Arvind Limited

Investor Review Note

25 Jan 2017 | Ahmedabad

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Agenda

- Q3 FY 2017 performance
- Business Analysis
- Outlook

Executive Summary of Q3 FY2017 – good performance in light of the effect of demonetization

INR crores

	Q3 FY2017	Remarks
Overall revenues	2335 (+15%)	
Textiles	1404 (+8%)	Garments volume up by 31%
Branded Apparel	765 (+24%)	Led by 32% growth in Unlimited
EBITDA	236 (10% vs 12.6%)	Mix change; Investments in Internet
Textiles	17.4% (vs 16.8%)	Garments and Knits offset partially by Denim
Branded Apparel	4.4% (vs 7.1%)	De-growth in MBOs, lesser growth in Power Brands and Specialty Retail, higher discounting in light of demonetisation
PAT	78 (-15%)	
Net Debt (31st Dec)	2720	Reduced by about Rs. 1000 crores as planned
Exceptional Items	-2.7 (vs -1.3)	

Performance highlights for Q3 FY2017

	Textiles	Branded Apparel
Revenue growth	8% topline growth driven by volumes growth • Wovens: 33.8 MM (+5.5%) • Denim (-5%) given decline in Trade channel in Nov/Dec • Garments: 6.4 M (+31%)	Revenue growth of 24% driven by L2L growth, distribution expansion • Power Brands grew 14% (3.6% LTL) • Unlimited grew by 32% (27% LTL)* ** LTL for Unlimited branded stores grew @ 47%*
Profitability	EBITDA margins improved by 0.6% • Robust margins maintained in Wovens and Denim • Garments margins up from 5% to 7.5% from op. leverage • Significant improvement in Knits margins from op. leverage	EBITDA margins fell by 2.7% points • Higher margin MBO revenues declined by 25% yoy • Specialty Retail margins impacted from introduction of CVD and 33% lower revenue vis-à-vis plan due to demonetization • Increased promotions/ discounts to offset impact of demonetization

Q3 FY2017 result highlights: robust revenue growth, reduced margins

All Figures in INR Crs	Q3 FY17	Q3 FY16	Change
Revenue from Operations	2,335	2,034	15%
Raw Materials	1,097	867	
Project Expenses	2	3	
Employees' Emoluments	288	218	
Others	774	671	
Stock (Increase) / Decrease	-63	17	
Forex (Gain) / Loss	1	1	
EBIDTA	236	257	-8%
Margin	10.1%	12.6%	
Other Income	11	19	
Interest & Finance Cost	68	82	
Cash Accruals	179	193	-7%
Depreciation	73	62	
Profit Before Taxes	106	132	-20%
Tax	28	39	
Minority Interest	2	-1	
Share of Profit / Loss in JV	-2	0	
Profit After Tax	78	92	-15%
Less : Exceptional Item	3	1	
Net Profit	76	90	-16%
Other Comprehensive Income (net of tax)	-1	8	
Total Comprehensive Income after Tax	75	99	

Key highlights

Revenue growth of 15%

- 8% growth in Textiles
- 24% growth in Branded Apparels

EBIDTA margin reduced

- Lower margins in Branded Apparel, which also grew as a portion of revenue
- Investments made in other businesses (incl. Arvind Internet)

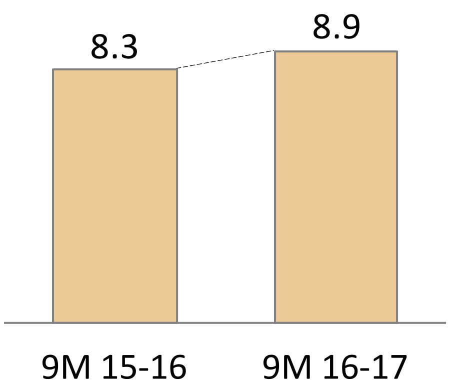
Other Comprehensive Income largely includes gain/losses on financial assets

