SNAPSHOT

Quarterly

- Revenues at Rs.358 Crores as against Rs.439 Crores in corresponding quarter previous financial year, a drop of 18%

- Operating profit Rs.91 Crores as against Rs.12 Crores in corresponding quarter previous financial year , a drop of 16%

- Cash accrual at Rs.85 Crores as against Rs.68 Crores in corresponding quarter previous financial year , a growth of 25%

- Profit after tax at Rs.59 Crores as against Rs.85 Crores in corresponding quarter previous financial year , a drop of 30%

- Denim volumes in current quarter was 21.33 Million meters at an average realization of Rs.94 compared to 25.67 million meters at an average realization of Rs.106 during the corresponding quarter previous year and as against 22.85 Million meters at an average realization of Rs.97 in the immediately preceding quarter

SNAPSHOT

Yearly

- Revenues at Rs.1592 Crores as against Rs.1655 Crores in the previous financial year. A dropped by 4% due to lower realization in denim and Shirtings.

- Operating profit Rs.408 Crores as against Rs.381 Crores in the previous financial year, growing by 7%. primarily due to lower cotton and energy cost.

- Cash accrual at Rs.291 Crores as against Rs.278 Crores in the previous financial year , a growth of 5%

- **Profit before tax at Rs.136 Crores as against Rs.129 Crores in the previous financial year , a growth of 6%**

- Profit after tax at Rs.127 Crores as remained unchanged from the previous financial year

- Denim volumes in current financial year was 96.22 Million meters with an average realization of Rs.99 per metre compared to 96.24 Million meters at an average realization of Rs. 104 per metre during previous financial year

FINANCIAL STATEMENT

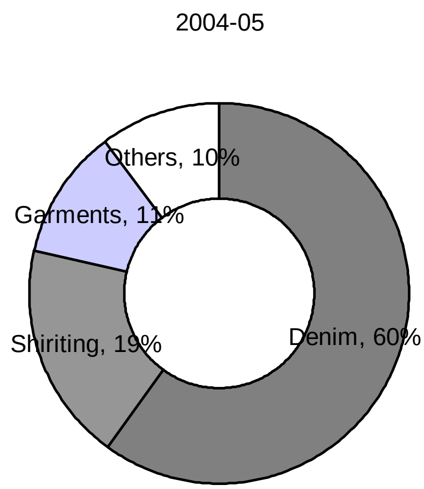
Particulars	Q I 2005-06	Q II 2005-06	Q III 2005-06	Q IV 2004-05	Q IV 2005-06	Year 2004-05	Year 2005-06	Year on Year	Qtr on Qtr
Sales & Operating Income	**417**	**427**	**390**	**439**	**358**	**1,655**	**1,592**	**-4%**	**-18%**
Raw Materials	155	150	126	164	122	620	505	-19%	-26%
Direct Materials	46	46	38	41	42	145	171	18%	1%
Power, water, fuel	37	37	32	34	37	179	144	-20%	9%
Salaries & wages	34	37	31	34	34	123	136	10%	2%
Decrease / (Increase) in stock	-7	15	26	-14	-24	-13	10		73%
Other overheads	40	37	36	70	55	219	220	0%	-21%
Total cost of sales	**305**	**322**	**289**	**329**	**266**	**1,274**	**1,184**	**-7%**	**-19%**
Operating Profit/(Loss)	**112**	**106**	**101**	**109**	**91**	**381**	**408**	**7%**	**-16%**
Other Income	7	5	2	2	6	5	22	349%	184%
Foreign Exchange (Gain)/Loss	-4	-2	10	-5	5	-8	9	213%	210%
Net Interest & Finance Cost	34	33	30	31	33	116	130	12%	7%
Cash Accrual	**88**	**80**	**64**	**85**	**59**	**278**	**291**	**5%**	**-30%**
Depreciation	39	39	39	38	39	149	155	4%	3%
Profit before tax	**50**	**41**	**26**	**47**	**20**	**129**	**136**	**6%**	**-58%**
Deferred tax		0		-2	8	0	8		
Minimum Alternative Tax(MAT)	5	4	2	-4	-9	2	1	-51%	113%
Profit after Tax	**45**	**37**	**23**	**53**	**21**	**127**	**127**	**0%**	**-60%**

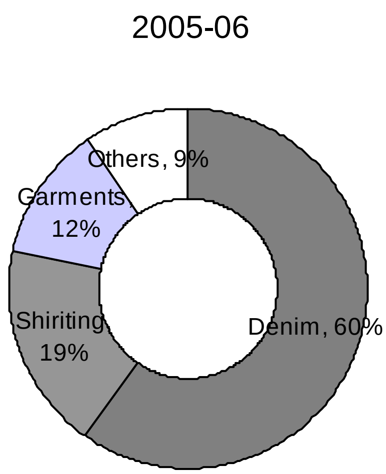
1. Sales and operating income of Q IV 2004-05 contains an income of Rs.12 Crores on account of additional export incentive under a Government of India scheme and may not be of recurring in nature

