



Issue at a Glance

Issue Summary	
Total Issue of Shares (Cr)	68.18- 75.00
QIB Investors (Cr)	Up to 50% Equity Shares
Non -Institutional Investors (Cr)	At least 15% Equity Shares
Retail Investors (Cr)	At least 35% Equity Shares
Issue opens on	25 th Apr,2011
Issue closes on	28 th Apr,2011
Price Band (Rs.)	10-11
Lot size (No. of shares) and multiple	600
Face Value (Rs)	10.00
Issue Size (Rs in Cr.)	750- 825
Equity Shares outstanding prior to the Issue (mn)	826.2
Equity Shares outstanding after the Issue (mn)	1576.2

Shareholding Pattern

	Pre-Issue (%)	Post- Issue (%)
Promoters and Promoter Group Holdings	59.38	32.53
Public (incl. Institutions & Employees)	40.62	67.47
Total Share Capital	100	100

CARE GRADING 3/5 indicating “Average Fundamentals”



Issue Objectives

FVIL is coming out with an IPO of issue size of 750 Cr. The objective of the issue is to create, build, invest in or acquire and operate its Business Ventures.

Company Background

FVIL is the part future group which is led by Kishore Biyani. **It seek to create build, acquire, invest in and operate innovative and emerging businesses in growing “consumption- led” sectors in India.** This sector growth is depended on the growing purchasing power of Indian consumers and their changing lifestyle and spending habits. Within this consumption- led segment, it intends to focus primarily on (i) Fashion (ii) FMCG (iii) Food processing (iv) Home Products (v) Rural distribution and (vi) Vocational education.

In addition to allocating and providing capital, it intends to operationally manage and strategically mentors these businesses.

FVIL some of the business ventures are

1	Fashion	AND Designs India Ltd, Biba Apparels Pvt Ltd, Holii Accessories Pvt Ltd, Indus League Clothing Ltd , Celio Future Fashions Ltd, Lee Cooper, Turtle Ltd.
2	Home Products	Mother Earth.
3	Food Processing	Ching's Secret, Smith & Jones, Raji, Mam Marie, Kaeng Thai.
4	FMCG	Tasty Treat, Clean Mate, Care Mate , Premium Harvest , Fresh and Pure, Sach .
5	Rural distribution	Aadhaar Retailing Ltd.
6	Others	SSIPL Retail Ltd- a retailer of Nike Products.

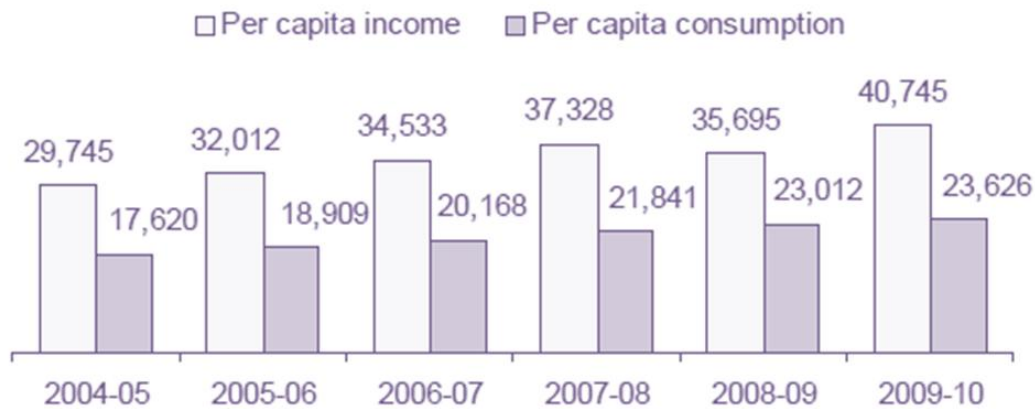


Overview of FVIL

The Indian consumption market

With increase in per capita the per capita consumption in India has been steadily increasing as illustrated below:

