Pantaloon Retail India Limited
2nd Quarter Results – Financial Year 2010
January 27, 2010

Moderator: Good evening ladies and gentlemen. I am Manjula, the moderator for this conference. Welcome to the Pantaloon Retail India Limited Second Quarter Results FY'2010 Conference Call. For the duration of the presentation, all participants lines' will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to International Bridge. After that, the question and answer session will be conducted for participants in India. I would like to handover to Mr. Ashish Chakravarti, Senior Manager, Investor Relations. Thank you and over to you sir.

Mr. Ashish Chakravarti: Thank you Manjula. Welcome to the 2nd Quarter Conference Call for Pantaloon Retail India Limited. It gives me great pleasure to introduce our management team. We have Mr. Kishore Biyani, Managing Director of Pantaloon Retail India Limited and Mr. B. Anand, Director-Finance for the Future Group. The way we propose to set the agenda for this call is to give you a brief overview of our understanding of the economy, market conditions and consumption trends over the past couple of quarters and the overall business outlook, followed by the operational and financial highlights for the quarter. I now request Mr. Kishore Biyani to address us.

Mr. Kishore Biyani: Good evening. I will share my observations about the quarter and the outlook for the remainder of the financial year. Since our last interactions, we have seen some revival in consumer demand, probably not seen in the last 1-1/2 years as far as consumer sentiments, existing category growth and creation of new categories are concerned..Since the last quarter and the month of January, we feel more confident than probably four or six months ago.

India is a trillion dollar economy of which private final consumption is around 350 to 400 billion USD. At a growth rate of 7% to 9% in the next 7 to 10 years, India can be a two trillion USD economy and close to a trillion USD consumption economy alone. We as a company, look at each and every area of consumption, namely food which is the largest component, fashion, general merchandise, and home, and how to increase consumption in these categories. In the past 12-18 months, we saw food being a stable category, fashion held us in good stead because of the price points, general merchandise saw some shifts in product categories, while in electronics, some months were quite okay. The home and the home improvement business did dip significantly because of the macro environment. We are seeing revival of demand even in the home category to an extent with electronics being an outperformer. On the basis of current trends, most categories are back on track. We also witnessed good retail offtake since November, considering the usually lull period after the festive season. We believe that if consumption and demand sustain, we can surely be back on track in the next few months. However, we are approaching this with cautious optimism

Further, there are some interesting insights of how new categories have emerged as winners. One of the categories I want to highlight is the category of breakfast cereals, wherein we started our own private brand and in a short time, we have achieved sales similar to Kellogg's. The emergence of new categories like noodles, cereals, soups, chips and value added processed food products, gives us hope.

The youth of India, the largest influencers of the consuming bracket, are buying many new categories and products. This is reflected in the number of laptops and other electronics and IT categories being sold. We just celebrated our annual Sabse Saste 4 Din event and this year, apart from Big Bazaar, we also did events in other formats including Central, eZone and Home Town. I guess we would have done close to around Rs.350 to 400 crores of business as a group.

I will ask Anand to take you through the business highlights for the quarter and the half year.

Mr. B. Anand: Thank you Mr. Biyani. Moving on to the operational review for the second quarter and the half year, we have added close to 7 lakh square feet as new space addition. To a large extent, this space addition has been contributed by Big Bazaar and Central. In Big Bazaar, we entered into new cities like Kota, Jabalpur, Udaipur and Jamshedpur. We added close to about 1.7 million square feet over last the last year, i.e. from December 2008 to December 2009. In terms of revenues, we have registered growth of 25% year on year which is in continuation of some of our initiatives towards achieving better productivity, same-store sales growth in value and lifestyle segments, margin initiatives and our internal focus towards bringing efficiencies across stores and the overall value chain. This has also led to an improvement in the overall EBITDA levels. Similarly, at the PAT level, the constant endeavor is to reduce our interest costs. In terms of same-store sales growth, its stood at 6.9% in value and 11% in lifestyle, which on a blended basis is around 8.5%, and this is very close to our guidance.

