International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Unravelling the Downfall of Future Lifestyle Fashion Private Limited

Ashutosh Thelkar

Assistant Professor, Renaissance University

ABSTRACT:
Within the scope of this scholarly investigation lies the exploration of the complex web of factors that are intricately interlinked and have led to a grim symphony of downfall for Future Fashions Pvt Ltd, a once iconic entity, in the throes of an ever-changing fashion industry. gave birth to By carefully dissecting the fusion of endogenous and exogenous elements, this scholarly effort attempts to shed an illuminating light on the underlying schism within the ups and downs of the above enterprise's decline.
Through a systematic dissection of the choreography of fiscal metrics, strategic maneuvers, market fluctuations, and organizational structures, the primary objective here is to trace the key stimuli that lead to corporate distress. The outcomes generated through this intellectual journey are set to provide pearls of wisdom to a group of stakeholders, visionaries, and intellectual pioneers in the fortunes of the industry, giving them a more in-depth understanding of the ups and downs that have shaped the trajectory Will be Apparel enterprises in the midst of the ever-evolving expansion of the market tableau.
The fashion industry is a dynamic and ever-changing landscape where companies must navigate a complex web of trends, consumer preferences, and market dynamics in order to be successful. This research paper makes a comprehensive analysis of the downfall of Future Fashion Pvt Ltd, once a major player in the fashion sector. By analyzing both internal and external factors, the study aims to provide a holistic understanding of the company's decline and draw valuable lessons for industry stakeholders. Through historical research, industry data and expert insight, this paper explores the strategic missteps, organizational shortcomings and external influences that contributed to Future Fashion's downfall. The findings highlight the need for adaptability and innovation in a rapidly changing industry, providing insights that may guide future business strategies.

INTRODUCTION:
In the dynamic and ever-evolving sector of the fashion industry, companies often rise and fall according to their ability to adapt to changing trends, consumer preferences and market forces. In this context, "Unraveling the Fall of Future Fashions Pvt Ltd: A Comprehensive Analysis" highlights the complex narrative of a once dominant player in the fashion landscape that experienced a significant decline. This comprehensive study presents an in-depth exploration of the myriad factors that contributed to the downfall of Future Fashions Pvt Ltd, highlighting both internal and external dynamics.
As we delve into the complex aspects of this case, we'll uncover the key decisions, strategic missteps and outside influences that collectively led to the company's downfall. By undertaking a careful analysis, we aim

to derive valuable lessons and insights that can serve as a roadmap for industry practitioners, entrepreneurs and stakeholders, enabling them to deal with the challenges of an industry characterized by its volatile nature and intense competition. enables.

Through a combination of historical research, industry data and expert viewpoints, this analysis seeks to provide a holistic view of the Fall of Future Fashions Pvt. Ltd. From supply chain disruptions and changes in consumer behavior to organizational shortcomings and marketing miscalculations, each aspect of the company's decline will be analyzed to provide a nuanced understanding of the multidimensional forces at play.

Intriguing and cautionary, this exploration is testament to the volatility of the fashion sector and the imperative for businesses to remain agile, innovative and adaptable in order to not only survive but thrive. "Unraveling the Fall of Future Fashions Pvt Ltd: A Comprehensive Analysis" serves as a valuable resource for those who wish to gain insight from the challenges facing a company, ultimately informing those strategies and decisions. do that could shape the future of businesses in the fashion industry and beyond. The fashion industry, characterized by its dynamic nature and rapid changes, has long been a topic of interest for researchers, practitioners, and analysts. In the context of uncovering the collapse of Future Fashions Pvt Ltd, this literature review provides a comprehensive overview of key concepts and existing research relating to the dynamics, challenges and strategies within the fashion industry.

JOURNEY OF FUTURE GROUP:

How Kishore Biyani started the journey

HR College, Mumbai graduate Kishore Biyani, who comes from a business family, wanted to start something new. He was not interested in his family business. He started a clothing manufacturing company named Manz Wear in 1987 and was selling men's apparel. They also started brands like BARE and John Miller to capture the post-liberalization market. It was in 1997 that Biyani entered the retail business by launching the first Pantaloons outlet in Kolkata.

The brand and stores were doing extremely well in the Indian market. Biyani was able to reap the fruits of the 1991 liberalization and thus captured the market. Then in 2001, he diversified his business and started Big Bazaar, which is considered his biggest success. A chain of Big Bazaar stores was opened across the country. The Big Bazaar was replicating the old busy and chaotic bazaar that Indians were accustomed to. It was catering to this market in a western, supermarket format. These stores were well received by the Indian customers and in the next six years more than 100 new Big Bazaar stores were opened to strengthen the retail market.

Biyani was opening a series of stores such as supermarkets, electronics stores, retail stores selling furniture, apparel brands and multi-brand retail chains. He was also taking over various neighborhood grocery markets. Biyani also brought in more brands and labels like FBB, Central, Home Town etc. In the process, many stores were also spun off due to the high pressure on the company's finances due to the company's vast expansion.

After this, Future Retail had to work during the UPA government. The UPA government was keen to open up the retail market to global players like Walmart, Tesco. Biyani was against it, but eventually global players came in. Biyani diversified into Future Generali Indian Insurance in 2007, which later proved costly. The

company was able to compete globally Economic, Spending and borrowing heavily to maintain market share. However, later Biyani borrowed heavily to remain active in the market.
Eventually, the company's debt rose to Rs 12,778 crore as on September 30, 2019, and all promoters' shares were pledged with lenders. The company faced a crackdown during the COVID-19 pandemic and had to pay interest of Rs 100 crore on its overseas bonds on August 24, 2020, to avoid default. On August 29, 2020, Reliance Retail (a subsidiary of Reliance Industries) announced that it is buying retail and wholesale business and logistics and warehousing business from Future Group for ₹24,713 crore.

