Arvind

FASHIONING POSSIBILITIES

Q1 FY2019 Review Note

6th August 2018

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Agenda

- Q1 FY19 Performance
- Business Analysis
- Outlook
- Annexures – Memorandum Financials of Three Demerged Companies

Q1 2019: Executive summary – strong all round growth; margin improvement in Branded Apparel

INR Crs	Q1 FY2019	Remarks
Revenues	2861 (+10%)	
Textiles	1561 (+2%)	Fabric vol lower by 1M (GST base effect, Denim) Garments grew from 6.6M to 7.9M
Branded Apparel	1016 (+14%) *890 (unadjusted)*	Stated higher as IndAS adjustment + one time impact due to agreement changes
Advanced Materials	128 (+10%)	
Engineering	37 (+24 cr)	
EBITDA	246 (8.6% vs 8.1%)	
Textiles	11.9% (vs 14.3%)	Reduced drawback rates; Denim volumes; strong rupee
Branded Apparel	3.7% (vs 1.8%) *3.1% (vs 2%)*	Improved margins, marketing spend up 40 bps *(unadjusted)*
Advanced Materials	7.8% (vs 3.1%)	
Engineering	20% (-2%)	
PAT (before exception items)	75 (+13%)	
Net Debt (30th June 2018)	3446	

Application of new accounting standard

Ind AS 115 – Revenue from contracts with Customers

IndAS 115 - a new accounting standard on revenue recognition w.e.f. April 1, 2018

- Principle changed from "transfer of risk & rewards" to "transfer of control".
- Applied the retrospective approach and hence the financial statement of Q1FY18 have also been re-instated.
- Key impact of applying new accounting standard:
  - Sales made on Sale or Return (SOR) have been recorded on gross basis and dealer margin as cost. This has resulted in increase in sales value for Q1FY18 & Q1FY19 by INR 105 crores and INR 58 crores, respectively.
- Consequent to the introduction of IndAS 115, certain customers have negotiated a change in contract terms with effect from April 1, 2018 – from SOR basis to OR basis. Resultantly, inventories lying with such customers as on March 31, 2018 have now been recognized as sales on April 1, 2018 – INR 69 crores.
- As a result, there is a one time increase in EBIDTA by INR 10 crores.

Q1 FY 19: Profit and Loss summary – strong Q1 earnings

INR Crs	Q1 FY19	Q1 FY18	Change
Revenues from Operations	2,861	2,594	10%
EBIDTA	246	209	18%
Profit Before Tax	95	76	26%
Profit After Tax	75	67	13%
Less : Exceptional Item	9	7	
Net Profit	67	60	12%

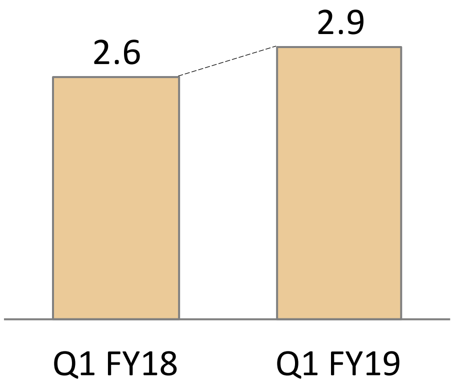
- Exceptional Item - Retrenchment compensation includes payments under Voluntary Retirement Schemes

Q1 FY 19: Performance by segments

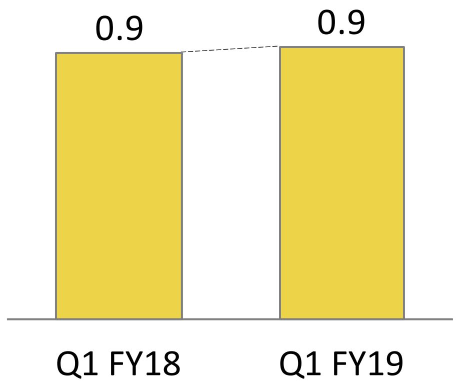
Rs Cr	Q1 1819			Q1 1718		
Business	Revenue	EBIDTA	EBIDTA%	Revenue	EBIDTA	EBIDTA%
Textiles	1561	185	11.9%	1526	218	14.3%
Advanced Material	128	10	7.8%	116	4	3.1%
Branded Apparels	1016	38	3.7%	893	16	1.8%
Engineering	37	7	19.8%	24	5	21.5%
Others	131	5	4.0%	44	-19	-47.2%
Un Allocable	0	1		0	-15	
Other Income		14			14	
Consolidated Knock Off	-12	0		-8	0	
Total	**2861**	**260**	**9.1%**	**2594**	**223**	**8.6%**