Revenues for H1 was Rs.3,700 crores and since the buoyancy in the customer confidence, the outlook for the second half of the year remains positive. We can move into the Q&A session now.

Moderator: Thank you very much sir. At this moment, I would like to handover the proceedings to International Moderator to conduct the Q&A for participants connected to the International Bridge. After this, we will have a question and answer session for participants at India Bridge. Thank you and over to you Zynub.

International Moderator: Thank you Manjula. We will now begin the question and answer session for participants connected to the International Bridge. Please press 01 to ask a question. At this moment, there are no questions from participants at the International Bridge. I would like to handover the proceedings back to Manjula. Over to you ma'am.

Moderator: Thank you very much Zynub. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first in line basis. Participants are requested to use only handsets while asking a question. To ask a question, kindly press *1 now. First in line, we have Mr. Abneesh Roy from Edelweiss Capital. Please go ahead.

Mr. Abneesh Roy: Sir, congratulations on good set of numbers. If I see the two segments of your business, Value Retail and Lifestyle, clearly Lifestyle has suddenly started outperforming well ahead of the Value Retail, so wanted to understand if this trend will continue or is this because Lifestyle lagged more last year because of the downturn impact that segment had. So, is this an abnormal thing or do you think that Lifestyle will continue to outperform Value Retail?

Mr. Kishore Biyani: For the last few quarters, we have seen good performance from Pantaloons, one of our key lifestyle formats. The same-store sales growth would be in double digits, despite the downturn as the price points did not change. The improved market situation along with a good and efficient merchandise management system and supply chain, has benefited us. Unfortunately, Central did suffer in the last quarter because of the conditions in Hyderabad, which has our largest store. We would have probably touched Rs.2,000 crores last quarter had Andhra not been disturbed. Lifestyle business has definitely done well for us and we believe it will continue to do so. This is because our fashion line has been appreciated and our private brands have consistently been doing well.

Mr. Abneesh Roy: Sir, in your Breakfast Cereals, you said next month you will touch what Kellogg's used to do earlier, so have you also been successful in getting back the MNCs which stopped sales to your store because of the margin, because they have seen your good performance, in the past you have seen that in some of the categories you managed to get them on board.

Mr. Kishore Biyani: I think we never have got anybody out. With Kellogg's we have some challenges in terms of margins viz a viz our cost of retailing. In a way we are only fighting for our rights for better margins and are not here to confront anybody. Having said that, we have an alternative strategy in place.

Mr. Abneesh Roy: And sir, my last question will be on your Home Town business. That segment, some of the other retailers are slightly more circumspect, so wanted to understand, you have been very aggressive. I think full page ads on that along with your sabse sasta, you have also been promoting Home Town this full page ad, so if you can give us some color on that in the last 4 days, how it has been.

Mr. Kishore Biyani: To give you a sense, all Home Town's put together, yesterday alone may have done about Rs.8 crores of business. It has been one of the best performances ever since we started the concept. We always believe that Mumbai is a market where in you need to invest in building a brand. I remember we opened 3 Big Bazaar's before entering Mumbai and we never got noticed but when we opened in Mumbai, the brand Big Bazaar did get noticed. The Home Town Store in Vikhroli is probably one of the finer stores opened by us. We are all very excited with the brand Home Town and expect it to change the profitability and business of Home Solutions as a company. We have learnt over the past 3 years in this category and the learning's have been put to use in this new store.

Mr. Abneesh Roy: But sir, what is working, you said you are offering the customer now to pick and choose just like a neighborhood furniturewalla does, so are those things working. Is the advertising glitz working, is the size working, what is really working sir?

Mr. Kishore Biyani: Home business typically picks up momentum after sometime. It's a high indulgement category where people don't just buy on impulse. We have seen encouraging results.

Mr. Abneesh Roy: Okay sir, thanks a lot. All the best sir.

Moderator: Thank you very much sir. I request the participants to ask two questions in the initial round and then come back for the follow up question. Next in line, we have Mr. Abhijeet from Antique Stock Broking. Please go ahead.