Consolidated 9 month financials indicate strong top-line performance…

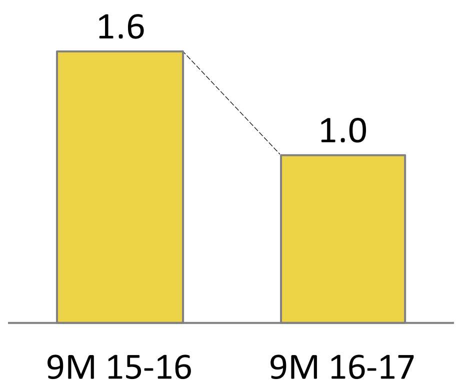
All Figures in INR Crs	9M FY 17	9M FY 16	Change
Revenue from Operations	6771	5778	17%
Raw Materials	3331	2592	
Project Expenses	9	8	
Employees' Emoluments	837	660	
Others	2219	1942	
Stock (Increase) / Decrease	-330	-119	
Forex (Gain) / Loss	-8	2	
EBIDTA	713	694	3%
Margin	10.5%	12.0%	
Other Income	50	63	
Interest & Finance Cost	230	269	
Cash Accruals	532	489	9%
Depreciation	214	178	
Profit Before Taxes	318	311	2%
Tax	87	98	
Minority Interest	-2	-2	
Share of Profit / Loss in JV	1	4	
Profit After Tax	230	215	7%
Less : Exceptional Item	9	-1	
Net Profit	221	216	2%
Other Comprehensive Income (net of tax)	46	40	
Total Comprehensive Income after Tax	267	256	

…as reflected in key indicators for the 3 quarters

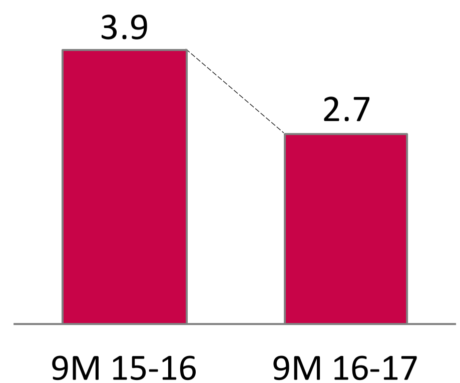
EPS



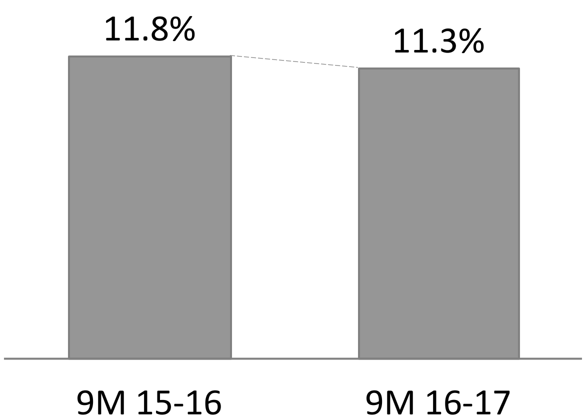
Debt / Equity



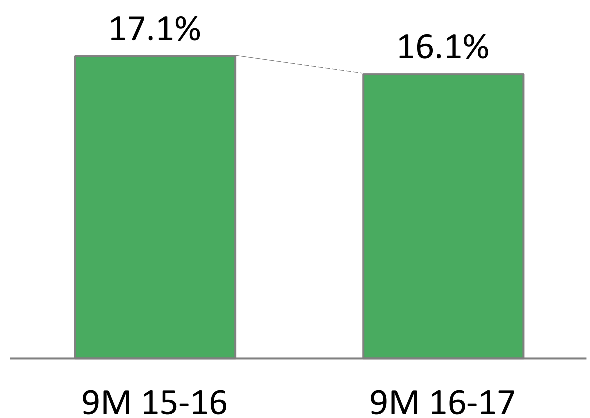
Debt / EBIDTA



ROCE



ROE



Key differences between IGAAP & IndAS for Arvind

1. Revenue, Expenses, EBIDTA and PBT of Joint Venture Companies where Arvind does not have controlling interest will now not get added to those of other businesses/companies. Only PAT will be added in consolidated PAT of the Company
   - Arvind Tommy Hilfiger, Calvin Klein Arvind (CK), Arya Omnitalk (one to many radio and GPS business) and Smart Value (JV with Tata for township development) are the four businesses where Arvind does not have controlling interest.
   - In view of this, revenue and EBIDTA figures of Arvind Tommy Hilfiger which were hitherto were being shown as part of Power Brands will no longer be included. Power Brands figures given in this document and future similar documents will contain figures of USPA, FM & Arrow.

2. Sales made to dealers where the dealer has a right to return unsold inventory have been reversed to the extent of anticipated return. Similarly, margin on such sales has been reduced from the EBIDTA. Revenue now will be based on goods actually sold to the customers.

3. To account for revenue at fair value of consideration received / receivable, provision for anticipated discount to dealers is being made.