Key indicators – Q1 FY19 Vs Q1 FY18

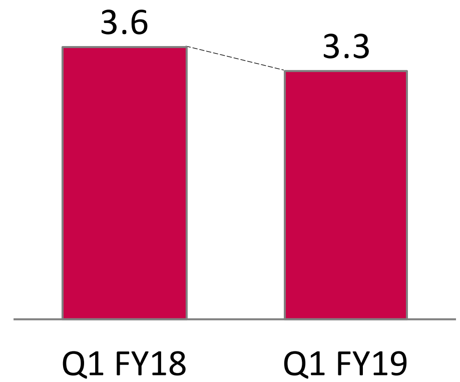
EPS



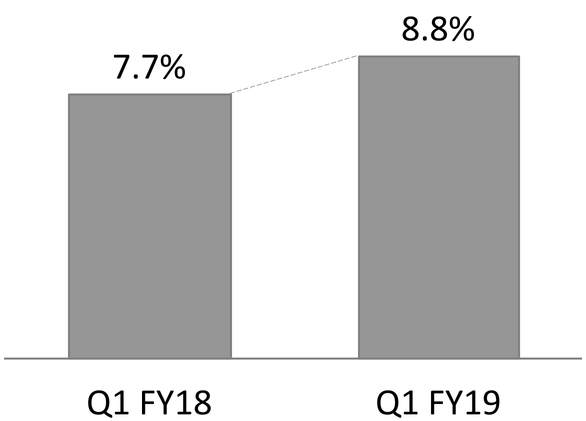
Debt / Equity



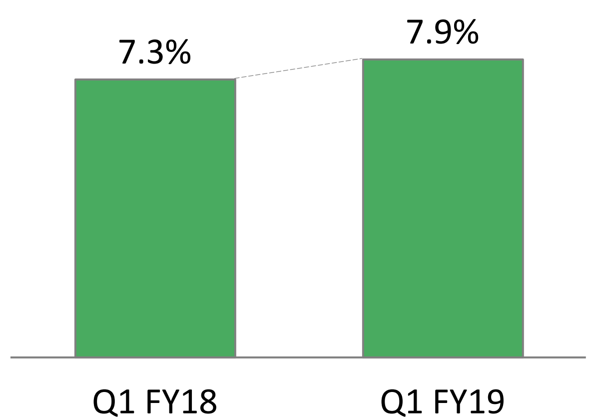
Debt / EBIDTA



ROCE



ROE



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Branded Apparel

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Indian fashion brand and retail space marked by interesting trends

1. Sluggishness of demand continues – even after a full year since demonetization and introduction of GST

2. Value fashion has clearly bucked the trend – all players have been posting very healthy growth

3. E-commerce which accounts for ~4% of overall apparel and accessories market is likely to cross 10% mark by 2020;
   a) Omni-channel experience is becoming a table-stake
   b) Tier 2/3 and semi-urban customers already account for over half the online demand

Performance Highlights – Q1 FY2019

Strong growth led by Power Brands and Unlimited validates our market traction; revenues up 13% (18% adjusted for GST)

Higher profitability reflected in 75%* increase in EBITDA resulting from operational excellence

Innerwear business consisting of USPA, Hanes & CK saw 33% growth during the Quarter, expect growth to accelerate to over 50% during the year

Online sales up 140%+; **Omnichannel** sales up 70%+ riding on industry leading technology platform

Brand building push marketing spend up 25% further building equity among customers

Q1 FY2019: Strong Revenue Growth & Sharp improvement in profitability in a tepid market