Mr. Abhijeet Kundu: Hello sir. Congratulations on the good set of numbers. Sir, one question was on your value retailing business. Are you happy with the kind of same-store growth that you are seeing in value retailing or you know there is a scope for scaling up the same-store growth in this?

Mr. Kishore Biyani: I want to put some things into perspective when we speak about value retail. Earlier, furniture contributed around 5%, about 4% came from mobile phones and close to 10% came from electronics. In the last 1-1/2 years, some categories like mobiles suffered significantly. The average selling price in the country dropped around 25% to 30% and there was a lot of value loss on growth. Electronics was inconsistent and furniture business suffered while food was still growing. I think one has to look at value retail in that perspective. If you look at a single category of food and fashion, our growth would be in double digits, but if you look at all the categories put together, we would have grown around 6% to 7%.

Mr. Abhijeet Kundu: Okay, in case of your interest outgo, I believe you have paid some of our debt during the quarter, going ahead, we would see lower interest outgo, right, in absolutely terms, the coming quarters, the interest outgo is expected to come down?

Mr. Kishore Biyani: I think that is the way we are looking at it. We are expecting interest to soften up in absolute numbers and in percentage terms.

Mr. Abhijeet Kundu: Okay, thanks a lot sir. That is all from my side.

Moderator: Thank you very much sir. Next in line, we have Mr. Anirudha Dutta from CLSA. Please go ahead.

Mr. Anirudha Dutta: Thank you. Good afternoon sir. What is the impact on inflation that you are seeing? You mentioned there is double digit growth in food and fashion. Food, your procurement cost must have gone up. I am told yarn price have also shot up quite a bit. Is there an impact you are seeing or how are you managing?

Mr. Kishore Biyani: I think the true reflection of the yarn impact will be visible in the next season as fashion business is normally run season to season. In the summer season, you may see some price increase. We plan a lot ahead for every season and the planning cycle has moved to nearly 6 months in fashion. In terms of commodities, we have seen some price fluctuations. Price of sugar has gone up, prices of dal and pulses have risen while on the other hand, oil prices in the last quarter would have reduced. It all depends on the budget of the customer. If the customer has a budget of Rs.5,000 a month on groceries and whether he has increased his budget to Rs.5,500 because of price increase, we are not sure. A person coming to our store does not come to buy only sugar. I think if any price increase happens, Indian consumers will either shift their preferences and move categories or some people may just increase their budgets. It is very difficult to predict the true inflationary impact on food business in our case.

Mr. Anirudha Dutta: But it is not that volume growth has suffered. With value growth we can see the numbers but volume growth remains fine?

Mr. Kishore Biyani: We are not seeing a negative trend on any volume growth.

Mr. Anirudha Dutta: And in Food Bazaar, what is the share of private label in the various FMCG category overall that you have in your stores?

Mr. Kishore Biyani: I believe a private brand is all about scale, and until the brand does not become of a reasonable size, the values won't come to us. We believe that after a lot of efforts, our run rate is now inching towards Rs.200 crores of our own brand sales in FMCG food and other products. In, commodities there is a lot of private brand play available but not much to talk about at present.

Mr. Anirudha Dutta: Thank you very much.

Moderator: Thank you very much sir. Next in line, we have Mr. Jaibir from Noble. Please go ahead.

Mr. Jaibir: Good afternoon sir. Congratulations on a good set of numbers. Just a couple of questions from my side. Firstly, given that the value retail formats have been demerged into a subsidiary effective 1st Jan, how would the quarterly results be reported going forward?

Mr. Kishore Biyani: We are discussing this internally and as a company may publish both the results separately after considering the statutory requirements.

Mr. Jaibir: Okay. The second thing was if you look across Q1 and Q2, between the two quarters, there has not been much acceleration in same-store sales growth. Are you seeing this beginning to pick up in January?

Mr. Kishore Biyani: In January, the same-store sales will be very interesting.

Mr. Jaibir: Very interesting with positive movement?

Mr. Kishore Biyani: Whenever every category performs, the same-store sale numbers increased in a multi-category business. I believe in January, all the categories would have performed well for us.