FUTURE GROUP DYNAMICS, CHALLENGES AND STRATEGIES FOR SUCCESS:

1. **Consumer Behavior and Preferences:** Understanding consumer behavior is important in the fashion industry, as trends and preferences significantly influence purchasing decisions. The study by Blackwell et al. (2001) and Lee et al. (2013) emphasizes the role of socio-cultural factors, peer influence, and self-expression in shaping consumers' choices. Changes in consumer values, such as an increasing emphasis on sustainability and ethical consumption, have been shown to affect companies' market position and success (Vermeer & Verbeke, 2006).
2. **Supply Chain Management and Resilience:** Supply chains play a vital role in the success of fashion businesses. The literature highlights the importance of agile and responsive supply chains to minimize disruptions (Christopher and Hollweg, 2011). McKinnon (2014) outlines the vulnerability of fashion supply chains to external shocks and emphasizes the need for robust risk management strategies.
3. **Competitive Analysis and Industry Trends:** Competitive analysis is central to understanding a company's position within the industry. Porter's Five Forces framework (Porter, 1979) has been widely used to assess the competitive landscape, while Mintzberg's concept of "strategic inflection points" (Mintzberg, 1988) provides insight into how external How the changes can affect industry dynamics and corporate strategies.
4. **Organizational Adaptation and Innovation:** The ability to adapt and innovate is essential to survival in the fashion industry. Tushman and O'Reilly's (1997) research on bisexual organizations highlights the need to balance exploiting existing strengths with exploring new opportunities. Choi and Lee (2019) emphasize the role of innovation strategies in enhancing firms' competitive advantage and resilience.
5. **Strategic Decision Making and Risk Management:** Strategic decisions affect a company's trajectory and performance. The concept of "strategic drift" (Pettigrew, 1985) cautions against sticking to old strategies, stressing the need for continual evaluation and adjustment. Effective risk management strategies, as discussed by Brooks (2015), are critical in coping with uncertain environments and minimizing the impact of negative events.
6. **Case studies and lessons from industry failures:** Analyzing past failures provides valuable insight into how to avoid similar pitfalls. The case of the decline of iconic fashion brands such as Blockbuster and Kodak underline the importance of adapting to technological change and changing consumer behavior (Kumar & Bown, 2012; Christensen, 1997).
7. **Adaptability and Resilience in Turbulent Markets:** Resilience in the face of instability is a recurring theme in the literature. Doose and Kossonen's (2008) research on "ambivalent" organizations highlights the importance of balancing exploration and exploitation to remain competitive in turbulent markets.

8. **Digital Transformation and E-Commerce:** The digital revolution has changed the way fashion companies operate. A study by Chua et al. (2017) discusses the impact of e-commerce on business models, consumer engagement and competitive strategies, underscoring the need for an all-encompassing approach.

OVERVIEW - FUTURE LIFESTYLE FASHIONS LIMITED

Future Lifestyle Fashions Limited (FLF), a Future Group company, is a leading integrated branded fashion company with presence in both design and distribution wings of fashion. The company's portfolio includes leading domestic and global fashion brands, spread across multiple categories including formal menswear, casual wear, active or sportswear, ethnic wear, denim wear, footwear and accessories for men and women. The company's fashion brands are marketed through company-operated retail chains such as Central and Brand Factory, as well as Exclusive Brand Outlets (EBOs), department stores and multi-brand outlets (MBOs), spread across 332 locations in over 90 cities. scattered throughout the store. across the country and covers more than 5.74 million sq. ft. of retail space. These ranges are backed by strong sourcing network, in-house trend-spotting and design teams as well as robust logistics and warehousing network.

Future Lifestyle Fashions Limited commenced operations pursuant to the overall scheme of arrangement and amalgamation (the Scheme) between the Company and Indus-League Clothing Limited, Lee Cooper (India) Limited, Future Ventures India Limited, Pantaloon Retail (India) Limited and the Company. the respective shareholders and creditors, whereby the fashion business of Future Retail Limited and Future Consumer Enterprise Limited shall be demerged and vested with the Company with effect from the appointed date of 1st January, 2013, as provided in the Scheme. The scheme was approved by the Bombay High Court on 10 May 2013 and the High Court order was filed by the company with the Registrar of Companies, Maharashtra, Mumbai on 29 May 2013, which is the effective date of the scheme. As per the scheme, it was proposed to list the equity shares of the company on BSE Limited and National Stock Exchange of India Limited. The company received listing and trading approval from both the stock exchanges and trading in the equity shares of the company commenced from October 1, 2013. During the year ended 31 March 2014, Non-Convertible Debentures Series-II and III were mobilized, as per the plan. Rs 450 crore was transferred from Future Retail Limited to Future Lifestyle Fashion Limited.

During the year under review, Future Lifestyle Fashions undertook modest store expansion, adding approximately 0.79 million square feet of space. The company launched new products in its brand portfolio; Scullers expanded its fashion line to Scullers Kids and Scullers Sport. Similarly, Jealous 21 extended its range to club wear and accessories. Central also launched a campaign 'Fashion that is New', showcasing apparel, footwear and accessories to add charm to a women's wardrobe. During the year, Indigo Nation and Jealous 21 further strengthened their online presence through their exclusive online e-shops. During the financial year ended 31 March 2014, Future Lifestyle Fashions acquired 11% stake in Eclat Lifestyle Pvt Ltd, a company trading footwear under the brand 'Famoji' in India. The company acquired 27.5% stake in Resource World Exim Private Limited, a company engaged in Indo-fusion women's fashion apparel business under the brand 'Desi Belle' in India. The company acquired 33.3% stake in KFC Shoemaker Private Limited, a company engaged in the business of wholesaling and retailing of footwear under the brand names 'Tresmode' and

'Solovoga'. The company acquired 22.7% stake in Mineral Fashions Private Limited, a company engaged in the business of manufacturing and retailing apparel and fashion accessories under the brand name 'Mineral'.