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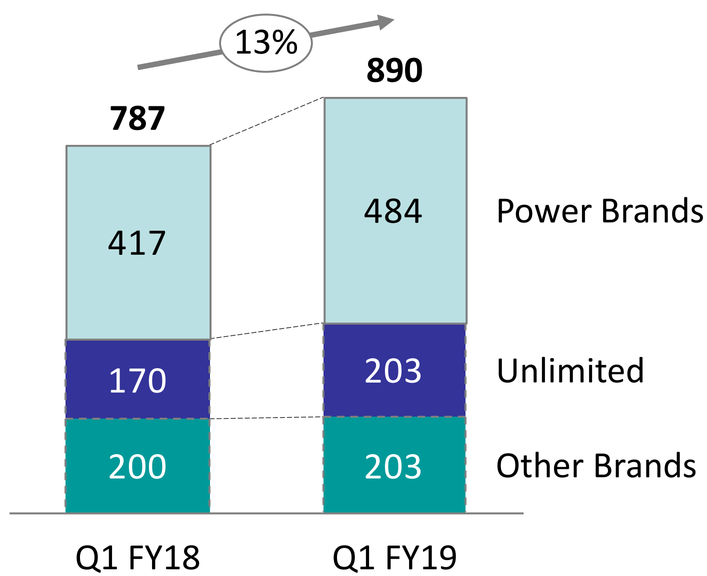
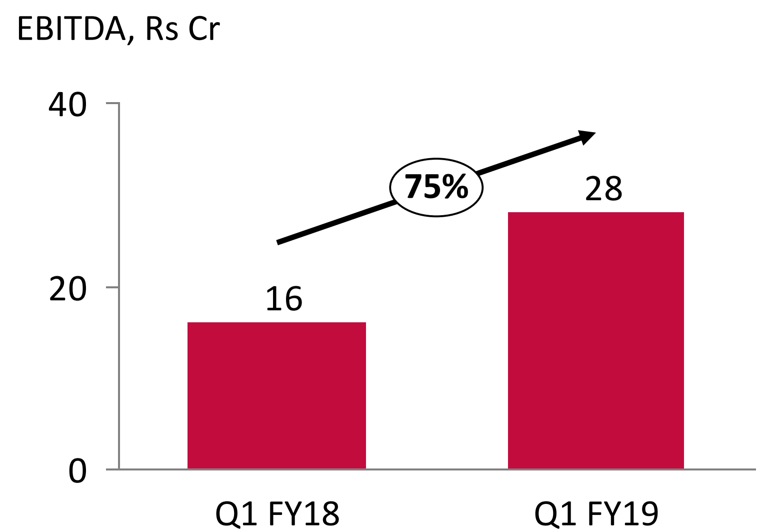
Revenues grew ~13%*



Reported Revenues

893	1016

EBIDTA improved 75% (excl one time income)