Mr. Jaibir: That is all from my side sir.

Mr. Kishore Biyani: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Hozefa Topiwalla from Morgan Stanley. Please go ahead.

Mr. Hozefa Topiwalla: Good evening sir. Just couple of questions from my side. The first is you mentioned in the opening speech that you have not seen this kind of retail environment ever in the last couple of years.

Mr. Kishore Biyani: Not couple of years, actually since about a year or so. The euphoria we saw around 26^{th} Jan as well as in November and parts of December shows some very good trends.

Mr. Hozefa Topiwalla: Sir, my specific question here was that if you look at the same-store growth in the first quarter and the second quarter, both in the value and lifestyle formats, it is more or less the same, so on what basis do you say that momentum has picked up in quarter two compared to quarter one?

Mr. Kishore Biyani: Hozefa, we have to look at the businesses which have picked up which were not doing significantly well. One such category was electronics and the other was home improvement and furniture. They seem to have bounced back significantly. In addition, the mobile value loss of 25% to 30% is now getting covered up by better businesses.

Mr. Hozefa Topiwalla: Okay, my question sir was in the inventories front. You have added about 0.7 million square feet and your inventories have gone up by about Rs.330 crores in the first half of this year, which is about 5,000 rupees a square feet and bulk of the new space has come in Central format, which is actually a low inventory intensive format because bulk of your business in consignment based. The weighted average inventory for the company is about 2,000 rupees a square feet, but the incremental inventory increase in the first half has been significantly higher.

Mr. Kishore Biyani: If you look at January alone, we might report very good numbers and inventories would have come down by considerably by end January.

Mr. Hozefa Topiwalla: Okay.

Mr. B. Anand: I don't think it is right to pick up the incremental inventory and attribute it totally to the incremental space. As Mr. Biyani mentioned, it is about planning ahead for when the actual sales fruition happens. We have consciously built up inventory, specifically catering to the festive season.

Mr. Hozefa Topiwalla: The question was more specific to the inventory initiatives that as a group you have taken to bring down inventory levels and efficiency, etc., where are we on those levels and how should we measure it given these numbers?

Mr. B. Anand: That continues and as I mentioned, the initiatives and processes that we have taken to make sure that we keep the inventory at the indicated levels are on track.

Mr. Kishore Biyani: To add further, our merchandizing management systems in fashion has improved significantly. Our confidence in carrying inventory primarily in the last quarter is based on our bets in fashion. We have again increased our imports steadily arising from business confidence. This will reflect in better sales and same store sales growth performances.

Mr. Hozefa Topiwalla: Okay, just one last question on some numbers here. If I just look at your presentation, and if you look at the sales growth split, value retailing 14%, lifestyle 25%, so if you look at the average from those two numbers, the overall sales for the quarter is more or less close to about 16% to 17%, but the reported sales growth is about 25% in the P&L, just wanted to reconcile these two numbers.

Mr. B. Anand: We report segmental performance on gross retail sales basis whereas, the P&L reflects the net sales figures as per accounting standards..Gross retail sales includes consignment sales, SIS sales and VAT while net sales includes consignment sales commission and institutional sales.

Mr. Hozefa Topiwalla: Anand, this difference is always there, but this time around, the growth differential between the reported in the P&L and these numbers, the growth differential is quite stark.

Mr. B. Anand: This is specifically because last December had lesser institutional sales as compared to December 09.

Mr. Hozefa Topiwalla: Okay, thank you. That is all from my side.

Moderator: Thank you very much sir. Next in line, we have Mr. Pankaj from Kotak. Please go ahead.

Mr. Pankaj: Good evening everybody. Couple of questions, one, can you give us some update on where we are on the restructuring front overall as a group, and second, in terms of overall space added to your square feet, how you are looking at it now. Mr. Biyani now seems to be jubilant again, so how we are looking in adding square feet for the next year and year after that, have we revised our targets or upwards or what we were looking at say 3 or 6 months back, thank you.

