

# Q3 FY2019 Review Note

7<sup>th</sup> February 2019

## Safe harbour statement

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## Update on Demerger and consequent accounting disclosures

### Demerger Update\*

- Branded Apparels and Engineering Business demerged from 29<sup>th</sup> Nov
- Arvind Fashions and Anup have received in principle approval from Stock Exchange. Approval of SEBI is awaited.
- Likely listing of Arvind Fashions and Anup – February\*

### Accounting

- Reported financials for this quarter give revenue, expenses and PAT for continuing businesses
- Since Appointed date for Engineering business is January 1, 2018 the company has stopped consolidating engineering business and Anup Engineering from January 1, 2018. As a result, all the figures from January 1, 2018 have been restated.
- Since Appointed date for Branded Apparels business was 29<sup>th</sup> November, 2018, that company has to stop consolidating Branded Apparel Business and Arvind Fashions from 30<sup>th</sup> November, 2018.
- PBT & PAT of Discontinued business for current quarter are not comparable as Q3 2017-18 contained PBT and PAT of both the demerged business while Q3 2018-19 contains PBT & PAT for only Brand Apparel for about 2 months.
- Details of Net Assets transferred to the two demerged entities is given in Annexure 1 to this note.

\* The timelines are subject to receipt of necessary approvals from various regulatory/statutory bodies and stock exchanges

## Agenda

- Q3 FY 18'19 Summary Financial Performance
- Business discussion
- Updated Outlook

## Q3 2019 Executive summary: Pressure on Denim business impacted top-line and profitability for this quarter

INR Crs	Q3 FY2019	Remarks
Revenues	1680 (-1%)	
Textiles	1385 (-7%)	Lower fabric (mainly Denim export) volumes Garment grew 11%
Advanced Materials	159 (+32%)	Growth as planned
Others	139 (+65%)	
EBITDA	150 (8.9% vs 10.1%)	
Textiles	10.5% (vs 14.2%)	Lower denim volume; One time losses on account of change in model of Arvind Stores and higher preoperative costs in new projects
Advanced Materials	10.2% (vs -3%)	
Others	0.1% (vs -6.4%)	
PAT (before exception items)	59 (-23%)	
Debt (31st Dec 2018)*	2822	

\*Net of of Rs 237 Cr -amount given to demerged businesses which is expected to be returned in Q4

## Q3 FY 19: Profit and Loss summary

<i>All figures in INR Crs</i>	Q3 FY19	Q3 FY18	Change	9M FY19	9M FY18	Change
Revenues from Operations	1,680	1,691	-1%	5,281	4,951	7%
EBIDTA	150	170	-12%	532	498	7%
Profit Before Tax	62	85	-27%	266	263	1%
Profit After Tax	59	77	-23%	214	217	-1%
Less : Exceptional Item	19	11		42	22	
Net Profit	40	67	-40%	173	195	-12%
Profit / (Loss) from Discontinued Operations	0	9		-10	5	
Profit for the Period	40	76		162	200	

- Exceptional Item - GST credit Write Off due to change in regulations Rs 18.5 Cr & Retrenchment compensation Rs.1 Cr for Q3 2018-19
- PBT & PAT of Discontinued business for current quarter are not comparable as Q3 2017-18 contained PBT & PAT of both the demerged business while Q3 2018-19 contains PBT & PAT for only Brand Apparel for about 2 months.

## Q3 FY 19: Profit and Loss summary (Standalone)

<i>All figures in INR Crs</i>	Q3 FY19	Q3 FY18	Change	Q3 FY19	Q3 FY18	Change
Revenues from Operations	1,507	1,586	-5%	4,787	4,683	2%
EBIDTA	136	158	-13%	485	483	0%
Profit Before Tax	55	78	-30%	237	261	-9%
Profit After Tax	59	76	-22%	207	219	-5%
Less : Exceptional Item	24	11		57	22	
Net Profit	35	66	-47%	151	197	-24%
Profit / (Loss) from Discontinued Operations	-8	-5		-14	-15	
Profit for the Period	27	61		137	182	

- Exceptional Item - GST credit Write Off due to change in regulations Rs 18.5 Cr & Retrenchment compensation Rs.1 Cr and devaluation in value of investment in subsidiary Rs. 5 cr for Q3 2018-19
- PBT & PAT of Discontinued business for current quarter are not comparable as Q3 2017-18 contained PBT & PAT of both the demerged business while Q3 2018-19 contains PBT & PAT for only Brand Apparel for about 2 months.