As part of its strategy to look for disinvestment opportunities for investments that provide reasonable valuation, during the year under review, Future Lifestyle Fashions divested its stake of 25.8% and 22.86% respectively in Biba Apparels Pvt Ltd and Designs India Ltd. Gave. During the year ended March 31, 2015, Future Lifestyle Fashions made modest store expansions during the year and added approximately 0.71 million square feet of retail space. During the year under review, Future Lifestyle Fashions launched new products in its brand portfolio; Indigo Nation launches STREET.IN collection with a range of denims and tees. Jealous 21 expanded the fashion line to club wear, offering monochrome, pastel, bohemian dresses and tops with embellishments. In addition, Future Lifestyle Fashion also undertook various customer engagement and promotional activities.

During the year, Central launched 'Men of Style', a very unique promotion of latest men's fashion wear. The activity promoted the latest trends across men's categories through in-store activations and by engaging with the brand's fans online. Brand Factory launches its ethnic festival with a wide range of women's ethnic wear. The store brought together more than 2.5 lakh different products, with more than 200 options at the top and 20 at the bottom. With an aim to expand the reach of its fashion brands, Future Group in October 2014 entered into a strategic partnership with Amazon.in, leveraging the strong product knowledge, extensive brand portfolio and sourcing base of Future Group and the customer base of e-commerce platform, announced the alliance. and access to the Amazon.in Platform and their respective websites. The partnership will focus on Future Lifestyle Fashion's fashion brands including Lee Cooper, Converse, Indigo Nation, Scullers or Gelus21, among others, that will be sold exclusively online through the Amazon.in platform. The partnership will promote existing and new brands in markets, explore co-branding opportunities and accelerate new product development in categories that are not currently served by retailers.

Future Lifestyle Fashions has issued and allotted 1,55,27,950 Equity Shares to PI Opportunities Fund-I, a venture capital fund, at a price of Rs. 80.50 per equity share (including share premium of Rs. 78.50 per equity share) on a preferential basis on June 13, 2014. The company issued and allotted 1,59,34,065 equity shares to Raika Commercial Ventures Private Limited, a promoter group company. Price of Rs. 91 per equity share (including share premium of Rs. 89 per equity share) on a preferential basis on November 17, 2014. During the year ended 31st March 2015, Future Lifestyle Fashions further raised investment in Eclat Lifestyle Private Limited (ECLAT). Its total holding ranges from 11% to 30% in the paid-up equity capital of ECLAT, a company engaged in the business of footwear under the brand 'Famoji' in India. Future Lifestyle Fashions further invested in Mineral Fashions Private Limited (MFPL) to increase its total stake in the paid-up equity capital of MFPL from 22.7% to 37%, a company engaged in the business of manufacturing and retailing of apparel and fashion. Accessories under the brand name 'Mineral'.

Future Lifestyle Fashions also invested in Indus Tree Crafts Private Limited (ITCPL) to increase its total stake in the paid-up equity capital of ITCPL from 63.34% to 72.16%, a company engaged in the business of designing, manufacturing, exporting. Domestic retailing and distribution of a wide range of environmentally and socially sustainable products under the 'Mother Earth' brand.

During the year under review, Future Lifestyle Fashions acquired 12% equity stake in Unico Retail Private Limited (URPL), a company engaged in the business of handbags, belts and wallets under the brand name

'Peperone' in India. During the year under review, Future Lifestyle Fashions acquired 60% equity stake in Elisir Lifestyle Private Limited (ELISIR), a company engaged in the business of manufacturing, supplying and distributing footwear and accessories under the brand 'Spunk' in India. During the year under review, Future Lifestyle Fashions acquired 80% equity stake in Rachika Trading Private Limited (RTPL), a company engaged in the business of apparel and fashion accessories under the brand 'Giovanni'.

In the year under review, as a part of its strategy to explore opportunities to sell such investments which provide appropriate appreciation and valuation, Future Lifestyle Fashions has divested 35% equity stake in Cellio Future Fashions Pvt. Ltd. (erstwhile Sold 31.5% equity stake. known as Cellio Future Fashion Limited). During the year ended March 31, 2016, Future Lifestyle Fashions underwent modest store expansion, adding approximately 0.66 million square feet of retail space. The company's menswear brand Urbana has launched an innovative range of shirts such as Anti-Spill Shirts, Ecofriendly Shirts, Feather Light Shirts and Cool Max Shirts. In August 2015, the current Miss Universe of Colombia, Paulina Vega, launched the Jelus 21 limited edition Miss Universe collection. The glamorous launch of the Miss Universe collection was showcased through a fashion show where models walked the ramp wearing the latest signature Jealous 21 collection.

The company's flagship brands also launched Autumn Winter and Spring Summer collections to keep their offerings fresh and in line with the latest trends. The company has also appointed Fawad Khan as the brand ambassador for its menswear brand Giovanni. Giovanni is a quintessential suit and jacket brand that offers classic and elegant clothing crafted with refined Italian cuts. During the financial year 2015-16, the website of the company was completely redesigned. During the year under review, Future Lifestyle Fashions issued and allotted 32,96,700 equity shares of Rs 2 each to promoter group company Arlet Infrastructure Private Limited (AIPL) at a price of Rs 91 per equity share (including share premium of Rs). 89 per equity share), on conversion of 32,96,700 Compulsorily Convertible Debentures (CCDs) held by AIPL on 1 April 2015. During the year under review, Future Lifestyle Fashion incorporated a wholly owned subsidiary under the name and style of Future Style. Lab Ltd. (FSLL), with an aim to develop a women centric fast fashion brand at affordable prices. FSLL launches 'Cover Story', India's first fast fashion brand offering latest fashion trends for women. Styled at the Future Style Lab design studio in London, Cover Story is a perfect mix of modern and traditional clothing. The brand was initially launched in select Shop-in-Shop (SIS) stores in Central. Subsequently, Exclusive Brand Outlets (EBOs) were opened in Mumbai and NCR region.

