Foodhall.

Commenting on the proposed partnership, Mr. Kishore Biyani, Founder and Group CEO, Future Group said, “Bharti Retail’s strengths and network compliment perfectly with that of Future Retail. It will bring us closer to millions of consumers and provide new opportunities for our supply partners. The operational efficiencies that can be derived from the merger will create significant value for our shareholders.”

Mr. Rajan Bharti Mittal, Vice Chairman, Bharti Enterprises said, “We are delighted to announce this partnership, which brings together the strengths of the two companies and provides a strong platform for future growth. The partnership offers compelling synergies in terms of reach, efficiency and experience to build a truly world-class retail network to serve the Indian consumer. Retail is

emerging as the next big growth engine for India and we will be well positioned to be a major player in this growth story.”

To streamline the operations resulting from this consolidation, the Board of Directors of Future Retail and Bharti Retail have proposed a demerger of the retail business of Future Retail to Bharti Retail, and a demerger of the infrastructure business of Bharti Retail to Future Retail. After the demerger becoming effective, the business will be operated through two distinct entities.

- The first entity, to be known as Future Retail Limited (proposed) post the completion of the demerger, will host the retail operations of both the entities.
- The second entity, to be known as Future Enterprises Limited (proposed), post the completion of the demerger will host the infrastructure, investments and assets of both the companies.

Post the consolidation, the shareholders of Bharti Retail and the shareholders of Future Retail, will be shareholders in each of the entities.

The consolidation and the demerger are subject to approvals of shareholders, the Hon’ble High Court of Bombay, the Competition Commission of India, the stock exchanges and other regulatory bodies.

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## **Key Benefits from the Consolidation:**

### **Consolidated Retail Operations Entity: (Post merger to be named as Future Retail)**

#### **Benefits Coming in from the Consolidation:**

- ❖ Improvement in productivity, profitability and cost optimization through synergies in sourcing, logistics, shared services
- ❖ Stronger footprint in key markets in NCR, Haryana, western UP and Bangalore
- ❖ Larger network to distribute Future Group brands – in fashion and FMCG categories
- ❖ Common consumer strategies and lower marketing costs
- ❖ Richer consumer data as loyalty programs acquires a larger number of new consumers
- ❖ Better sourcing terms resulting from consolidation of buying functions across all categories

#### **Benefits Coming from Demerger:**

- ❖ Entity focuses purely on operating retail businesses and delivering higher shareholder value
- ❖ Significant reduction in interest cost as overall debt will be around Rs 1000 crore
- ❖ Company no longer dependent on monetization of held-for-sale assets to lower debt
- ❖ Free cash flow positive from the first year itself with minimal incremental capex, resulting in higher Return of Capital Employed (ROCE)

### **Consolidated Assets & Investments Entity: (Post Merger to be named Future Enterprises)**

### **Benefits Coming from Demerger:**

- ❖ Gains from long term contracts and business to business model with higher margin
- ❖ Strong portfolio of profit making and asset rich entities like Future Supply Chain Solutions, Future Generali Life & Non Life & NTC JV
- ❖ Will benefit from timely monetization of some or all of these held-for-sale assets, including proposed divestment of stake in Future Supply Chain Solutions
- ❖ Easier access to lower cost foreign funds / ECBs that will help lower cost of existing debt

### **About Future Group**

Future Group operates through three listed entities - Future Retail Limited, Future Lifestyle Fashions Limited and Future Consumer Enterprise Limited.

Future Retail Limited operates Big Bazaar, Food Hall, fbb, eZone, Home Town and Food Bazaar chains. It collectively operates around 350 stores spread over 11 million square feet of retail space. The company also holds substantial stakes in various companies including Future Supply Chain Solutions, manufacturing units and joint ventures with NTC, joint ventures in the insurance space with Generali Group and a partnership with Staples Inc.

Future Lifestyle Fashions Limited owns and markets over two dozen fashion brands through exclusive brand outlets, department stores and multi brand outlets, as well company operated chains such as Central, Brand Factory and Planet Sports. It collectively operates around 400 stores spread over 5 million square feet of retail space. The company has also invested in a number of fast growing domestic fashion brands and enterprises.

Future Consumer Enterprises Limited focuses on the food and FMCG sector. It markets a number of FMCG brands including Tasty Treat, Sunkist, Sach, Premium Harvest and Fresh & Pure, operates India's leading intergrated food park at Tumkur, has an extensive agri produce sourcing network and operates around 400 convenience stores under the brands, KB's, Nilgiris and Aadhaar.

Collectively, Future Group operates around 17 million square feet of retail space in over 160 cities and towns across India and provides direct employment to over 40,000 people. Around 28 million Indians are part of Future Group's loyalty networks.

### **About Bharti Retail**

Bharti Retail Limited, is part of Bharti Enterprises, one of India's leading business groups, owns and operates neighbourhood stores called Easyday and compact hypermarket stores called Easyday Market. Easyday stores are one-stop shops that cater to every family's day-to-day needs. They bring together a wide range of relevant goods, high quality products and great in-store experience and service – all under one roof. Easyday stores range upto 2500 sq. ft and Easyday Market range up to 55,000 sq. ft. offering thousands of products displayed in a consumer-friendly manner that brings both entertainment and ease to the shopping trip.

### **About Easyday and Easyday Market**

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