



PANTALOONS FASHION & RETAIL LIMITED

CHAIRMAN'S SPEECH

8th ANNUAL GENERAL MEETING

AUGUST 28, 2015

Good Afternoon Ladies & Gentlemen,

On behalf of the Board of Directors, I am delighted to welcome you all to this Eighth Annual General Meeting of your Company. Thank you for joining us.

I trust the Notice convening this Meeting and the Annual Report for the year 2014-15 has reached you on time and so, with your permission, I shall take it as read.

In my speech today, I would like to take you through a brief update on the economy and market situation, your Company's performance during the financial year gone by and the outlook for the current year.

Economy

Having seen muted growth over past two years, the Indian GDP saw marginal improvement in the financial year 2014-15, as growth picked up from 6.9% to an estimated 7.3%. This was primarily led by expectations of a stable government and policy framework, as well as a moderate revival in consumption spending due to slowing inflationary pressures and a drop in global fuel prices.

Fiscal and monetary Initiatives taken by the Government and the Reserve Bank of India ("RBI") have narrowed down both the fiscal deficit and current account deficit. However,

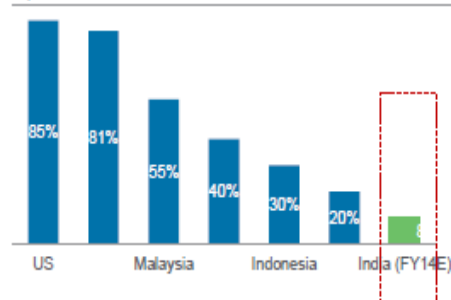
outlook going forward remains uncertain, as the global revival is yet to take off and expectations of a sub-normal monsoon may temper any recovery.

Market

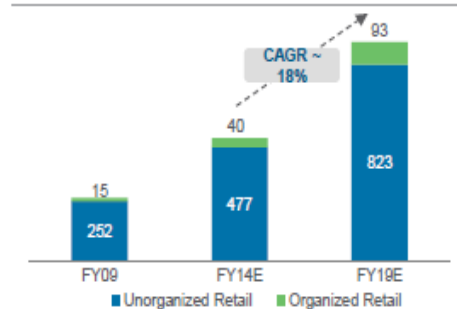
Clothing and fashion retailing is the second largest contributor to the Indian retail market with a share of just under 10%. In the organized retailing market, clothing and fashion retailing is the largest and the most penetrated segment. It accounts for roughly one-third of the organized retailing market.

- Low penetration of organized retail is likely to drive growth of the sector
- Food and grocery and apparel are amongst the largest sub-segments comprising c.45% of the organized retail market and are expected to grow on the back of their low penetration of 2.2% and 18.8% as of FY14E

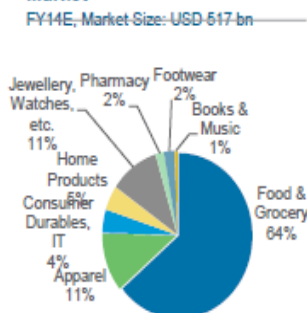
Penetration of Organized Retail⁽¹⁾
%, 2011



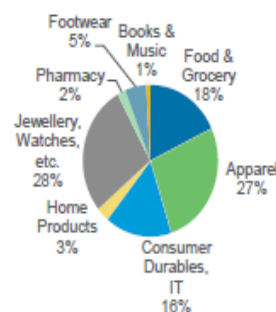
Growth of Organized Retail
USD bn



Breakdown of Total Retail Market
FY14E, Market Size: USD 617 bn



Segmental Breakdown of Organized Retail Market
FY14E, Market Size: USD 40 bn



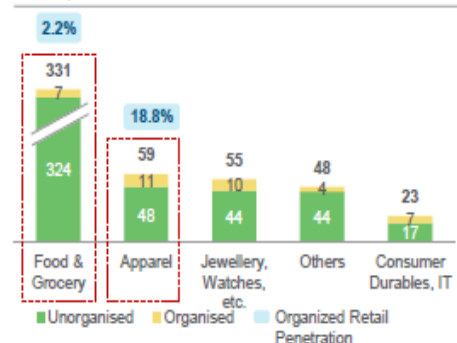
Source: EY, CRISIL, Euromonitor, IMF

Notes: FX rate of USD 1 = INR 60

(1) The data for India is for FY14E while that for other comparable countries is as of 2011

(2) F&G – Food and Grocery

F&G and Apparel: Opportunity for Exponential Growth
USD bn, FY14E



Organised apparel market is growing at a faster pace than the overall apparel retail market, driven by multiple factors including significant growth in discretionary income, changing lifestyles and rapid growth of E-Commerce.

The competitive landscape of Indian organized retail has been intensified with entry of large number of E-Commerce players with deep pockets and several global retailers. Moreover, Domestic Value Retailers are on aggressive expansion to take advantage of the increasing demand from consumers for sharply priced products.

Your Company Performance

At the outset, let me state that the business transformation begun at your company after it came into the Aditya Birla fold has been completed.