Indian GAAP and Ind-AS differences:
Reclassification & Re-measurement (Q3 Impact)

Particulars *(Amount in Rs. Cr.)*	Arvind Ltd.			Arvind Lifestyle & Brands Ltd.			Consolidated			
	Revenue	EBIDTA	PAT	Revenue	EBIDTA	PAT	Revenue	EBIDTA	PBT	PAT
As per IGAAP	1,344	207	87	658	59	15	2,157	281	143	103
As per IND AS	1,331	202	89	604	43	(1)	2,034	257	130	90
Difference	**(13)**	**(6)**	**2**	**(54)**	**(16)**	**(16)**	**(124)**	**(24)**	**(13)**	**(13)**
Re-classification Entries	**(13)**	**(5)**	**-**	**-**	**1**	**-**	**(10)**	**(4)**	**-**	**-**
Sales incentive and loyalty points earlier reported as selling expenses, now reduced from sales	(10)	-	-	-	-	-	(10)	-	-	-
Cash discount earlier reported as interest expenses, now reduced from sales	(5)	(5)	-	-	-	-	(5)	(5)	-	-
Revenue grossed up for Excise duty	2	-	-	-	-	-	5	-	-	-
Early payment discount now reduced from raw material cost instead of adding to other income	-	0	-	-	1	-	-	1	-	-
Re-measurement Entries	**-**	**(1)**	**2**	**(54)**	**(17)**	**(16)**	**(114)**	**(20)**	**(13)**	**(13)**
Sales de-recognized where dealer has a right to return inventory	-	-	-	(54)	(17)	(17)	(54)	(17)	(17)	(17)
*Share of JV's where Arvind does not have a controlling stake, now recognized on Equity Method	-	-	-	-	-	-	(60)	(2)	0	-
Pre-paid advertisement expenses charged off on incurrence	-	-	-	-	0	0	-	0	0	0
Decrease in depreciation due to fair valuation of certain assets	-	-	0	-	-	1	-	-	4	4
DTA on reduced PBT due to above changes	-	-	(1)	-	-	(0)	-	-	-	0
Others	-	(1)	2	-	(0)	(0)	-	(1)	0	0

*Includes CKAFPL & THAFPL: Revenue: INR 42 Cr., EBIDTA: INR 1 Cr. and PBT: INR (1) Cr.

Indian GAAP and Ind-AS differences:

Reclassification & Re-measurement (9 Months' Impact)

Particulars *(Amount in Rs. Cr.)*	Arvind Ltd.			Arvind Lifestyle & Brands Ltd.			Consolidated			
	Revenue	EBIDTA	PAT	Revenue	EBIDTA	PAT	Revenue	EBIDTA	PBT	PAT
As per IGAAP	3,991	618	246	1,751	124	8	6,131	768	360	252
As per IND AS	3,962	601	244	1,604	79	(33)	5,778	694	313	216
Difference	**(29)**	**(17)**	**(2)**	**(147)**	**(45)**	**(41)**	**(353)**	**(74)**	**(47)**	**(36)**
Re-classification Entries	**(29)**	**(15)**	**-**	**-**	**2**	**-**	**(17)**	**(13)**	**-**	**-**
Sales incentive and loyalty points earlier reported as selling expenses, now reduced from sales	(18)	-	-	-	-	-	(18)	-	-	-
Cash discount earlier reported as interest expenses, now reduced from sales	(16)	(16)	-	-	-	-	(16)	(16)	-	-
Revenue grossed up for Excise duty	5	-	-	-	-	-	16	-	-	-
Early payment discount now reduced from raw material cost instead of adding to other income	-	1	-	-	2	-	-	3	-	-
Re-measurement Entries	**-**	**(2)**	**(2)**	**(147)**	**(47)**	**(41)**	**(336)**	**(61)**	**(47)**	**(36)**
Sales de-recognized where dealer has a right to return inventory	-	-	-	(147)	(40)	(40)	(147)	(40)	(40)	(40)
*Share of JV's where Arvind does not have a controlling stake, now recognized on Equity Method	-	-	-	-	-	-	(189)	(13)	(6)	-
Pre-paid advertisement expenses charged off on incurrence	-	-	-	-	(7)	(7)	-	(7)	(7)	(7)
Decrease in depreciation due to fair valuation of certain assets	-	-	1	-	-	2	-	-	10	10
DTA on reduced PBT due to above changes	-	-	0	-	-	4	-	-		5
Others	-	(2)	(3)	-	(0)	(0)		(1)	(4)	(4)

*Includes CKAFPL & THAFPL: Revenue: INR 140 Cr., EBIDTA: INR 9 Cr. and PBT: INR 3 Cr.