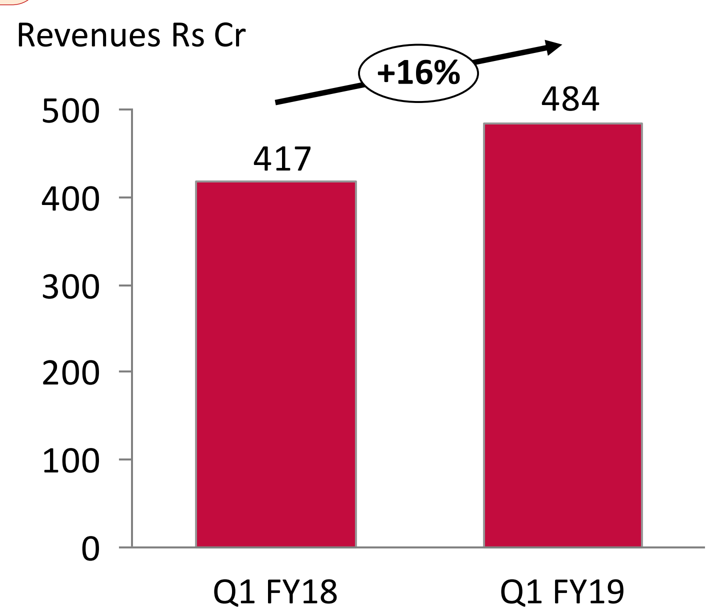
Reported EBIDTA

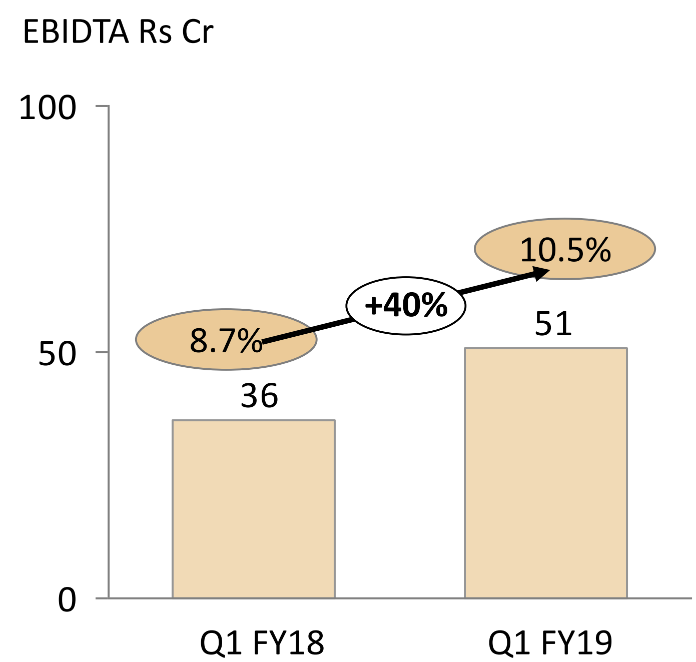
16	38

- Adjusting for GST, Rev Growth ~18%
- Negative 5.8% LTLs as EOSS had been advanced during previous year
- July LTL +10%
- Power Brands margin continued to expand

Q1FY19: Power Brands delivered another quarter of robust performance

Q1 18'19 performance





	Q1 FY18	Q1 FY19
Reported Revenues	**489**	**561**
Reported EBIDTA	**36**	**58**

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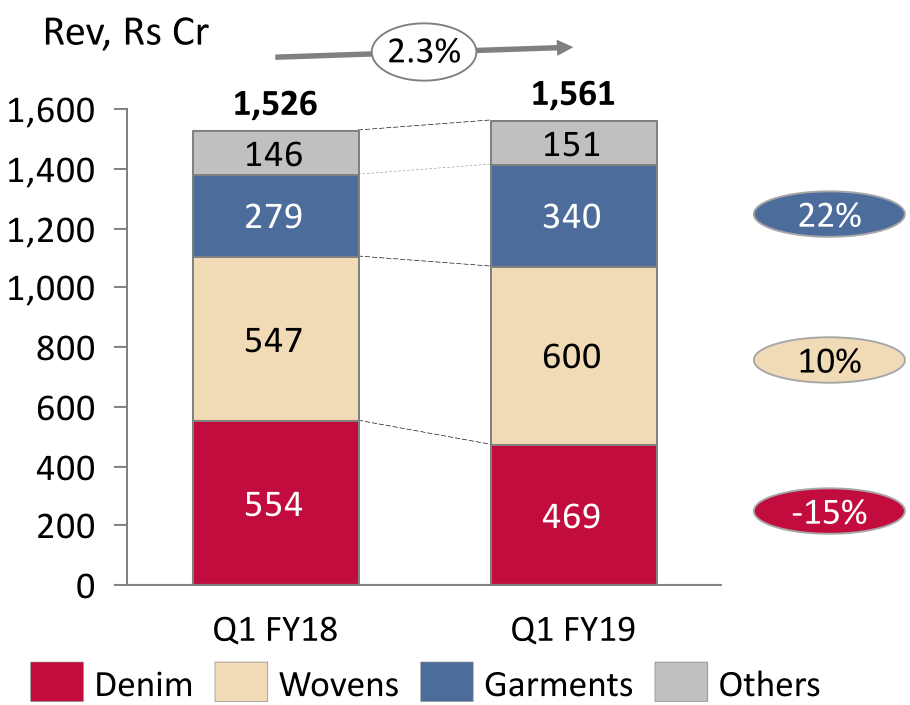
Distribution Footprint (as of 30th June 2018)

Particulars	June 2018	
	# Stores	Sq ft (Lacs)
Unlimited	99	9.8
Others	1237	12.1
Total	**1336**	**21.9**