Pantaloons is one of the leading large format fashion retailers in India. Our target customer is the aspiring Indian who wants to move up the ladder and enter the world of Brands & Fashion, while still looking for accessible price points. Your Company is uniquely positioned in the market, offering exclusive brands, fashionable and contemporary merchandise at affordable prices in a modern retail ambience.

Fiscal 2014-15

Pantaloons attained revenues of Rs.18,510 million (Rs.1,851 crores), up by 11% over the last financial year. Your company's EBITDA at Rs.730 million (Rs.73 Crore) soared by 90% on a year on year basis. The launch of four new brands across categories bolstered Pantaloons portfolio of own brands. Collectively these account for 54% of the overall revenue and helped drive margin improvement. The setting-up of 25 new stores accelerated its customer access, with the store count now at 104. Your company has an audacious target to scale up to 140 stores in the financial year 15-16.

Corporate Restructuring

A major development was our corporate restructuring plan to merge Madura Fashion with Pantaloons Fashion and Retail. This will spawn India's single largest fashion and lifestyle apparel entity – **"Aditya Birla Fashion and Retail Limited"** (ABFRL). This consolidation will create value for the shareholders by giving them an opportunity to participate in the enhanced fashion space directly through ABFRL.

Last Year, I had outlined the key actions that your company would take to drive growth and improve profitability. I am happy to report that your company has made excellent progress in all the areas.

- **Accelerate retail expansion to drive top line growth;**

The Retail Store network grew by 25 % in financial year 2014-15 with the addition of 25 new Pantaloons stores taking the total count to 104 Pantaloons stores as on March 31, 2015.

- **Improve productivity of existing stores to boost like to like sales growth**

Successful execution of multiple initiatives across our network of stores saw a sharp improvement in like to like stores sales growth, from -1.5% in FY14 to 5.6% in the current fiscal (with L2L growth at a very robust 8.3% in apparel segment, which contributes more than 85% of total revenues)

- **Refurbish 20 more stores to ensure that all Pantaloons stores offer consistent retail experience across India;**

22 stores were refurbished during the year through infrastructure and assortment upgrade, completing the refurbishment of all necessary stores after the acquisition.

- **Optimize product portfolio to significantly expand gross margins;**

The Product portfolio has been completely revamped by removing non-performing categories and introducing more relevant categories. This combined with the focus on cost management has helped your company to improve the overall gross margins by 3% in the year 2014-15

- **Create 3-4 new brands to further strengthen our portfolio of exclusive brands;**

During the year under review, your Company launched four new exclusive brands viz.

- SF Jeans, a brand that offers fashionable Denim products for both men and women;
- Candies, a Young fast-fashion women's western-wear brand;
- Poppers, a colorful, trendy casual brand for boys and girls in the age group of 7-14 years; and
- Jamini, an elegant women's ethnicwear brand targeted towards women in the 35+ age group, which stands for its handcrafted fashion.

All these brands have been received well and we expect that they will continue to strengthen their performance and contribute to the topline and bottom line.

Let me now very briefly speak about the action plan for this fiscal.

Your company has laid out the following action plan to drive its vision of strengthening its market position as one of India's leading fashion retailers

- Sharpen value proposition to drive strong volume growth;
- Accelerate new store expansion to enhance presence in existing markets and tapping opportunities in new markets;
- Launch 4 exclusive brands to strengthen our play in the casual segment, value formals and men's ethnic;
- Launch a robust E-Commerce business for Pantaloons.

The Aditya Birla Group.

We have had a good year at the Group level. Our Group's consolidated revenue crossed the Rupees 2.5 trillion mark, setting a new milestone. We are up 9% over the last year. In dollar terms as well, regardless of the ups and downs in foreign currency, we reported revenues of \$ 41 billion, an 8% rise. Over 50% of our Group's revenues flow in from our global operations.

Our EBIDTA in Rupee terms is an impressive Rs.322 billion, again over 9% vis-à-vis FY14. In dollar terms, we achieved an EBIDTA of \$5.25 billion, reflecting an 8% rise over that of the last year.

We are humbled that for the third year running, our Group has been ranked No.1 in the Nielsen Corporate Image Monitor 2014-15. We have emerged as 'Best in Class' across most of the pillars. This is a remarkable vote of confidence by the stakeholder constituency in our leadership teams. It is a testament to our "Group brand, governance standards, transparency, customer primacy and CSR engagement. The six pillars of Corporate Image on which organisations are engaged comprise of Vision and Leadership, Product & Service quality, Workplace Management, Financial Performance, Operating style and Social responsibility".

Nielsen's Corporate Image Monitor measures the reputation of the 42 leading companies in India across sectors (based on the Bombay Stock Exchange list and the Economic Times

Ranked Top 50 Companies) and “the findings serve as an important indicator of the strength of the corporate brand”.

On behalf of your Company’s Board, I would like to thank all our stakeholders and business associates and the Central and State Governments for their continued support and guidance.

We are beholden to all of our employees for their tenacity and commitment to the growth of your Company.

Last, but not the least, our deepest gratitude to each one of you, our valued shareholders.

I look forward to your ongoing support.

Pranab Barua