## Q3 FY 19: Performance by segments

Rs Cr Business	Q3 1819			Q3 1718		
	Revenue	EBIDTA	EBIDTA%	Revenue	EBIDTA	EBIDTA%
Textiles	1385	146	10.5%	1486	211	14.2%
Advanced Material	159	16	10.2%	121	-4	-3.0%
Others	139	0	0.1%	84	-5	-6.4%
Unallocated		-16			-31	
Other Income		27			12	
Inter segment	-4	3		-1		
<b>Total</b>	<b>1680</b>	<b>176</b>	<b>10.5%</b>	<b>1690</b>	<b>183</b>	<b>10.8%</b>

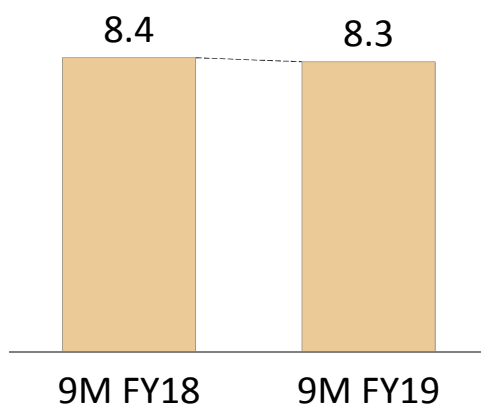


# Consolidated Balance Sheet, as at Dec 31st 2018

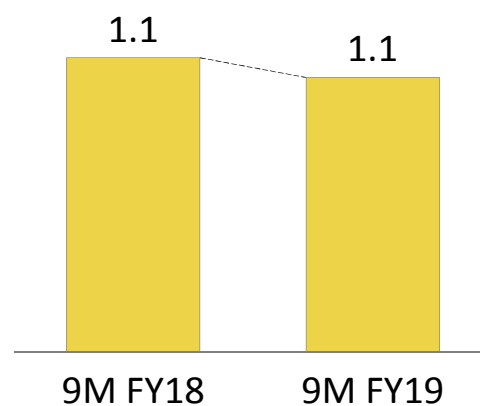
Rs Cr	As at	
	31st Dec 18	31st Mar 18
Shareholders' Fund		
Share Capital	259	259
Reserves & Surplus	2424	2346
Minority Interest	83	82
long Term Borrowings	814	803
Short Term Borrowings	1999	1724
Long Term Liability Maturing in one year	246	137
Borrowings	3059	2663
Other Liabilities	1498	1575
<b>Total</b>	<b>7324</b>	<b>6924</b>
Assets		
Fixed Assets	3540	3425
Non Current Investments	78	76
Long term Loans & Advances	1	2
Other Non Current Assets	174	115
Current Assets	3531	3307
<b>Total</b>	<b>7324</b>	<b>6924</b>

