EXECUTIVE SUMMARY PURSUANT TO THE PROVISIONS OF SEBI (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2015 FOR THE FINANCIAL DUE DILIGENCE OF FUTURE LIFESTYLE FASHIONS LIMITED ("FLFL") IN RESPECT OF A POTENTIAL INVESTMENT IN FLFL – (as of May 04, 2018)

1. FLFL is an integrated fashion company operating a chain of departmental retail format stores and portfolio of own and licensed brands, with 332 stores covering ~5.7mn sqft of area
    - FLFL, incorporated on 30th May 2012 and listed on Indian stock exchanges w.e.f 1st October 2013, was formed through the demerger of the lifestyle fashion businesses of Future Retail Limited (formerly Pantaloon Retail (India) Limited) ('FRL') and Future Ventures India Limited ('FVIL'). During 2013, vide Composite Scheme of Arrangement & Amalgamation between Indus-League Clothing Limited ('ILCL'), Lee Cooper (India) Limited ('LEE COOPER'), FVIL, FRL, FLFL and their respective shareholders and creditors:
        - Fashion business of ILCL was demerged into FVIL
        - LEE COOPER was merged into FVIL
        - Fashion business of FRL and FVIL was demerged into FLFL
    - During FY17, FLFL's Lee Cooper branded business along with the corresponding license rights was carved out and transferred to Future Specialty Retail Limited ('FSRL'), a step-down subsidiary of FLFL by way of slump sale, w.e.f 28th March 2017. Also, identified investments held in investee companies by FLFL have been transferred to its wholly owned special purpose vehicle FLFL Lifestyle Brands Limited ('FLBL') with effect from 29th March 2017. Subsequently, FLBL raised funds from certain investors, which resulted in dilution of FLFL's equity stake in FLBL to ~49%. Accordingly, FLBL ceased to be a subsidiary of FLFL w.e.f 30th March 2017

2. Revenue for FLFL grew by ~18-19% in FY17 vs FY16 and in 9MFY18 vs 9MFY17. Revenue growth was primarily driven by key formats viz. Central and Brand Factory. This was offset by decline in revenues primarily from loss making formats (Planet Sports and I Am In)

3. EBITDA margin declined from 9.9% in FY16 to 9.2% in FY17 but improved to 9.7% in 9MFY18 vs 9.1% in 9MFY17. Decline in gross margin flowed through to EBITDA margin in FY17, while decline in rent (on a higher sales base) on account of closure of loss making formats and operating efficiency, primarily led to increase in EBITDA margin in 9MFY18

4. Total reported debt of the combined FLFL and Lee Cooper business as of 30th September 2017 aggregated to ~INR 692 crore. Reported Debt to Equity ratio improved from 0.74 as of 31st March 2016 to 0.35 as of 31st March 2017, primarily due to repayment of debentures and interest thereon

5. Standard diligence process involved evaluation of Quality of Earnings ('QoE') and debt and debt-like items; as of 30th September 2017 for debt and debt-like items, and for the periods FY17 and 9MFY18 for QoE. The analysis didn't reveal any material deviation from the reported numbers

6. COGS to MRP ratio was provided for the top 7 brands of FLFL. It ranged from ~28%-33% during 9MFY18, along with steady improvement year-on-year across brands

7. Analysis on the mix of End of Season Sales ('EOSS') vs non-EOSS sales for both Central and Brand Factory, along with the % of mark-down offered during each was also performed as a part of the due diligence process. It was found to be in line with the market guidance provided

8. Adjusted net working capital days declined from 138 days as of 31st March 2016 to 109 days as of 31st March 2017, primarily due to an increase in payable days and advanced billing by vendors due to preparation of GST. Adjusted net working capital days further declined to 86 days as of 30th September 17, primarily due to a decline in inventory days. A conscious decision was taken to optimise inventory by improving buying efficiency and real time action to improve space productivity

9. Analysis on inventory, receivables and payables ageing was also performed as a part of the due diligence process, and was found to be in line with the market guidance provided

10. Analysis on inventory shrinkage was also performed as a part of the due diligence process, and was found to be in line with the industry practice. Actual inventory shrinkage was 0.2-0.4% of net sales in FY17 and 9MFY18 vs Management's estimate of ~0.5% of net sales

11. Analysis on the mix of Sale or Return ('SOR') vs. Outright ('OR') for receivables and payables was also performed as a part of the due diligence process. Share of SOR receivables was ~71% of the total receivables as of 30th September 2017, while share of SOR payables was ~48% of the total payables as of 30th September 2017

12. Analysis on vendor concentration was also performed as a part of the due diligence process. It was observed that purchases from the top 10 vendors constituted ~30%-35% of the total purchases made during FY16 to 9MFY18

13. Investor was also provided with a detailed understanding of FLFL's business model. Information was shared on future guidance with respect to target revenue CAGR of 18%-20%, SSG CAGR of ~8% leading to expansion in margins and RoCE, and share of own brands in the sales mix of ~44% over the next 5 years. All information provided was based on current market trends, and in line with recently published equity research reports

EXECUTIVE SUMMARY PURSUANT TO THE PROVISIONS OF SEBI (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2015 FOR THE LEGAL DUE DILIGENCE OF FUTURE LIFESTYLE FASHIONS LIMITED ("FLFL") IN RESPECT OF A POTENTIAL INVESTMENT IN FLFL – (as of May 04, 2018)

1. Indebtedness of FLFL was reviewed, and the following legal documents were analysed: (i) secured long-term loans availed by FLFL; (ii) short-term loans availed by FLFL; and (iii) secured working capital consortium limits availed by FLFL. For the review of financial covenants and details of security, the listed FLFL banks were analysed

   Types of loans covered are secured term loan, secured working capital facility and short term revolving unsecured loan. Financial covenants reviewed were found to be in line with the market guidance provided

2. Franchise agreements for FLFL were also reviewed (Lee Cooper – Apparel Franchise Agreement and Lee Cooper – Footwear Franchise Agreement, both with Iconix). These are related to the license for manufacturing and selling of apparel and footwear products under the 'Lee Cooper' trademark

3. Material contracts for FLFL were also reviewed on a sample basis pertaining to lease agreements, customer contracts and third-party vendor agreements. Along with these, key terms of contract manufacturing agreements were also analysed. Also, FLFL does not enter into any long form contracts with respect to contract manufacturing, and these arrangements are done in the form of purchase orders issued from time to time