In the year under review, Future Lifestyle Fashions further invested in the rights issue of Rachika Trading Pvt Ltd (RTPL), as a result of which its total stake in the paid-up equity capital of RTPL increased from 80% to 96%. During the year under review, Future Lifestyle Fashions further invested in the rights issue of its Joint Venture Holi Accessories Private Limited (HAPL). HAPL is engaged in the business of retail sale of fashion accessories such as leather handbags, wallets and other accessories under the brand name 'Holy'. During the year under review, Future Lifestyle Fashions further invested in the rights issue of KFC Shoemaker Private Limited (KSPL). KSPL focuses on wholesaling and retailing of footwear under the brands "Tresmode" and "Solovoga".

Future Lifestyle Fashions has further invested in the rights issue of Mineral Fashions Private Limited (MFPL), resulting in increase in its total stake in the paid-up equity capital of MFPL from 37% to 49.62%. During the year under review, the company also subscribed to 3,33,333 Compulsorily Convertible Debentures (CCDs) of MFPL. After the year under review, these CCDs were converted into equity shares of MFPL on April 1,

2016, resulting in an increase in its shareholding in the paid-up equity capital of MFPL from 49.62% to 52.44%. MFPL is engaged in designing and marketing, distribution and retailing of premium casual collection and Indo western wear under the brand name 'Mineral'.
During the year under review, Future Lifestyle Fashions as a part of its strategy to look for opportunity to divest such investments which provides appropriate appreciation and valuation, divested 2,967 equity shares in Biba Apparels Private Limited and entire investment held in Edmon Trading Private Limited.
FY 2016-17 was a year of transformation for Future Lifestyle Fashions in terms of increased revenue, profit and free cash flow. The ever-increasing pace of change in the global retail industry has led the company to adopt new models and processes. During the year under review, Future Enterprises Limited (FEL), one of the promoters of Future Lifestyle Fashions, holding 3,05,70,108 equity shares, constituting 16.09% of the paid-up share capital of the company, divested its entire stake in Future transferred to Corporate Resources Limited (FCRL), the promoters of the company through intraday transfer on December 26, 2016.
Post inter-transfer, the total shareholding of FCRL in the Company along with the shares held through its subsidiaries, stood at 52.30% of the paid-up share capital of the Company and as a result, FCRL became the holding company of Future Lifestyle Fashions. 26 December 2016. Further, the entities of the promoters holding shares in the company entered into various interdepartmental transfer transactions on March 30, 2017 and March 31, 2017 to consolidate their stake in the company under Raika Commercial Ventures Pvt. Ltd. (Raika), one of the promoters' entities which is now controlled through Lifestyle Trust. Post these inter-transfers, the shareholding of Raika in the Company has increased from 10.61% to 54.88% of the paid-up share capital of the Company.
Consequently, FCRL ceased to be the holding company of the Company as on March 30, 2017 and RAICA became the holding company of the Company with effect from March 31, 2017. During the year under review, one of the businesses of the Company, viz. The Lee Cooper business along with the licensing rights was demerged to Future Specialty Retail Limited (FSRL), the company's step-down subsidiary, through the Slump Exchange, with effect from the closure of working hours in March. 28, 2017.
Management believed that the Lee Cooper business could be scaled up substantially if the business was run through a separate dedicated entity allowing the team to focus on the specific business and ensure growth. Pursuant to the mandate granted by the shareholders of Future Lifestyle Fashions vide special resolution passed at their Extraordinary General Meeting held on 24th March, 2017, and to nurture and give appropriate support and guidance to the investee companies for their potential growth As per their specific requirements and needs of each Investee Company, the identified investments held in such Investee Companies have been transferred to its wholly owned Special Purpose Vehicle i.e. FLFL Lifestyle Brands Limited (FLBL) with effect from March 29, 2017.
Subsequently, FLBL raised funds by, inter alia, issuing equity shares to investors, as a result of which the equity shareholding of the Company in FLBL came down to 49.02% of the paid-up equity capital of FLBL. Accordingly, with effect from March 30, 2017, FLBL ceased to be a subsidiary of the Company. During the year under review, consequent to disinvestment of identified investments held by the Company, Future Style Lab Limited, Rachika Trading Private Limited, Mineral Fashions Private Limited, Elisir Lifestyle Private Limited and Indus-League Clothing Limited ceased to be subsidiaries of Future Lifestyle Fashions. Similarly, Holly Accessories Pvt Ltd, Indus Tree Crafts Pvt Ltd, KFC Shoemaker Pvt Ltd, Eclat Lifestyle Pvt Ltd, Turtle

Ltd and Resource World Exim Pvt Ltd ceased to be subsidiaries of the Company. During the year under review, Future Trendz Limited (FTL) was incorporated as a wholly owned subsidiary of the Company on September 15, 2016, to carry on the fashion retail business and related activities. FTL holds 99.96% equity stake in Future Specialty Retail Limited. Presently, Future Lifestyle Fashions holds 100% of the paid-up equity capital of FT. During the year under review, FLFL Business Services Limited (FBSL) was incorporated as a wholly owned subsidiary of Future Lifestyle Fashions on March 27, 2017, to carry on, inter alia, the fashion retail business and services can be provided. Presently, Future Lifestyle Fashions holds 100% of the paid-up equity capital of FBSL.

The company exercised its call option to redeem before maturity 2,000 Secured Redeemable Non-Convertible Debentures Series-III of face value Rs.5,00,000 each for an aggregate value of Rs.100 crores and the principal amount along with interest on March 21 will be fully repaid to the debenture holders. The company also exercised its call option to redeem before maturity 2,000 Secured Redeemable Non-Convertible Debentures Series-I of face value of Rs 10,00,000 each, aggregating to Rs 200 crore. The company repaid the principal amount along with interest in full to the debenture holders on April 7, 2017, after the year under review.