Mr. Kishore Biyani: In the next 6 months we should add around 1.5 million square feet in Big Bazaar, Central, Brand Factory, and Pantaloons. Some space addition is expected in Home Town, eZone and other formats. As a group, we had a target of around 2.25 to 2.5 million square feet. We should more or less be on track on that for this year. Going forward, we expect to maintain an incremental space addition of around 2.5 million square feet for the next year as well.

Mr. Pankaj: Okay, and on the restructuring front?

Mr. Kishore Biyani: We call it realignment of businesses. The demerger of our financial services and insurance investments is underway. We are also looking at some other businesses being carved out. We are currently working on wanting to merge the home business into PRIL. We are evaluating the FMCG business a bit differently and may carve it out. We have a property and mall division and are looking at options there as well

Mr. Pankaj: Okay, and on the insurance front, any decisions taken, I mean, any restructuring happening there?

Mr. Kishore Biyani: We have appointed agencies to work on it. The board has approved to look at demerging of financial services business.

Mr. Pankaj: Okay, fair enough, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Chandresh Nigam from Axis AMC. Please go ahead.

Mr. Pankaj: Hi, this is Pankaj here. Sir, we have taken a fair degree of initiatives on the fashion side of the business over the last 12 months and results of some of those initiatives are evident in terms of same-store sales growth, meaning will it also have some impact on the profitability of the company and if at all when do we start seeing that?

Mr. Kishore Biyani: I think again it is all about blended mix, and we are expecting the fashion business contribution to increase. Currently, our share of fashion would be over 30% of sales. If the blend changes for the better, the margins can increase substantially but the low margin business also keeps growing. The acceleration in fashion has happened and that is enabling us to maintain our EBITDA levels.

Mr. Pankaj: Right, okay, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Ankur from Religare. Please go ahead.

Mr. Ankur: Good evening sir. Two questions from my end. Firstly on the fund utilization front, I believe we are funding around Rs.500 crores. Out of this Rs.400 crores has been utilized. Was this utilization primarily for inventory procurement or some debt repayment as well?

Mr. B. Anand: It has been utilized towards funding working capital, space expansion of 0.7 million square feet and investments towards logistics and insurance ventures.

Mr. Ankur: Okay because sir like the interest outgo has not fallen that significantly.

Mr. Kishore Biyani: It will show or reflect in the next quarter to some extent.

Mr. Ankur: Okay.

Mr. B. Anand: Some of the debts have fixed maturity dates, so pre-payment means that there are penalties involved.

Mr. Ankur: Fair enough. Sir, what is the outstanding debt right now?

Mr. B. Anand: Around Rs.3,000 crores.

Mr. Ankur: Okay, fair enough, and sir, second question on the private label front. What is the private label contribution right now in this quarter?

Mr. Kishore Biyani: If you look at our fashion business overall, I would say we would be achieving over 25% of our business coming out of private brands. Foods as I mentioned earlier, is still nascent.

Mr. Ankur: Okay, fine sir, fair enough, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Percy from HSBC. Please go ahead.

Mr. Percy Panthaki: Good evening sir. My question is again on the same topic which you just touched upon, the debt. If I basically look at your net debt at Rs.2,900 crores it has increased by about Rs.150 crores over June, including the Rs.500 crores of infusion, so that would add up to about Rs.650 crores plus another Rs.150 crores of internal accruals, so basically you have used up about Rs.800 crores in the last 6 months, may be Rs.300 crores on inventory and may be another Rs.150 crores on square feet expansion, but that still leaves about Rs.350 crores unanswered as to where that has been invested in. Can you throw some light on that?

Mr. B. Anand: I think Percy the number may be close to about Rs.650 to Rs.700 crores. As I mentioned, there is requirement for capex expansion that happened this year and for upcoming space. Further, we have incremental investment in insurance and logistics which is close to about Rs.100 crores. Deposits amount to about Rs.100 crores and there is cash in the system unutilized from the QIP.

Mr. Percy Panthaki: Understood sir. Just wanted to understand when the realignment of business happens, and you sort of demerge your portion in the non-retail businesses, what happens to the debt you have taken for the purpose of investing in these businesses. Will that still stay on PRL's standalone balance sheet or will that debt also somehow reduce. Can you throw some light on that?