## Key indicators – 9M FY19 Vs 9M FY18

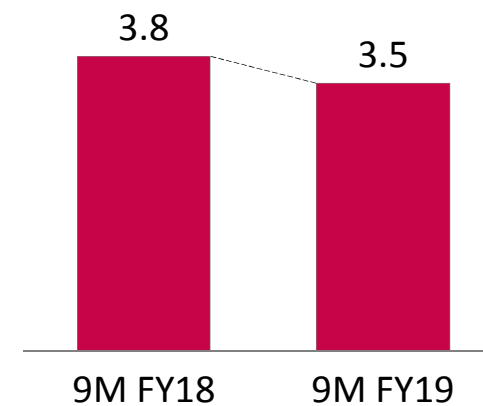
**EPS**



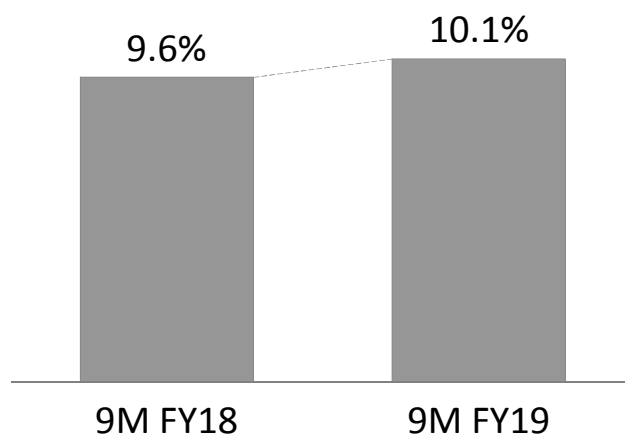
**Debt / Equity**



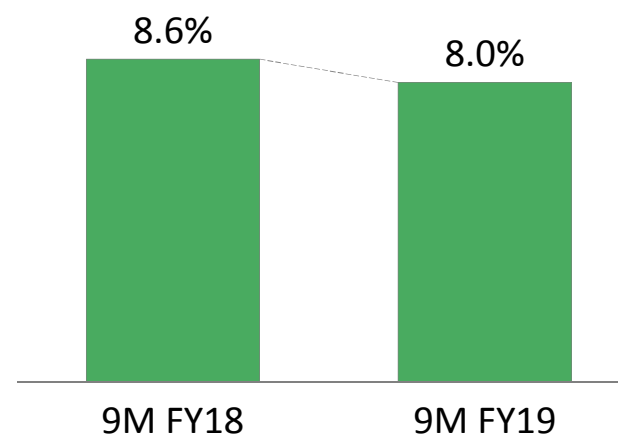
**Debt / EBIDTA**



**ROCE**



**ROE**



## Agenda

- Q3 FY 18'19 Summary Financial Performance

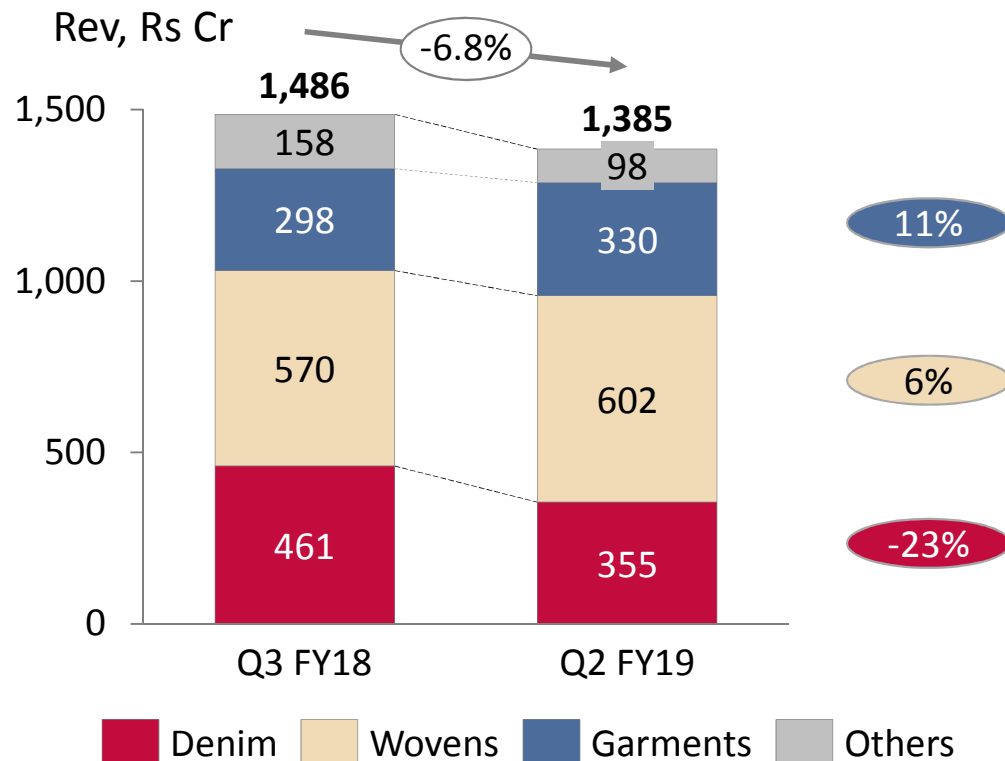
- Business discussion

- Updated Outlook

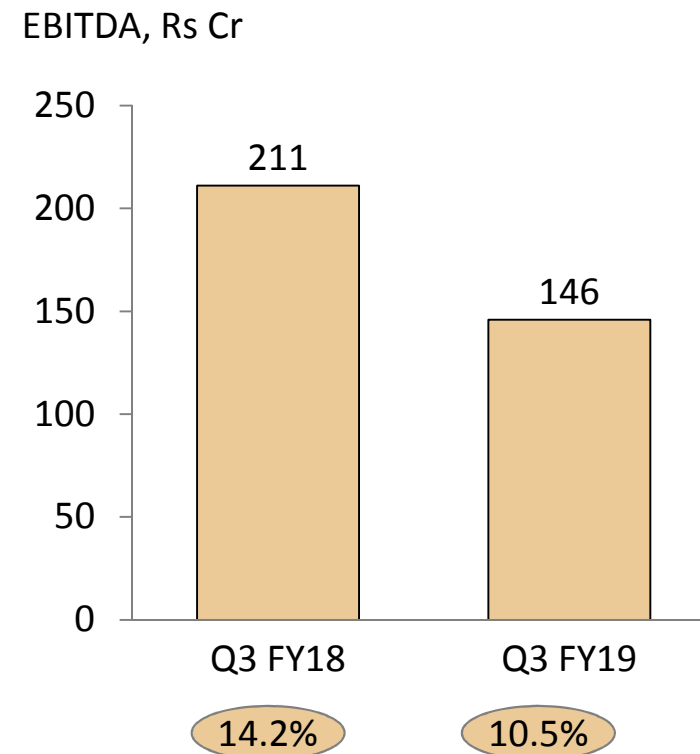
## Textiles and Advanced Materials

# Q3 2019: Softer demand and over-supply in Denim impacted fabric volumes and performance;

## Fabric top-line declined, garmenting grew



## Margins got impacted



- Lower off-take and inventory correction by a few international customers resulting in about 5 M lower denim volumes
- EBIDTA was impacted due to lower sales, higher pre-ops in new manufacturing plants and write off in Arvind Stores as company decided to convert all the retail stores in to franchise operations.
- Average cotton prices were higher at Rs 122/kg vs Rs 113/kg in Q3FY18