During the financial year ended 31st March 2018, Future Lifestyle Fashions continued to expand its business base by adding new lines. During the financial year 2018-19, Spectacular Investments Pte. Ltd., ('Spectacular', a registered foreign portfolio investor) acquired 9.98% equity stake in the Company through a combination of preferential allotment and secondary purchase of equity shares of the Company. Spectacular is wholly owned by L Catterton Asia 3 Pte. Ltd. (L Catterton Asia). L Catterton Asia is the Asian unit of the world's largest and most global consumer-focused private equity firm. L Catterton Asia's significant investment in future lifestyle fashion leverages L Catterton's global fashion and retail expertise to further strengthen and expand business across the company's retail formats, 'Central' and 'Brand Factory' and own brands will enable During the year under review, Future Specialty Retail Limited (FSRL), a step-down subsidiary of Future Lifestyle Fashions, entered into a long-term license agreement to extend the license to the footwear category under the 'Lee Cooper' brand owned by Iconix Brand. Group, Inc. With effect from 1st April, 2018. Accordingly, FSRL will now have the exclusive license to manufacture and market Lee Cooper apparel as well as footwear across all distribution channels in India and the permitted territory.

Description: The company operates as an integrated fashion company in India. It primarily operates a chain of department retail format stores under the Central name; fashion discount stores under the brand name Factory; and multi-brand sports and lifestyle specialty retail chain under the name Planet Sports.

Products and Services: Men's formal, casual, youth wear, women's western wear, women's ethnic, sportswear, baby wear, accessories, footwear, accessories, and more; and cosmetics, fragrances, eyeglasses, watches, accessories, sportswear, toys, mobiles, electronics, home, and others.

Social class: Retail Service & Distributors, and many more

Registered Details - Future Lifestyle Fashions Limited

CIN-L52100MH2012PLC231654

Authorized capital-INR 5000.0 Lakh

DATE OF INCORPORATION-May 30, 2012

Last Reported AGM Date-31-Dec-2022

paid-Additional Capital-INR 403549748 Lakh

Industry-trading
Type-listed public company

Social class- company Limited by shares
subcategory- non government company

Registered address:
1st Floor, Future Group Office, SOBO Brand Factory, Pandit Madan Mohan Malviya Marg, Tardeo, Mumbai, Mumbai City – 400034, Maharashtra – India

Name of the companies consolidated with FLFL:

Company's Name	Relationship	Main Events	Ownership (%)
Future Trendz Limited	Assistant	Investing in fashion retail and fashion brands	100.00
Future Specialty Retail Limited	Assistant	fashion retail	100.00
FLFL Travel Retail Bhubaneswar Private Limited	joint venture	Develop marketing and manage retail outlets/location at air ports	51.00
FLFL Travel Retail Guwahati Pvt Ltd	joint venture	Develop marketing and manage retail outlets/location at air ports	51.00
FLFL Travel Retail West Private Limited	joint venture	Develop marketing and manage retail outlets/location at air ports	51.00
FLFL Travel Retail Lucknow Private Limited	joint venture	Develop marketing and manage retail outlets/location at air ports	51.00
FLFL Lifestyle Brands Limited	joint venture	Investing in fashion retail and fashion brands	49.02
Clarks Future Footwear Private Limited	joint venture	fashion retail	1.00
Holi Accessories Private Limited	joint venture	fashion retail	1.00

Financial Highlights -By March 31, 2021.

Operating Revenue	more than Rs 500 crore
Ebitda	-100.03 %
Net Worth	-54.24 %
Debt Equity Ratio	2.21

Dividends / Return on Equity	-118.08 %

DIRECTOR - FUTURE LIFESTYLE FASHIONS LIMITED

The company has 1 Director and no Key Management Personnel has been disclosed. Currently the longest serving director on the board is Kishore Laxminarayan Biyani, who was appointed on December 06, 2012. Kishore Laxminarayan Biyani has been on the board for over 10 years.

Kishore Laxminarayan Biyani A total of 40 companies with one seat have the largest number of other directors. Overall, the company is linked to 39 other companies through its directors.

KISHOR LAXMINARAYAN BIYANI
Director

COMPANY NETWORK - FUTURE LIFESTYLE FASHIONS LIMITED

The company's distribution network includes 40 Central Stores, 63 Brand Factory stores along with 229 EBOs. Future Lifestyle Fashions Ltd was incorporated on May 30, 2012 under the name and style as Future Value Fashion Retail Limited. The company has been formed through the demerger of the lifestyle fashion businesses of Future Retail Limited and Future Ventures India Limited. The company obtained Commencement of Business Certificate on June 15, 2012. The name of the Company was then changed to its present name Future Lifestyle Fashions Limited w.e.f. December 4, 2012 and was issued a fresh certificate of Incorporation by the Registrar of Companies, Maharashtra, Mumbai. More than 600 million customer visits are recorded across the 2,000 Future Group retail stores, covering over 24 million square feet of space in over 400 cities and towns. Millions more interact with group's brands and businesses through ecommerce sites, social media and mobile apps like Future Pay and Easy Day Club.

Future Group's food value chain operates with its nation-wide network, reaching the smallest towns and cities with its sourcing and manufacturing units, and integrated distribution systems. Tasty Treat, Golden Harvest, Karmiq, Kara, Sunkist, ThinkSkin, Mother Earth, Kosh, Nilgiris are among the leading brands from the Future Group. In fashion, our manufacturing facilities produce garments designed and sourced by a talented team of trend-spotters, designers and merchandizers. Brands like Lee Cooper, John Miller, Cover Story, Indigo Nation, Scullers, Knighthood, DJ&C, Bare, UMM, and Ancestry are some of our key brands.The flagship retail brand Big Bazaar is ranked among the most valuable Indian brands (Interbrand), and among the most trusted brands (Nielsen). Leading department store network, Central, smart prices retailer, Brand Factory, and popular fashion destination FBB are also a part of the group, along with a growing chain of small neighborhood stores, Easy Day and Heritage Fresh, and convenience stores WH Smith and 7-Eleven.

REASONS BEHIND THE FALL OF FUTURE RETAIL:

Too Much Diversification

The main problem of the Future Group and Kishore Biyani was too much Diversification. The speed of expansion, acquisition of more retail assets left the company burdened with huge debt, which led to a rating downgrade as well.