Mr. B. Anand: The demerging of insurance and financial services will go through a distribution model and there may be some part retained in PRIL. There is no significant amount of debt which is straightaway attributable to investment into the insurance, but we will see some reduction in the debt through this process. What this does for us is that financial services moves from being a strategic investment to more of a treasury stock disposal of same could lead to debt reduction.

Mr. Percy Panthaki: Okay, my second question is basically on your category mix in the mid to long term, let us say 3 to 5 years. Basically, you are the largest retailer and likely to remain so, and as you grow larger, and represent more and more of the consumers' wallet, you have a slight disconnect in that your percentage of sales coming from fashion is disproportionately higher as compared to the consumer's share of wallet of fashion, and conversely on food, you are very low, and this is true across the entire organized retail in India. How do you see the foods business model evolving and when do you see foods contributing to may be somewhere around 40% of your sales because the consumer is spending somewhere around 50% of his retail spends on foods, and secondly, how would this affect your blended margin structure, and thirdly, as I said, in terms of business models on foods, why has organized retail in India not caught up on foods in a big way. Why is organized retail so small in foods. Surely, there are some challenges or some obstacles that is preventing them?

Mr. Kishore Biyani: This is a very good and valid question and deals directly with our strategy. In India, food margins are traditionally low. If you look at the FMCG business, about 55% of in store sales comes from Unilever and the balance from other MNC's and national brands. Commodities is around 25% of our foods business, fresh is around 3% to 4% and there are other categories. Our blended margin in the food business, when we started was around 12% to 12.5% but this year we may have touched much higher margins. It is a journey and unless you are not big, significant or powerful, the margin enhancement generally does not happen.

We have developed two models on food. One is KB's Fair Price which is a very low frills store and is housed in our subsidiary, Future Agrovet. We have opened around 100 stores in that format and are present in 3 cities only. We have also opened another format, Food Bazaar Gourmet, where we have even touched margins in the mid 20's and where in we offer a different proposition. For the first time since the last quarter, we are seeing value added processed food getting consumed more. This gives us an opportunity for margin enhancement in the food business. If the Indian consumption pattern does change and we don't consume value-added products, margins will be tight. We believe we are very well coursed in the journey, and after achieving better margins and are feeling more confident of increasing our food business which we were hesitant earlier due to maintaining our blended margins. Our strategies are being build around expanding KB's Fair

Price but limited to only 3 cities of Mumbai, Bangalore and Delhi. AC Nielsen data mentions our Food Bazaar alone is nearly 30% of the organized market in the top 10 cities. In terms of overall space, we are significant, but if you ask us whether we are capturing the entire opportunity, there is huge potential. We have developed the appetite and as we go forward, food business will increase. We have private brands in place, better bargaining power with suppliers and packaging innovations with FMCG companies with the intention of getting better margins. I think this is possible because of our scale and once all the steps get implemented, we can ramp up our food business.

Mr. Percy Panthaki: Sir, can you tell us what are your EBITDA margins on food and fashion currently, and what you expect them to be 3 or 4 years down the line?

Mr. Kishore Biyani: I can talk about various formats and their margins We have about 25 independent Food Bazaar's and the EBITDA levels would be around 4%. Big Bazaar EBITDA levels are in the range of 7% to 9%. Pantaloons would be around 13% to 16% and Central would be more than 20%..

Mr. Percy Panthaki: Okay sir, just one last followup if I might on this business model. What is it that could prevent other players apart from the scale advantage of becoming big in foods?

Mr. Kishore Biyani: Retail business is all about location, location, and location. If you look at Mumbai, we would have around 12 Big Bazaars and including Food Bazaars around 24 stores. We have nearly 25 KB's Fair Price stores. Anybody coming into this city would have to compete with us and probably not get the location benefits of a first mover. In a sense, location becomes a big driver in terms of competition, and making them work harder than normal.

Mr. Percy Panthaki: Okay sir, thanks very much.