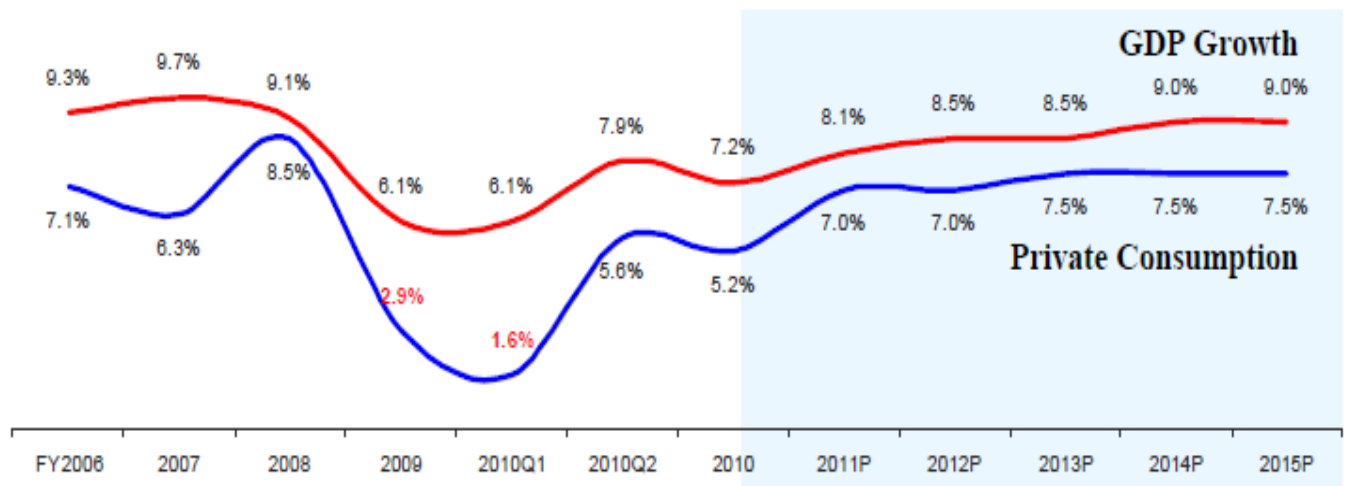
Per capita income and consumption: 2004-2005 prices (INR)



(Source: Indian Economic Survey 2009)

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.

The estimated growth in GDP and private consumption is given below:



GDP is estimated to be US\$ 1777 billion and consumption is set to double by 2015.

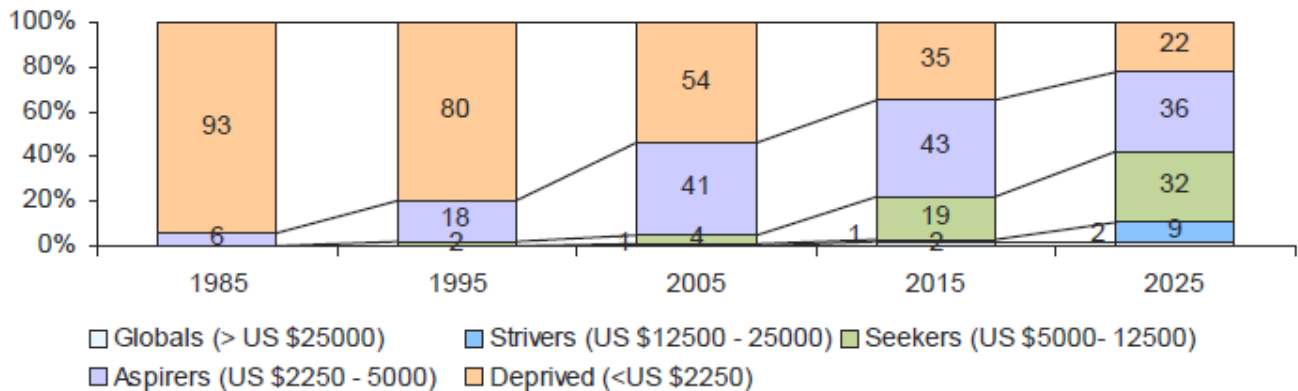
(Source: Technopak Advisors, India Growth Story: Pyramid to Diamond- Rise of Consumption Class, March 26, 2009)