In 2007, Future Group diversified into the insurance segment and launched Future Generali Indian Insurance with Italian insurer Generali. Future Capital was also launched, which offers financial services, wealth management services, equity broking, and real estate broking. Then, the Future Group also entered the real estate sector.

Biyani had burnt his cash by investing in Bollywood as well. Future Group invested in two movies, 'Na Tum Jaano Hum' in 2002 and 'Chura Liya Hai Tumne' in 2003, and spent nearly Rs. 26 crores both of which commercially flopped.

Future Retail bought many national and regional retail businesses, especially selling grocery, during 2014-2017. The intent behind the acquisition was to connect with customers with a vast network of small stores.

However, what they failed to understand was that it was hard to successfully diversify a retail business.

Never- Ending Restructuring

Due to huge expansion and Diversification, Biyani was forced to restructure the Future Group by de-merging the non-retail assets. Only four formats were kept from 24 - Pantaloons, Central, Big Bazaar and Food Bazaar.

However, even after the de-merge, the debt problems were piling up. The problems escalated in 2012 when the core retail business borrowing surged to Rs. 5,800 crore and the net debt-equity ratio became 1.8x. The Rs.5800 crore debt was nearly 55 % of the company's FY2012 EBITDA.

To reduce the debt burden, Biyani sold off his first retail success Pantaloons to K.M. Birla's Aditya Birla Group for Rs 1600 crore, in 2012.

Kishore Biyani was head-on challenged by a wide-spreading network of Amazon Retail, Amazon Pantry and the capital boost received by Flipkart after Walmart bought a stake in Flipkart.

To cope up with the direct challenge of online platforms, the promoters of Future Group tried e-commerce marketplace through big bazaar Direct but were unable to go far. In the meantime, Reliance Retail, Spencer's, Tata Star Bazaar had grown their retail franchise, which further created problems for the Future Group by reducing its market share.

The Virus Attacks

The COVID-19 pandemic came to India in January 2020. Future Retail was already struggling to stay afloat, and by March 2020 after the lockdown, this struggle became clear to the market, which led to a downfall in the share price from Rs 303.85 on March 2, 2020, to Rs 64.25 on April 8, 2020. The stock price plunged by over 80 per cent in just a matter of a few months.

Future Retail was downgraded even further as more debt started piling up during the pandemic.

Even though the promoter Kishore Biyani and his family held a 33.5 per cent stake in the Future Group, almost all the shares were pledged to the lenders.

When the pandemic started getting under control, the government gradually allowed the selling of essential items. However, due to the pandemic scare, people preferred to buy their essentials from their neighborhood or through online platforms. Future Retail's Big Bazaar outlets were mostly located in malls which opened much later. This caused an additional challenge, and the brand is continuing to struggle even still.

These problems compelled Biyani to hire an investment bank and search for interested investors for stake sell. This search ended with that entrepreneur who had overtaken him to become the new retail king of India, India's richest man Mukesh Ambani.

Amazon vs Reliance

In August 2020, Future Retail and Reliance Retail came to an agreement where Reliance would buy the retail and wholesale business and the logistics and warehousing business from the Future Group for ₹24,713 crores. For a brief moment, the share price escalated to Rs.160 but eventually came down. The reason behind share price plunges was asset selling from institutional investors and the objection of Amazon on Future-Reliance Deal. Amazon opposed this deal based on its investment in Future Coupons in which Amazon bought 49 per cent stake in 2019. The stake in Future Coupons also translated into a 3.5 per cent stake in Future Retail. Amazon claimed that the deal comes with a clause that prevents the Future from selling off its listed entities without Amazon consent with a list of investors which also included Mukesh Ambani.

Amazon approached Singapore International Arbitration Centre to stop the deal, and SIAC passed an interim order to halt the deal in October 2020. After that, Amazon approached the Delhi High Court. On November 19 2020, CCI (Competition Commission of India) approved the deal.

The High Court on its December 21, 2020 ruling said that the deal is as per Indian laws and cannot be intervened. The High Court then directed the statutory authorities to decide on the deal.

On January 20, 2021, SEBI approved the deal saying that the deal is as per the rules.

However, on January 25, 2021, Amazon once again approached the Delhi High Court demanding for the arrest of CEO Kishore Biyani for breaching the agreement between Amazon and Future Coupon.

AMAZON-FUTURE-RELIANCE DEAL:

At around noon on a pleasant day February 2021, a harried executive of a mall in Amritsar called his CEO. Much as he tried to hold his emotions together, the situation got the better of him. Standing in front of him was a team from Reliance Projects & Property Management Services, a part of the Mukesh Ambani-controlled Reliance conglomerate, who, by contrast, was composed but also displayed some level of urgency to wrap up some paperwork. "They were holding the termination letter and also a new agreement letter," narrates the CEO, who was pulled out of a meeting by his team member. The offer was quite irresistible—all the outstanding rental payments due from Future Retail, a Kishore Biyani-promoted company, would be cleared in a couple of days and just a formal sign-off was needed. The mall owner had a new tenant in the form of Reliance.

"We have never seen anything move so quickly. It was a little strange to see a pre-printed letter with our name," he says in a voice that was still incredulous. It marked a momentous transformation when Reliance Projects & Property Management Services swiftly took complete charge of several stores that once housed Big Bazaar, the chain that was considered the destination for India's large middle class. The development took place right under the nose of Seattle-based e-commerce giant Amazon, which is locked in an intense legal battle to acquire Future Retail. The deal now looked set to slip away. The nimble-footed Reliance had executed a smart strategy, leaving many people in the business stunned in disbelief. It went as far as renaming a substantial part of Big Bazaar outlets to Smart Bazaar (see photograph), and took complete charge of the business. As the way ahead looks challenging for Amazon, the story is really about Reliance's audacity in doing what it did.

How Was It Done?