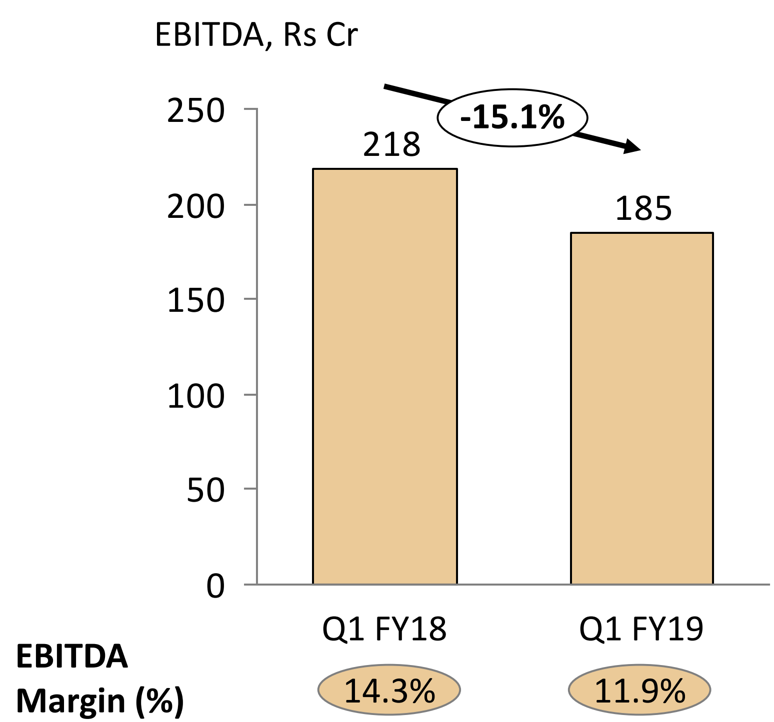
Textiles and Advanced Materials

Q1 FY19: Garment volumes grew, Denim volumes subdued; stronger rupee and drawbacks impacted margins

Revenues growth led by garments



Margins declined slightly



- Fabric volumes lower to 57M meters (from 58M)
  - Denim domestic volumes declined resulting from pre-GST buying/ higher base last year
- Garment volumes grew by 20% to 7.9M from 6.6M last year

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Key Textile business parameters for Q4 & FY2018

	Denim		Woven	
	Q1 18-19	Q1 17-18	Q1 18-19	Q1 17-18
Exports(Mn Mtrs)	12	14	8	7
Domestic (Mn Mtrs)	11	14	26	22
Avg Prices	190	185	172	181
Major Components	Cotton			
Cost in Rs / Kg	113	124		

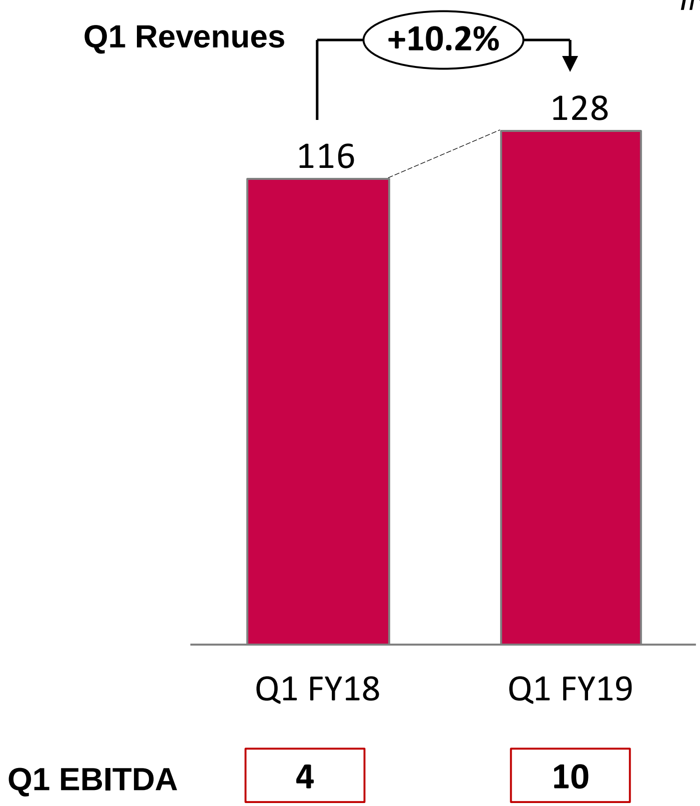
NOTE:

Sales prices and cotton prices for Q1 FY19 are excluding GST, whilst they include VAT in the previous year

Advanced Materials delivered a strong performance, and plans to step-up the growth to 20%+

Healthy top-line growth for Q1

INR crores

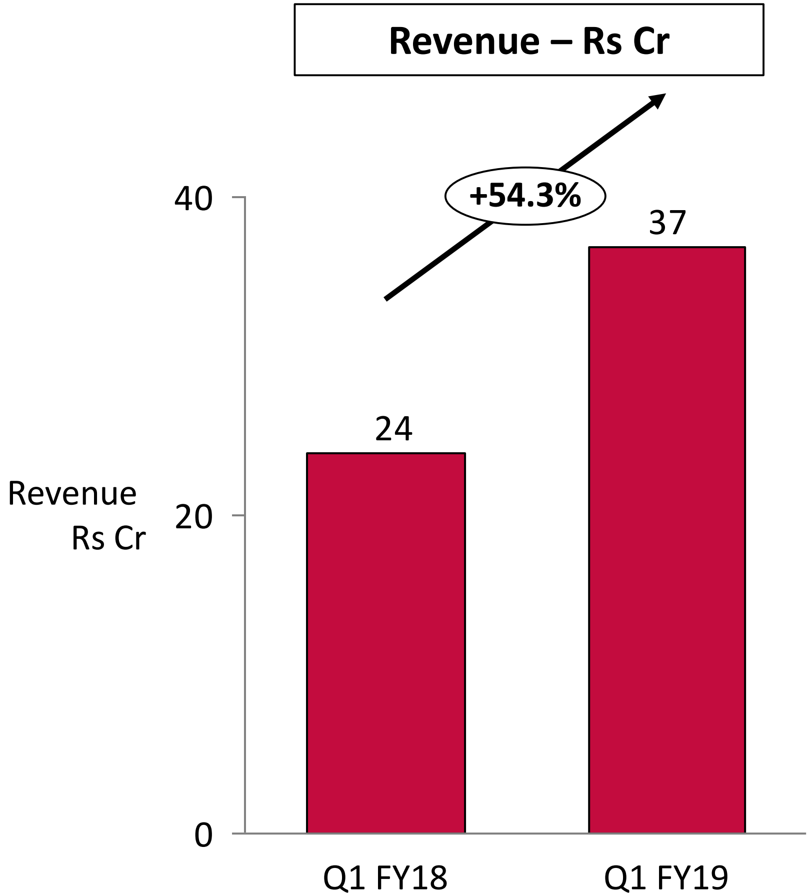


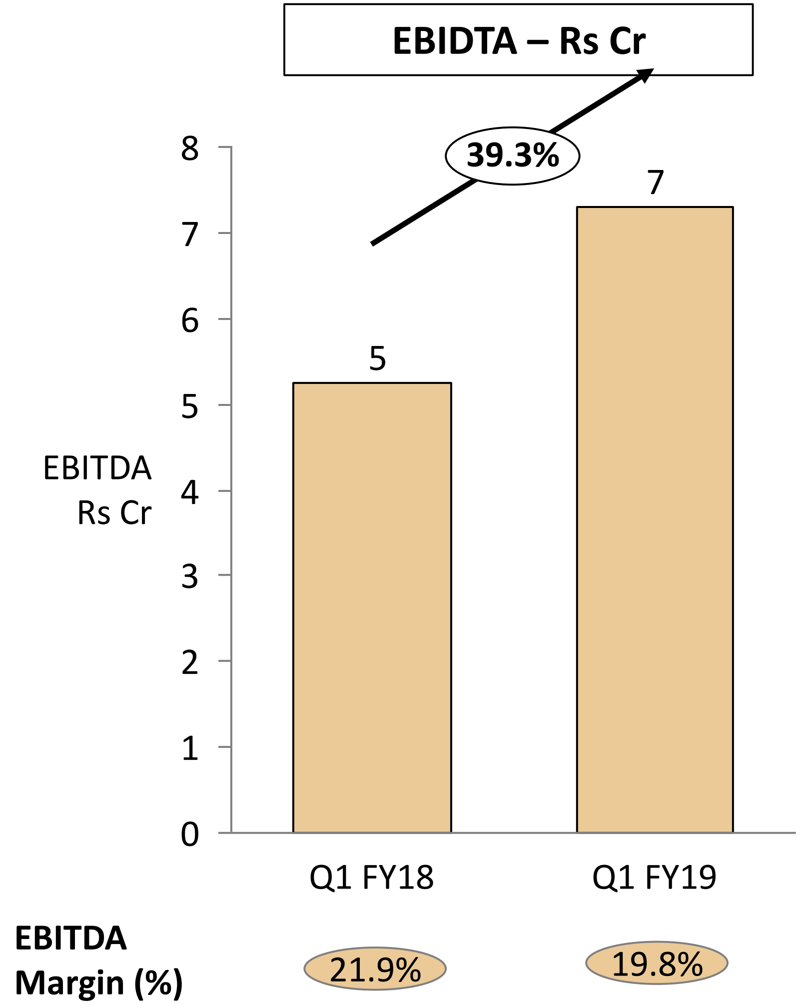
Highlights

- JV with tier-1 auto supplier for seating and interior fabrics
- Co-branded personal protective equipment line with a global construction machinery major
- Equity JV with a leading player for continuous lamination
- Licensing agreement with a European composite player for technology transfer

Engineering

Engineering Business continued its strong performance





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Outlook for FY19

Revenue

- Textile revenue expected to grow by ~10% on back of more than 35% growth in garments volume
- Brands & Retail Business likely to grow between 20-24%
  - Power Brands to maintain momentum
  - Significant expansion planned for Unlimited
  - Innerwear business poised to grow at 50%+ on full year basis
- Engineering Business to grow at 10-12%

Margins

- Textile Margins to remain flat due to mix change in favour of garments
  - While currency depreciation will help the margins; lower drawback rates for full year will offset these gains partially
- Brands & Retail Margin will continue to improve
  - About 1% improvement despite increase in marketing investment by about 0.5%
- Engineering Business likely to maintain margins at similar level.

Demerger Update

- The process of demerger is proceeding as per plan. We expect demerger approvals in early Q2.