Key characteristics of the Indian consumer market:

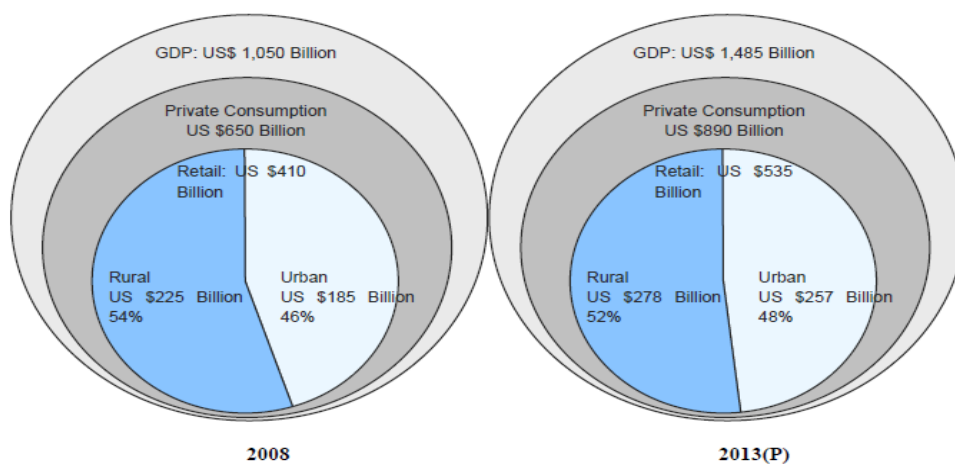
Growing Aspiring Middle Class and High Income Segment: India is expected to experience tremendous growth in its booming middle class and upper classes.

Increasing Income Levels



- Predominantly Young Consumers: 72% of Indian Population constitutes of people below 39 years with 32% between 20- 39 years having consumption potential.
- Reducing Dependency Ratio
- Rising Literacy Levels: The literacy rate of India is expected to touch almost 90% by 2013 from present 70%: with female literacy touching 83% from present 69%.
- Future Consumption Growth will be driven by both urban and rural markets.
- India has one of the largest consumer bases in the world with ~ 500 million consumers over 18 years of age (excluding BPL families) across urban and rural India.

The expected growth in consumption in urban and rural markets is given in chart below



(Source: Consumer Trends for 2010, and beyond, October 6, 2009, Technopak)

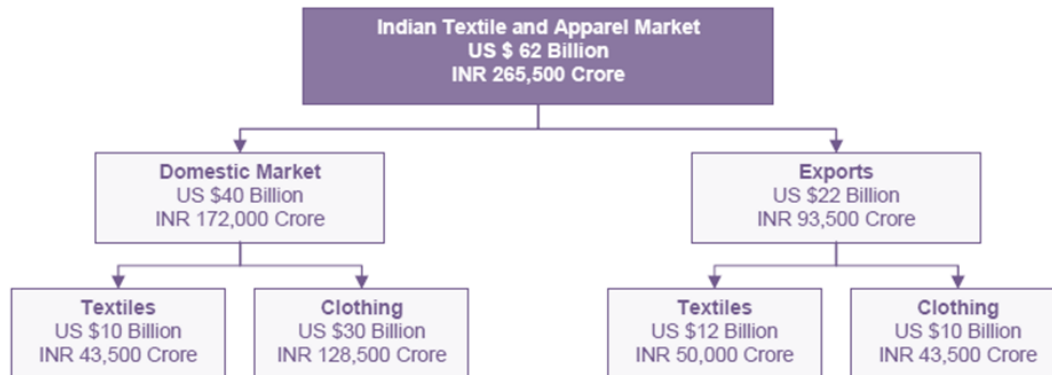
- Indian Consumers waking up to their aspirations beyond basic needs: the consumption basket is expanding to include many more products on which discretionary income can be used. While in 1991 consumption was more focused on the basic requirements, it is now focused on lifestyle and aspirational products.