Consolidated Balance Sheet, as at 31st December 2016

Rs Cr	As at 31st Dec 16	As at 30th Sept 16
Shareholders' Fund		
Share Capital	258	258
Reserves & Surplus	2599	2565
long Term Borrowings	779	1193
Short Term Borrowings	1851	2067
Long Term Liability Maturing in one year	155	259
Borrowings	2784	3519
Other Liabilities	2188	1981
Minority Interest	793	62
Total	**8622**	**8385**
Assets		
Fixed Assets	3675	3663
Non Current Investments	239	254
Long term Loans & Advances	2	2
Other Non Current Assets	558	542
Current Assets	4148	3924
Total	**8622**	**8385**

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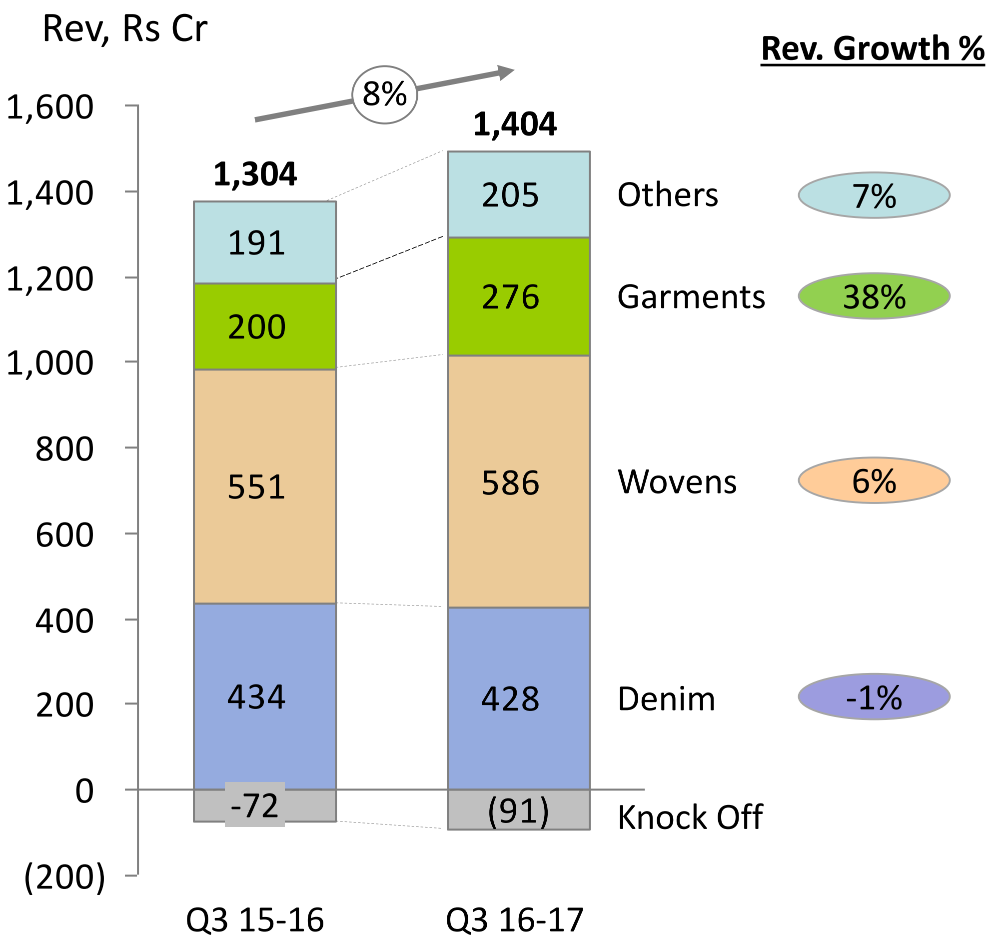
Textiles business: 6% growth in Wovens, 38% growth in Garments