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Annexure-1 Memorandum P&L and Balance Sheet of 3 Demerged Entities as on 31st March 2018

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	FY 17-18		
All figures in INR Crs	Arvind Ltd (Demerged)	Branded Apparel	Engineering
Revenue	6800	4266	224
EBIDTA Including Other Income	751	229	58
EBIDTA %	11.0%	5.4%	25.8%
EBIT Including Other Income	529	83	54
PAT (After Exceptional Item)	267	-7	43
CE	5355	1955	244
ROCE %	9.9%	4.2%	22.1%
Proforma Balance Sheet			
Shareholders' Equity	2677	1210	244
Borrowings	2678	745	0
Other Liabilities	1572	1302	57
Total Liabilities	**6927**	**3257**	**302**
Net Fixed Assets	3425	557	109
Other Non Current Assets	199	475	41
Current Assets	3303	2225	152
Total Assets	**6927**	**3257**	**302**

- Above Numbers are purely for broader understanding. The assets and liabilities as on effective date of demerger will be different than what is assumed assumed above.

Annexure-2 Memorandum Financials of Three Demerged Entities for Q1 FY18 and Q1 FY 19

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	Q1 17-18			Q1 18-19		
All figures in INR Crs	**Arvind Ltd (Demerged)**	**Branded Apparel**	**Engineering**	**Arvind Ltd (Demerged)**	**Branded Apparel**	**Engineering**
Revenue	1682	896	24	1811	1018	37
EBIDTA Including Other Income	207	17	7	216	39	9
EBIDTA %	12.3%	1.9%	27.6%	11.9%	3.8%	23.7%
EBIT Including Other Income	154	-17	6	161	0	8
PAT (After Exceptional Item)	81	-28	3	76	-19	8
CE	5547	1729	173	5523	2006	230
ROCE %	11.1%	-4.0%	13.4%	11.7%	0.0%	13.3%

Thank You