For all the talk now relating to the speed of execution in assuming charge of Future Retail's 835 stores across formats (Big Bazaar, FBB, Easyday and Heritage), the fact is Reliance made its move at least 24 months ago. How Amazon was not aware of this and chose to react as late as March 15 is inexplicable. It was August 2020 when Reliance Retail agreed to buy out the wholesale, retail and logistics businesses of Future Group in a `24,713-crore deal. It was a shot in the arm for the seller, which was swimming in a pool of high debt. The rub was that Amazon, exactly a year ago, had picked up a 49 per cent stake in Future Coupons, giving it an indirect 4.81 per cent holding in Future Retail Limited (FRL), Biyani's crown jewel—this transaction is said to have given them any right of first refusal over acquiring Future Retail. Amazon, quite expectedly, cried foul at the Reliance-Future deal and from that point, everything went legal (see The Story So Far) and has remained so.

A retail industry official, is clear that Reliance had decided to move right after the Singapore International Arbitration Centre (SIAC) halted its deal with Future in October 2020. "It was a strategy that was well planned out," he insists. Unknown to most people, the seeds were sown as early as November 2020, a month after the SIAC ruling, when Reliance took charge of the warehouses Future owned. "It is shocking that Amazon did not see this coming. Anyone familiar with the industry was clued into this," says the official, adding that the mistake Amazon made was that it spent all its time and might taking on FRL. "The real opponent was Reliance and they had no idea whatsoever. It was just left wide open to make a smart move."

Reliance did exactly that, and the stores it chose to pick up accounted for a handy 55-60 per cent of FRL's revenue. Many of the Big Bazaar outlets now bear the Smart Bazaar name with the Reliance logo—the name chosen is in line with Reliance Smart (grocery retail chain) and Smart Point (neighborhood small format store). Meanwhile, in a communique to the stock exchanges on March 9, FRL confirmed the receipt of termination notices from Reliance. However, there was no news from Amazon till March 15, when it released advertisements in publications saying "these actions have been done in a clandestine manner by playing a fraud on the constitutional courts in India, the Arbitral Tribunal and Indian statutory authorities/agencies". A petition filed in the Supreme Court by Amazon said the "transaction" was a stratagem wrongfully adopted by FRL "with the connivance and collusion of the MDA (Mukesh Dhirubhai Ambani) Group to transfer the retail assets".

Leaving Nothing to Chance

It is an open secret that Future Retail's inability to settle outstanding payments with companies led to no fresh stock coming. As a result, there is very little inventory to boast of. The marketing head of a well-known FMCG major says that the money owed by Future Retail will be in excess of Rs 1,500 crore. "It has steadily got worse and thanks to Reliance coming in a year ago, at least we managed to get some business. It would have been zero had the original promoters continued to be in charge," he says. The buzz on the street is that Big Bazaar, by last June, had just a quarter of its usual inventory level. To add insult to injury, Reliance has been issuing offer letters to FRL's staff. With the store, its furniture and fittings, staff and inventory in their possession, Reliance appears to have managed to get whatever is relevant without getting close to the legal line.

Senior officials in the Future Group, who wanted to remain anonymous, maintain that any allegation of collusion between them and Reliance is inaccurate. One top executive goes to the extent of saying Future Retail was continuously losing money but the option of ceasing operations never arose. "If we had done that, the entire value of the business would be down to zero. Banks would naturally have pushed for liquidation," he explains. Admitting that the financial situation was "in dire straits", he says if Reliance had not stepped in and given working capital credit, the company would not have existed by mid-2020. "In the process, our dues to Reliance kept increasing. We were hoping to sell our small-format stores and settle the dues with the banks through a one-time restructuring (`3,500 crore against a total debt of Rs 17,000 crore). But the Amazon deal came in between and we defaulted last December." As banks panicked, Future Retail became a non-performing asset and the official insists that Reliance "got jittery". Creditors are way down the pecking order after bankers and Reliance, he says, "decided to give the termination notice fearing their money would never come". Over Rs 4,000 crore was given to FRL by Reliance to fund the working capital requirement.

The Last Option Left

As things stand, many questions remain unanswered, such as, what does Amazon now do? According to Sudip Mahapatra, Partner at law firm S&R Associates, there is an option for Amazon to seek a reversal of the takeover of the leases. "However, given that Reliance is not a party in the litigation between Future Retail and Amazon, it is unclear whether a court will grant such relief. In this context, it is important to remember that Future has maintained that it has not transferred the leases. Rather, the leases have been taken over due to missed payments." On the issue of Amazon seeking damages from Future, he thinks, it will be a challenge, "given Future's denial of its involvement in the transfer of the leases".

Then, there is the no small matter of the Rs 17,000 crore that needs to go back to the lending banks, a consortium led by Bank of India. Mahapatra thinks lenders could either enforce their security interests over the assets of Future Retail or initiate IBC (Insolvency and Bankruptcy Code) proceedings. "They could also wait for the outcome of the legal proceedings between Amazon and Future. Assuming the Future-Reliance deal eventually goes through, they could look to recover their dues from the merged business," he says.

Insolvency Resolution Professional Vivek Parti speaks of the issue being "a legal quagmire". The hope, at least from the lenders' point of view, is that the issue goes back to the IBC. "The question is how it might be untangled, especially from the perspective of the lenders, where the greatest exposure is from the public sector financial institutions and banks in addition to Future Group's own public shareholders," he explains. To Parti, the worry is Future's shareholders being the last in the priority of payments under IBC. "It is likely that the case will be admitted on account of default. Reliance has reiterated its commitment to the scheme of asset buyout and Future's promoters are also in favor of it. However, lenders may prefer the scheme to be approved under IBC and some write-offs could happen."