Textile revenue grew by 8%

- Led by 38% growth in Garments
- 6% growth in Wovens
- -1% growth in Denim

Arvind

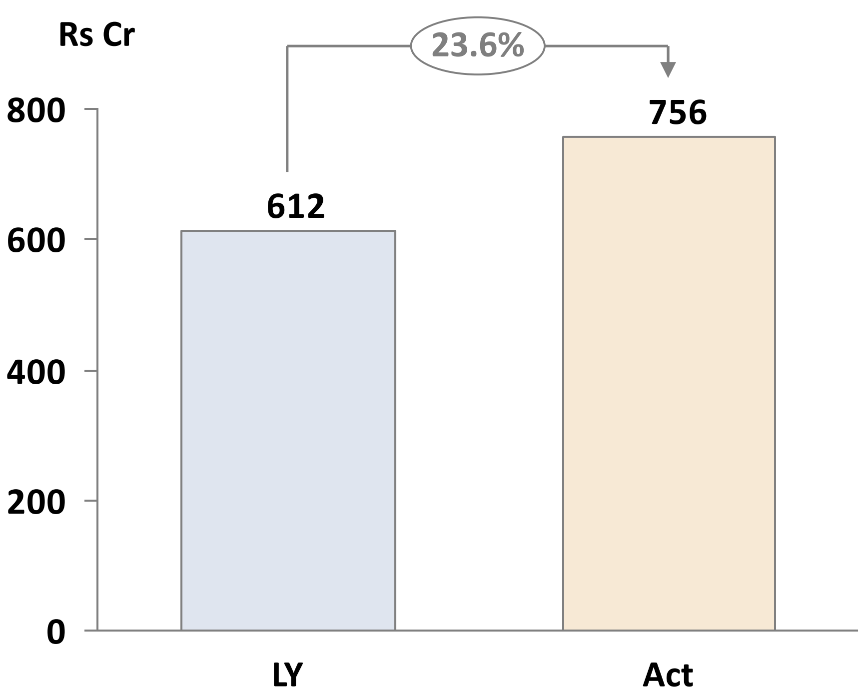
Key Parameters: Q316’17 - Textiles

	Denim		Woven	
	Q3 16-17	Q3 15-16	Q3 16-17	Q3 15-16
Exports(Mn Mtrs)	10	8	8	9
Domestic (Mn Mtrs)	12	15	25	23
Avg Prices	192	187	169	167
Major Components	Cotton			
Cost in Rs / Kg	120	102		

- Denim improved its business mix towards exports, while Wovens tilted towards more domestic business
- Both businesses saw improvement in average price realization – which got partially offset by the higher input costs of cotton

Branded Apparel Business
Strong revenue growth though lower on profitability

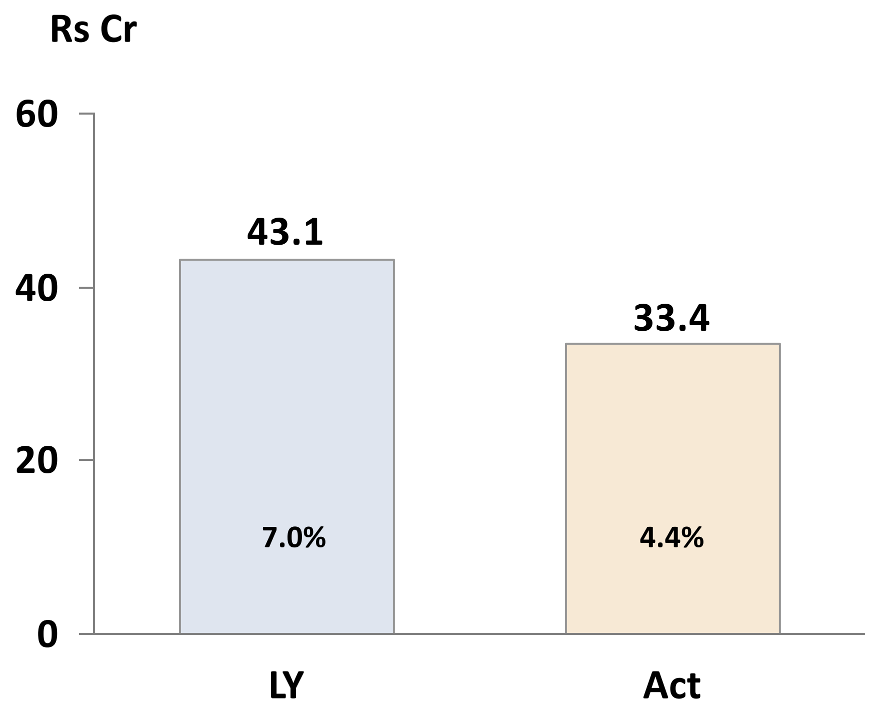
Revenues



- Revenue growth of 24% driven by L2L growth, distribution expansion
- Power Brands grew 14% (3.6% LTL)
- Unlimited grew by 32% (27% LTL)*