2. The Other overheads of Q IV 2004-05 contains a charge of Rs.13 Crores on account of diminution in value of investments in subsidiaries and is non recurring in nature

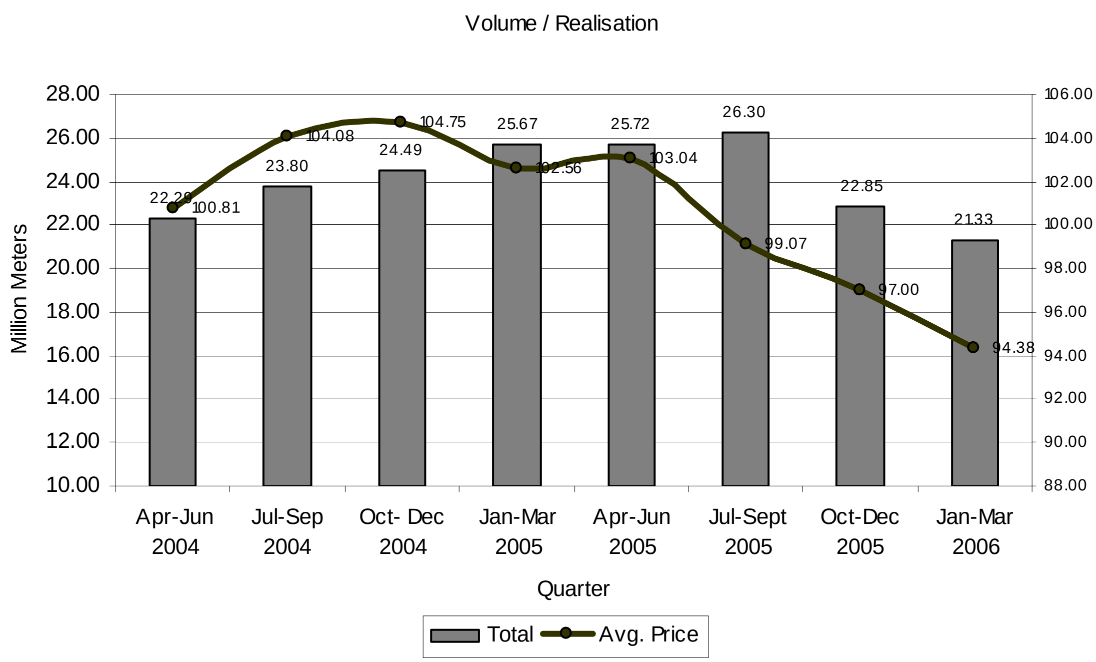
AT A GLANCE

Revenue Composition

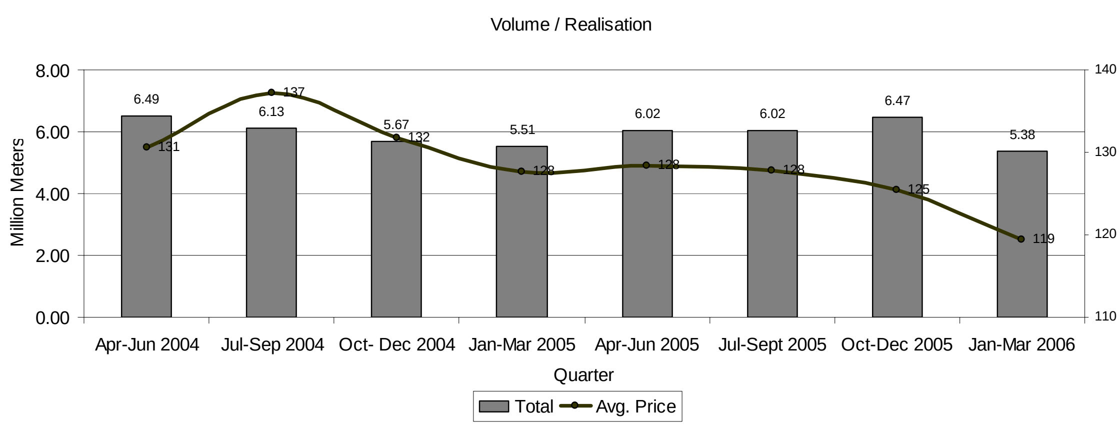




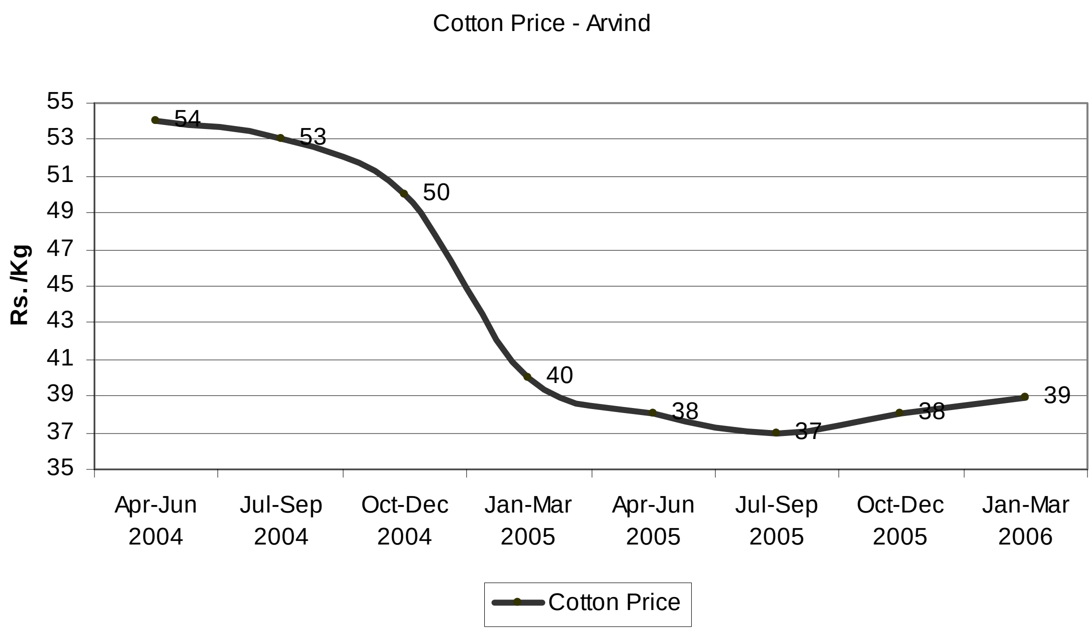
Denim Volume & Realization



Shirting Volume & Realization



Key Input Cost



PRODUCT GROUP PERFORMANCE

Denim

The current financial year was characterized by a robust demand and realization in the first half of the year. The second half of the year was subdued in terms of volume but suffered substantial reverses in the realization. The over supply situation in the Indian market led to a sharp drop in realizations in the domestic market in the second half of the financial year. The company had beginning middle of last year embarked on a program of offering premium denim to the high priced brands in US , Europe and Japan. The initiative has had few successes and now the company is moving towards creating a front end infrastructure in both Europe and US of A to provide further impetus to this initiatives. The volumes in the middle of the year suffered a setback due to lower off take by certain key US Brands , this was primarily due to inventory build up at their retail end. The volumes from these brands are returning to normal levels. While the demand had slowed down a bit the situation in the region got affected due to oversupply and the volumes in the commodities market are also under pressure.

Shirting

Shirting volumes which had suffered in the second half of the previous financial year have returned to normal levels during current financial year. Further with more and more sales moving towards vertical route , the sales of fabric to outside party has come down. Our product offering has been accepted as mid to premium product and we have been able to initiate business at large scale with few of the super premium US brands during the year.

Garments

Shirts factory in Bangalore which suffered in the last two quarters of the previous financial year and the first half of the current financial year has stabilized. Currently the plant is running at optimum utilization at current product mix. The conversion charges earned by the division are one of the highest being paid in the country. A separate ancillary unit has been set up to serve the need of Indian brands , which are now outsourcing their requirement.

Knits garmenting volume for the current year grew by 11% and business has achieved stability in terms of quality and productivity. Improved internal efficiencies have also contributed in better margins in spite drop in overall price levels.

The newly commissioned Jeans plant is just into the operation for two months of current quarter and will contribute to both top line and the bottom line from the first quarter of next financial year. The plant has one of the best laundry in the country and is its unique selling proposition. The plant is currently operation at full capacity on current productivity levels.

OTHER SIGNIFICANT ITEMS

Cotton

The cotton prices during the previous cotton season of previous financial year were at historical lows and company had anticipated that these prices will not prevail in the subsequent year. The company had taken a long term perspective and in absence of effective hedging mechanism, or mechanism to buy options, the had physically bought cotton for two seasons. The current cotton prices for denim are lower by about 10% to the prevailing market prices. Further the company had bought into some value deals available during the year and is currently covered for its requirement till December 2007.