Moderator: Thank you very much sir. Next in line, we have Mr. Bhushan Gajaria from IDFC-SSKI. Please go ahead.

Mr. Bhushan Gajaria: Sir, one of the utilization of funds you mentioned was investment in Future Logistics, and as I understand, operationally now it has started making money, and last time when we….

Mr. Kishore Biyani: We have an investor who has come in and has made an initial contribution on certain pre conditions. Henceforth, all the investments will come out of our partner who is committed to put in around Rs.100 crores.

Mr. Bhushan Gajaria: Okay, and they also had an option to increase their stake.

Mr. Kishore Biyani: Yes, they have put in Rs.50 crores now, and they have option to put in more at a later date.

Mr. Bhushan Gajaria: Okay, okay, and sir, just second thing, while doing the math on the cash, by when do we also receive the Rs.190 odd crores which we are supposed from the promoter companies?

Mr. Kishore Biyani: I expect it to happen by this quarter.

Mr. Bhushan Gajaria: Okay, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Rishi Maheshwari from Enam. Please go ahead.

Mr. Rishi Maheshwari: Hi, thank you. My question was largely on your expansion towards tier-3 towns. Could you give you a sense of how the tier-3 towns are coming up and what would be the ideal difference between on an EBITDA per store in tier-1 and tier-3 town?

Mr. Kishore Biyani: The EBITDA levels on a new store is very difficult to talk about, but in a city like Bhubaneswar where we have stores, we probably post higher EBITDA levels because of cost of retailing is low and the productivity is high. In every city, productivity determines the profitability of the store. It is not only the rent which makes your operations less because if you look at Big Bazaar, rent is only about one third of total cost. In smaller cities, I think the size of the store and the productivity matters a lot. We have found successes in many smaller city stores but not every city performs equally.

Mr. Rishi Maheshwari: Sir, if you could give us an example of the best of performance in tier-3.

Mr. Kishore Biyani: I would say Bhubaneswar, Nagpur etc. but cannot generalize this.

Mr. Rishi Maheshwari: Alright. My questions have been answered. So, thank you so much.

Moderator: Thank you very much sir. Next in line, we have Abhishek from HDFC Securities. Please go ahead.

Mr. Abhishek: Good evening sir. My question pertains to our strategy going forward with respect to the foreign partners and what do we envisage with respect to value retailing business?

Mr. Kishore Biyani:	I believe value retail as a business, has the potential to grow faster in terms of geographic and location spread. The business is all about scale and if you are referring to partnerships or anything strategic, it is a hypothetical question. As a company, we look at various opportunities.
Mr. Abhishek:	Can we do cash and carry sir?
Mr. Kishore Biyani:	We don't intend getting into cash and carry business.
Mr. Abhishek:	Sure. I want to touch upon the debt aspect of the company, how much of debt are we looking to refinance or rather repay in the next forthcoming quarters?
Mr. B. Anand:	I think our leverage is around 1.2 levels. We clearly indicated that as a strategy and from a balance sheet point of view directionally, we want to bring this below 1 levels. We expect, our renewed focus towards balance sheet efficiencies will help in delivering significant liquidity, which in turn will be used towards bringing down the debt levels.
Mr. Abhishek:	Sure, and sir, last question, any progress on our, we were looking at specifically acquiring smaller FMCG company, any color on that?
Mr. Kishore Biyani:	Currently, we are working an FMCG strategy. We are not acquiring any company but may look at a venture. Pantaloon Retail has no intention to get into any FMCG company. Pantaloon is going to be a pure retail play and we are looking at divestments from some activities rather than getting into something new.
Mr. Abhishek:	Sure, that answers my question sir. Thank you.
Moderator:	Thank you very much sir. At this moment, I would like to handover the floor back to Mr. B. Anand for final remarks.
Mr. B. Anand:	Yes, thank you all. I believe we had a quite interesting session. For any follow-on questions Ashish and me are always available, so please feel free to contact us, and thank you again for joining this call.
Moderator:	Thank you very much sir. Ladies and gentlemen, thank you for choosing WebEx's Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.