Apparel

Indian domestic apparel market is one of the fastest growing markets in the world. It is expected to become one of the major consumption bases in the near future. The domestic apparel is expected to grow at around 9% in the next 5 years.

The structure of the Indian textile and apparel market is as follows.



Investments to enhance efficiencies- driven by international and domestic players in apparel Future group is making investments with a view to sustain potential growth in the Indian market and also looking at partnerships with global majors for improving supply chain scales and efficiencies.

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 spend. Both the Central and State Government have launched various initiatives and schemes to invite private sector participation in this sector.

Indian Government recognized the potential of food Processing sector of the economy and has come up with several initiatives to boost the quantity and quality of output in the sector.

Growth drivers for food and food processing Industry

- Huge production base
- Changing Demographics and rising disposable income.
- Urbanization
- Functional foods, Fresh or Processed foods
- Organized Retail and food Retail
- Government Support

FMCG

It is the 4th largest sector in the Indian economy.

Growth Drivers in the FMCG are as follows:

- Income growth and Under- penetration of FMCG products
- Growth of Modern Retail
- Innovative Rural Retail
- Implementation of GST

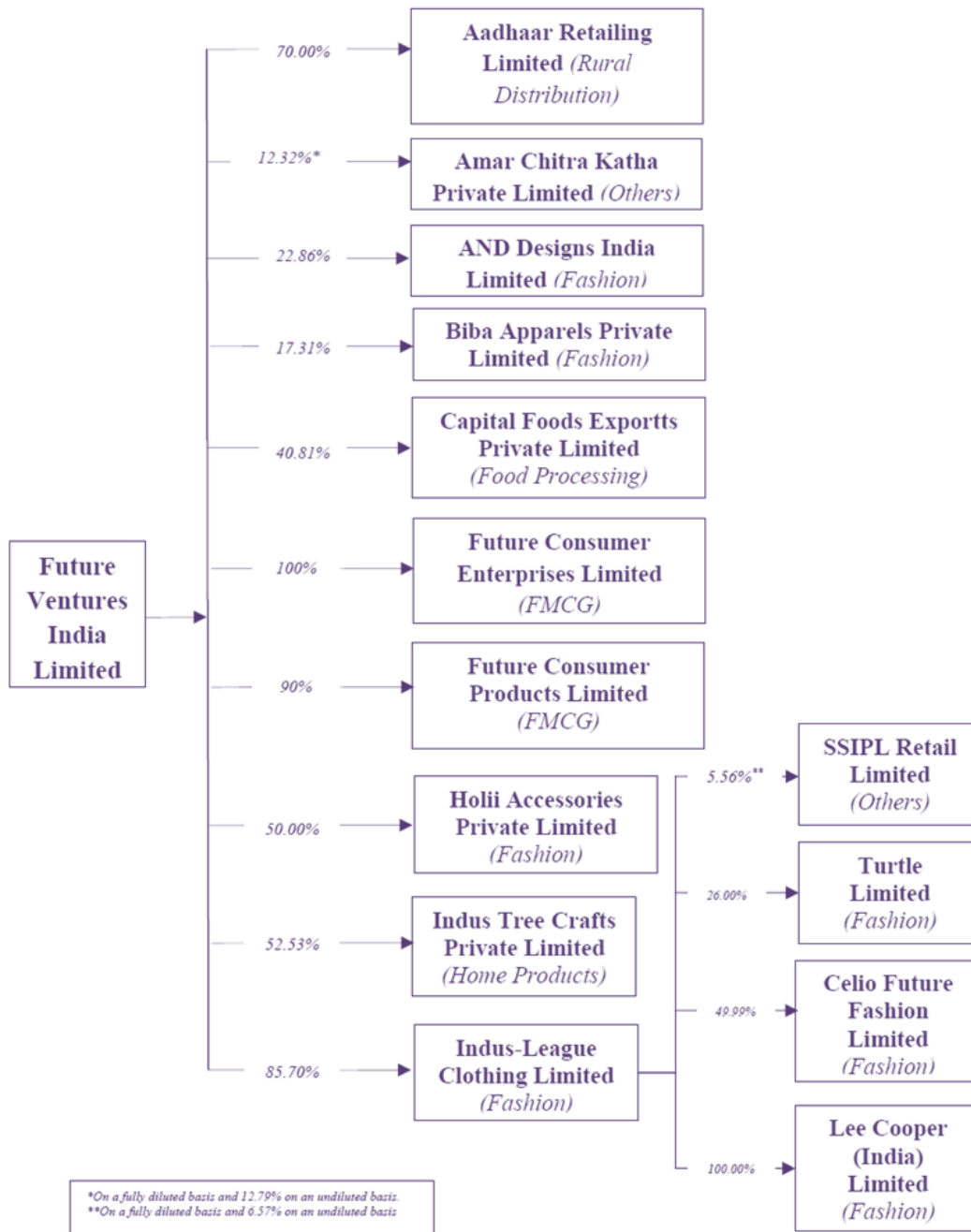


Education

As per the 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 service industry.

Business Venture:

Our investments in Business Ventures comprises of equity shares, debentures and preference shares. In accordance with our investment policy, we have invested in Business Ventures within our preferred business segments in the consumption-led sectors. Our shareholding in the Business Ventures is as follows:





FVIL's Competitive Strengths

- 1. 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 provides 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:
- 2. 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.
- 3. 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.
- 4. 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.
- 5. 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.



FVIL's Business Strategy

1. **Focus on Consumption led sectors in India:**

It focuses 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. Company believes that their target sectors will benefit from the rapidly rising income levels in India and the resultant changes in consumption patterns. Company's strategy is not to concentrate on its businesses, but to consider opportunities across various segments within consumption- led sectors.