Foreign Exchange Cover

The net interest and finance cost for the current financial year is Rs.139 Crores as against Rs.108 Crores during the previous financial year. This includes a gain of Rs.8 Crores during previous financial year on account of exchange fluctuation on foreign currency loan whilst the current year figure contains loss of Rs.8 Crores. The interest cost for the company has gone up on account of a higher working capital deployment due to cotton inventory. The company continues to borrow under the TUF for all its capital expenditures. Due to the liquidity position the interest rates on short term borrowings are going up.

Foreign Exchange Cover

More than 50% of the revenue of the company is generated from export sales , hence the company has consistently been following the policy of hedging its revenues against foreign exchange fluctuation. Based on annual projections the company sells the net dollar (After providing for outflow) forward for the entire financial year. The process has been followed for the next financial year too, hence the earnings in dollar on revenue account is frozen at one rate. The company does not hedge the dollar position on long term debt. The gain or loss booked in the financial statements during the end of every financial quarter is primarily on account of outstanding long term debt of US $ 90 million.

Dividend

The company has decided to announce dividend of 10% for the current year. The total cash outflow including taxes would be Rs.24 Crores and reflects a payout of 18% of the post tax profits. The company had declared a dividend of 10% in the previous financial year. The total cash outflow including taxes would be Rs.22 Crores and reflects a payout of 17% of the post tax profits

MERGER OF ARVIND BRANDS LIMITED

The company proposes to merge its 100% subsidiary Arvind Brands Limited and Arvind Fashions Limited (100% Subsidiary of Arvind Brands Limited) with itself, subject to legal and procedural approvals. The merger would be with effect from 1st April 2006. All the branded garment business except for Tommy Hilfiger would become divisions of The Arvind Mills Limited. The business will continue to be independently operated out of Bangalore.

Arvind Brands Limited (ABL) was established as wholly owned subsidiary of The Arvind Mills Limited (AML). ABL currently owns brands like Newport , Excalibur , Flying Machine and Ruf & Tuf. It is also a licensee for India through subsidiaries Arvind Fashions Limited (AFL) , Arvind Clothing Limited (ACL) of Arrow, Lee and Wrangler which it markets in India. The company also has a joint venture company called Arvind Murjani Brands Private Limited (AMBPL) , through which it holds licence for and sells Tommy Hilfiger brand apparel and accessories in India.

During the financial year 2003-2004, ABL had completed its debt restructuring exercise . ICICI Bank the prime lender had an option to covert a part of debt into equity and had exercised that option through ICICI Venture Fund (I Venture) and had acquired 53.4% of equity as part of settlement. Pursuant to this, ABL ceased to be a subsidiary of AML. AML had then retained the option of purchasing additional equity to raise its stake to 51% anytime during the period of eight years beginning 2003. Subsequently Arvind Mills exercise this option and bought out I Venture stake completely and Arvind Brands became a 100% subsidiary with effect from 1st June 2005.

Arvind Brands Limited had a turnover of Rs.336 Crores and PBDIT of Rs. 14 Crores for the financial year as compared to turnover of Rs.278 Crores and PDBIT of Rs.5 Crores for the previous financial year.

OUTLOOK

The near term outlook for the company remains muted due to subdued denim volume and realization. The shirting business is also likely to witness some price pressure. The earnings are likely to be impacted by the lower than the required availability of Natural Gas for power generation from the contracted party. Whereas the revenue impetus would come from garment business and rapidly growing brands business.

In medium to long term companies dependency on the core fabric business will increasing come down. The garments business is likely to be expanded by about 80-85% every year and the Brands business will grow at an average rate of 30-35%. At these rates the core fabric business will start driving less than 40% of total revenues and less than 50% of the total earnings in three to five years time.

NOTE ON FORWARD LOOKING STATEMENTS

Statements made in this note which describe the company's or management's objectives, projections, estimates, expectations or predictions of the future may be "forward-looking statements" , which can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "estimates," "anticipates" or the negative thereof or other variations thereon. The company cautions that, by their nature, forward-looking statements involve risk and uncertainty and that the company's actual actions or results could differ materially from those expressed or implied in such forward-looking statements or could affect the extent to which a particular projection is realized. Important factors which could cause such differences include global supply and demand conditions, changes in the relative value of various currencies, cyclical demand and pricing within the principal markets for the company's products, regulatory approvals and other factors changes in government regulations, particularly those affecting environmental, health or safety compliance, economic developments, relationships with and financial and operating conditions of customers and suppliers, ability to attain expected benefits and other factors within the countries in which the company operates or sells its products and other factors relating to the company's ongoing operations including, but not limited to, litigation, labor negotiations and fiscal regimes.

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