** LTL for Unlimited branded stores grew @ 47%*

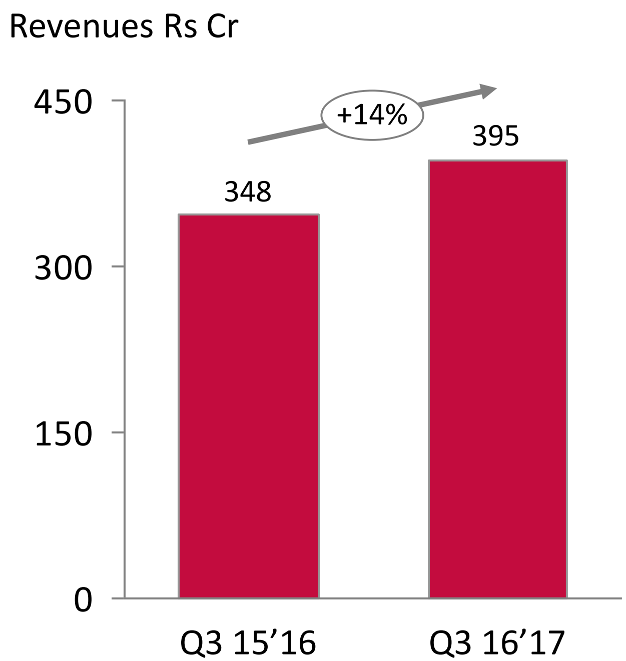
EBITDA

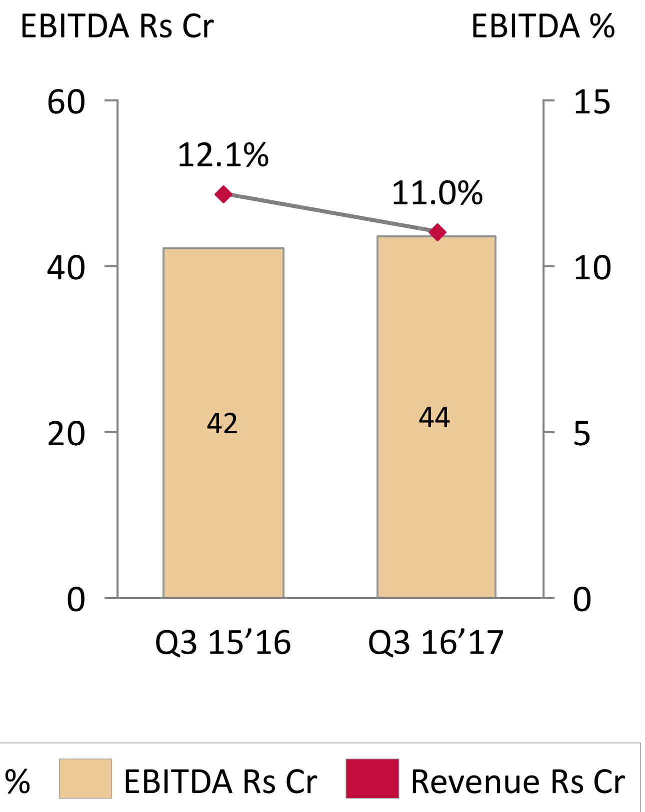


- Higher margin MBO revenues declined by 25% yoy
- Specialty Retail margins impacted from introduction of CVD and 33% lower revenue vis-à-vis plan due to demonetization
- Increased promotions/ discounts to offset impact of demonetization

ARVIND

Power Brands delivered strong Revenue growth and EBITDA margins





Branded Apparels business – Distribution

Particulars	Q1 2016-17		Q2 2016-17		Q3 2016-17	
	Stores	Sq Ft	Stores	Sq Ft	Stores	Sq Ft
Unlimited	91	686,641	93	719,482	92	734,020
Others	905	906,071	954	941,430	925	905,093
Total	**996**	**1,592,712**	**1,047**	**1,660,912**	**1,017**	**1,639,113**

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Outlook for full year FY2017

- Upswing in December and initial trends for first 3 weeks in January FY2017 suggest that the markets are leaving behind the impact of demonetization, and resuming the normal growth rates

- Revenue Growth likely to be ~15%
  - Revenue growth in Textiles ~8%
  - Revenue growth in Branded Apparel at ~25%

- Overall company margins likely to be lower due to larger proportion of Branded Apparel revenues, and investments in Internet business
  - Likely improvement in Q4 margins in Branded Apparel segment to help maintain full year margins (YTD FY17 @ 4.2% vs 4.9% for corresponding period last year)

Thank You!