2. **Actively operate and manage its business Ventures:**

Company intend to promote or hold a significant stake in its Business ventures, and to exert operational control or to influence over them though, among other methods, maintaining board or senior executive representation as well as placing persons in management or advisory roles. It expects to influence business strategy and decision-making of its Business Ventures through operational management and the exercise of customary shareholders' rights commensurate with the level and type of our participation in the business.

3. **Diversify its Businesses:**

Although company's focus is on the consumption-led sectors, it may also diversify into other potential high growth sectors. It intend 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. FVIL believe that this approach will position us to perform well in a variety of market conditions and add complementary assets to our business.



Risks & Concerns

1. FVIL have limited experience in creating, building, acquiring, investing in and operating innovative and emerging businesses in consumption led sectors in India and there can be no assurance that it will achieve its business objective.
2. FVIL have not identified any opportunities for investing the net proceeds of the issue.
3. Its business strategy is focused on consumption-led sectors in India, and adverse developments in these sectors could materially affect its financial performance.
4. Difficult conditions for Its Business Ventures can adversely affect the company in many ways, including by reducing the value or performance of any Business Venture that it require.
5. The business of majority of its Business ventures depends on their ability to obtain and retain quality spaces.
6. Their business ventures face competition from existing and potential domestic and international competitors that may adversely affect its competitive position and its profitability.
7. Its Business Ventures operating in the food processing business segment are subject to food industry risks that could adversely affect its operating results.
8. During the 12 months preceding the date of the Draft Red Herring Prospectus, company have issued Equity Shares to various persons including certain Promoters at a price which may be lower than the Issue Price.
9. A significant portion of FVIL's net worth is comprised of intangible assets.
10. The company has invested an aggregate of Rs 6010.01 lakhs in Sankalp Retail Value Stores Pvt Ltd, Lee Cooper Pvt Ltd and Footmart Retail Ltd in the year 2007-08 whose net worth has eroded as at March 31, 2009.