The fine print in this takeover of stores by Reliance has a few layers to it. Reliance became the main tenant under the store leases at some point and then sub-leased the stores to Future. Once Future missed rental payments, it was entitled to terminate the sub-leases. The takeover of stores in February, explains Avanti T. Chandele, Partner at law firm Mind Legal, was in the midst of a legal battle between Amazon and Future Group, which only complicated the relationship between the two. "From Reliance's point of view, this seems like a way to manoeuvre around the legal hassles surrounding the takeover of assets of the Future Group, even as the scheme of arrangement is pending approval in the NCLT. For Amazon, it only gears up for another stay on the said deal," she says. According to her, the lease for the stores in question are now held by Reliance and the matter of who the owners lease their property to is the prerogative of the owners, "with Amazon having no say or right to object".

As the battle rages from one court to another, within India and overseas, the real hit will be on the business. Biyani, once the man who ruled the retail landscape in India and created some of its most well-known shopping destinations, stares down at a business that he will never own again. Not only has it gone through a value erosion of unimaginable proportions, but is likely to leave behind a set of bruised investors and lenders. It is a fall from grace for a man who, at one point, was called the Sam Walton of India. By any yardstick, this remains one of the country's messiest takeover deals and the sad part is we are still not done with it. As the clock continues to tick, it is amply clear that very little of consequence will remain of Future Retail. And that is a worrying thought. The battle between the Future group and Amazon is still on over the sale of the business to Reliance Retail. But, the process of Reliance taking over Future group may have already begun. As per reports, Reliance Industries is in the process of transferring over 200 Future retail stores against unpaid dues to Reliance Retail. These 200 stores will be rebranded as Reliance Retail stores. But how was this deal possible when it is sub-judice?

There is an interesting background to this story. Back in 2020, most landlords who had leased space to Future group for their stores, started to terminate these lease agreements. Meanwhile, several landlords had simultaneously approached Reliance Retail to assign the lease agreements so that things co go on smoothly. That is how 200 of the 1,700 stores of Future group fell into the lap of Reliance Retail over defaults by Future group. In the last few weeks, Future group had received termination notices from several stores and in all these cases Future group will not have access to the premises due to the huge outstanding dues. Currently, in order to reduce losses, Future group is aggressively scaling down operations and reducing cash burn. Future group is trying to reduce its store count and focus more on online sales, but that would be a different subject for discussion. For now, Reliance has already started the process of rebranding the 200 stores with their Reliance Retail brand name. In addition, the Reliance group is also issuing employment letters to more than 30,000 employees of Future Retail and Future Lifestyle and these letters are being issued by their manpower and staffing arm, Reliance SMSL. These offer letters have started going out to these employees during the previous week itself.

Interestingly, even as the legal case with Amazon was progressing, most of the suppliers and distributors admitted that they had been invoicing Reliance Retail for the stocks supplied to Future group, since the Future group did not have any funds to pay the distributors. In short, the entire operation of the Future group was already being handled by Reliance. Already, over the last 1 year, most Future group stores were being stocked by Reliance.

The Amazon case has only compounded the problems for the future group. With the Future group again defaulting on its loan commitments, banks have already classified the outstanding dues of Future group as NPAs. The objections raised by Amazon had derailed the Rs.25,000 crore absorption deal between Reliance Retail and Future group, but now it looks like the ownership will automatically pass on to Reliance via the store route. Most bankers continued to believe that the Reliance deal is the most workable option for Future Retail. One of the reasons the store ownership is passing on to Reliance is that the Future group has been finding it difficult to finance the working capital needs on a regular basis. Increasing losses at store level is a major and serious concern as it creates a vicious cycle were losses scale with operations. It made losses of Rs.4,445 crore in last 4 quarters. This is a new twist because the Delhi High Court is hearing 4 cases in the legal battle between Future Group and Amazon while the NCLAT is hearing Amazon's case challenging the

CCI order. It may be recollected that on grounds of propriety, the CCI had annulled the approval order given in 2019 for the deal between Amazon and Future Coupons. The hearing is currently underway and it looks like a long hard battle for the Future group.

CONCLUSION:

In the ever-evolving landscape of the fashion industry, the downfall of Future Lifestyle Fashion Private Limited stands as a compelling case study, shedding light on critical factors that shape the fate of fashion enterprises. This research has delved deep into the intricate web of influences that orchestrated the demise of this once-prominent player, aiming to provide valuable insights for industry stakeholders and future strategic planning. Our analysis has revealed a delicate interplay of internal and external elements that contributed to Future Lifestyle Fashion Private Limited's decline. Internally, strategic missteps and organizational inefficiencies were evident, highlighting the importance of sound management practices and a forward-thinking approach. The inability to align with shifting consumer preferences and market trends underscored the necessity of adaptability and innovation in this fast-paced industry. Externally, the company faced challenges from economic fluctuations, evolving consumer behaviors, and disruptive technologies. These external forces showcased the need for fashion enterprises to anticipate and respond effectively to industry dynamics beyond their control. It is evident that success in the fashion sector demands not only vision but also a proactive stance in navigating external disruptions.

In conclusion, the downfall of Future Lifestyle Fashion Private Limited serves as a poignant reminder of the multifaceted challenges faced by fashion companies. It underscores the importance of strategic acumen, operational excellence, and an adaptive mindset. Furthermore, it highlights the significance of vigilance and readiness to weather external storms in a sector known for its unpredictability. As we conclude this research, let us remember that within the story of decline lies the potential for resurgence. In embracing these insights, we embark on a journey to shape a fashion landscape that thrives amidst the ever-shifting currents of consumer preferences, market dynamics, and technological advancements.

In the realm of the fashion industry, the fall of Future Lifestyle Fashion Private Limited offers valuable insights for industry stakeholders. This research has dissected the internal and external factors behind this decline, shedding light on critical lessons for the industry. Internally, strategic missteps and organizational inefficiencies played a pivotal role. This emphasizes the need for effective management practices and adaptability to shifting market trends. Externally, economic fluctuations, changing consumer behaviors, and technological disruptions posed significant challenges. Fashion companies must be proactive in navigating these external forces to thrive.

In summary, the downfall of Future Lifestyle Fashion Private Limited teaches us the importance of strategic acumen, adaptability, and being attuned to external disruptions. By learning from this case, the fashion industry can pave the way for a more resilient and successful future.