## Key Textile business parameters for Q3 & 9M FY2019

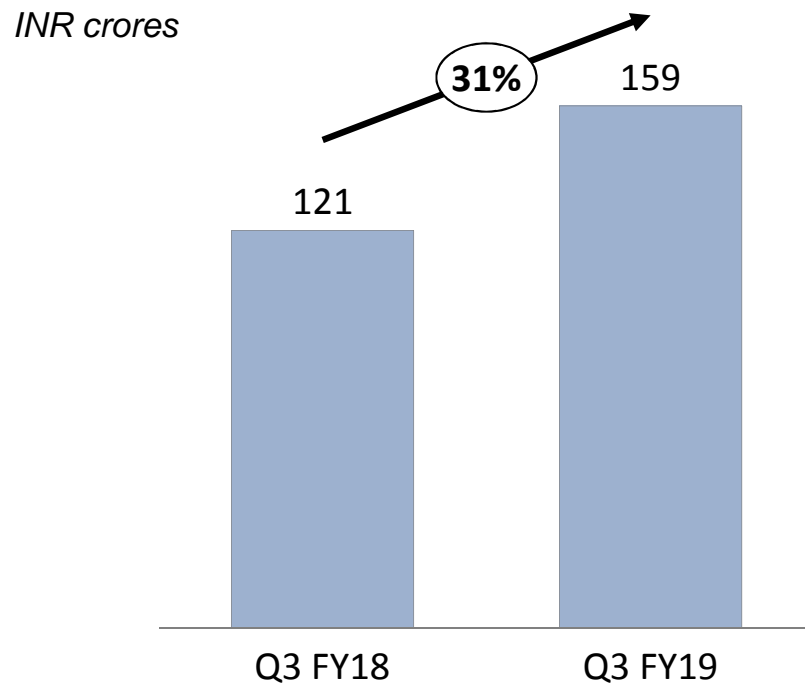
	Denim		Woven	
	Q3 18-19	Q3 17-18	Q3 18-19	Q3 17-18
Exports(Mn Mtrs)	8	13	12	10
Domestic (Mn Mtrs)	11	12	24	25
Avg Prices	186	181	171	164
Major Components	Cotton			
Cost in Rs / Kg	122	113		
	Denim		Woven	
	9M 18-19	9M 17-18	9M 18-19	9M 17-18
Exports(Mn Mtrs)	31	39	30	26
Domestic (Mn Mtrs)	32	36	73	69
Avg Prices	189	181	171	171
Major Components	Cotton			
Cost in Rs / Kg	116	118		

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 both in terms of topline and profitability

## Healthy growth in revenues



## EBIDTA Growth for Q3 Y2Y

Q3 EBITDA	Q3 FY18	Q3 FY19
	-4	16

- Operating leverage resulting in improving margins as mature part of portfolio starts to hit scale
- Improved realization from higher value added products
  - Start of carbon-fibre products
- Tie-up with a European firm for Cured-In-Place-Pipe technology (CIPP)

## Agenda

- Q2 FY 18'19 Summary Financial Performance
- Business discussion
- Updated Outlook



## Outlook for FY19

**Arvind Limited  
(Demerged)**

### Revenues

- **Overall 5% growth (vs 10% planned)**
- Textiles 2% (lower than earlier estimate)
  - Lower Denim sales in Q2 and Q3
  - 3-6 month delay in new garment manufacturing projects\*
- Advanced Materials likely to grow at 24% (higher than earlier estimate)
- Water EPC projects spill over to Q1 FY 20

### Margins

- **Overall likely to be higher by 0.3% (lower than planned)**
- Textile margin likely to be lower by about 1%
  - Margins to be between 12.5 & 13% in Q4- up from 10.5% in Q3
- Advanced Materials likely to clock 9% (compared to -1% last year)
- Water EPC projects spill over to Q1 FY 20

\* New garment capacities planned in Ranchi (9.6m pcs), Ahmedabad cluster (20m pcs), Ethiopia (8.4m pcs), AP (6m pcs)

# Annexure 1

## Assets & Liabilities transferred to Branded Apparel & Engineering

	<b>Branded Apparels</b>	<b>Engineering</b>	<b>Total</b>
<b>Assets</b>	<b>510</b>	<b>35</b>	<b>546</b>
- Fixed Assets	17	9	<b>26</b>
- Investments	417	7	<b>423</b>
- Current Assets	77	20	<b>97</b>
<b>Liabilities</b>	<b>48</b>	<b>27</b>	<b>75</b>
- Borrowings	19	32	<b>50</b>
- Current Liabilities	29	-4	<b>25</b>
<b>Reduction in Retained Earnings</b>	<b>462</b>	<b>8</b>	<b>470</b>



Thank You!