Financials

Consolidated Summary Statement of P & L

(Rs in Cr)

Particulars	Mar 31, 2008	Mar 31, 2009	Mar 31, 2010	9M 31, 2010
Total Operating Income	5.15	130.64	177.91	399.7
Total Operating Expenditure	9.09	172.6	178.54	385.9
Operating Profit	-3.94	-41.96	-0.63	13.8
Depreciation	0.03	7	8.62	18.09
PBT	-4.1	-51.47	-19.68	-21.75
Tax	0.27	4.14	1.67	1.14
Net Profit	-8.5	-54.57	-9.02	-14.68
Basic EPS (Rs)	-0.23	-1.47	-0.16	-0.18
Diluted EPS (Rs)	-0.06	-0.36	-0.06	-0.1



Consolidated Summary Statement of Balance Sheet

(in Rs Cr)

Particulars	Mar 31, 2008	Mar 31, 2009	Mar 31, 2010	9M 2011
Gross Block	74.86	82.96	140.48	303.48
Less: Depreciation	1.54	8.34	34.22	52.09
Capital Work in progress	0.69	1.3	1.62	3.36
Total Fixed Assets(A)	74.01	75.91	107.89	254.75
Deferred Tax Asset(B)	0	0.03	0.38	0.86
Goodwill on consolidation (C)	12.83	13.72	228.78	315.99
Investments (D)	268.67	221.98	100.93	112.13
Total Current Assets, Loans and Advances (E)	164.57	107.3	393.07	415.83
Minority interest (F)	11.79	8.78	74.15	37.09
Total Liabilities and Provisions (G)	152.79	104.24	251.75	323.94
Net Worth (A+ B+C+D+E-F-G)	355.49	305.91	505.14	738.53
Net Worth Represented by:				
Share Capital (including Share Application)	363.84	368.84	576.24	826.24
Reserves and Surplus	0.06	0.06	0.06	0.06
Revaluation Reserve	0	0	0.26	0.25
Statutory Reserve Fund	0.03	0.03	3.39	3.72
Debit Balance in Profit & Loss Account	-8.45	-63.02	-74.81	-90.44
Miscellaneous Expenditure (to the extent not written off or adjusted)				-1.31
Net Worth	355.49	305.91	505.14	738.53



As on /For the period ending	Standalone		Consolidated	
	March 31,2009	March 31,2010	March 31,2009	March 31,2010
Overall Debt/ Equity ratio (times)	-	-	0.18	0.33
Capital Adequacy Ratio	102.81	108.48		
Op. expenses /Avg. cap. Emp.	1.99	1.02	13.60	11.22
PAT/total income (%)	NA	65.05	NA	NA
Return on Net worth (%)	NA	3.53	NA	NA
Return on Total Assets (%)	NA	3.58	NA	NA

Valuation & Outlook

P/B ratio is currently at 1.23x multiples on the higher band of IPO price & 1.12x on lower end of IPO price. The Book value of MFL is Rs 8.94 as on 31th Dec, 2010.

Investment Rationale

- ❖ Since there is no strict comparable in this segment so peer comparison can't be done. However, we believe the issue is attractively priced at 1.23 times 9MFY11 post issue book value, at the upper band.
- ❖ FVIL would benefit from the growth opportunities available in the consumer sector. And it has also experience in retail sector and would add value to its business ventures.
- ❖ Considering the issue at face value, growth of consumerism & branded products.
- ❖ These Business Ventures are at nascent stage and when they get mature can give huge return to the company. Investments accounted for 89% of FVIL's asset book.

We recommend short Investors with high risk appetite to “subscribe” for listing gains while long term investors are advised to hold the stock for 3 years duration since FVIL can prove to be a “Multi bagger stock” and can give phenomenal returns.

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