



Arvind



ARROW
USA 1861

TOMMY HILFIGER

GAP

THE CHILDREN'S PLACE

Arvind Limited *At An Inflection*

March 2015

Agenda

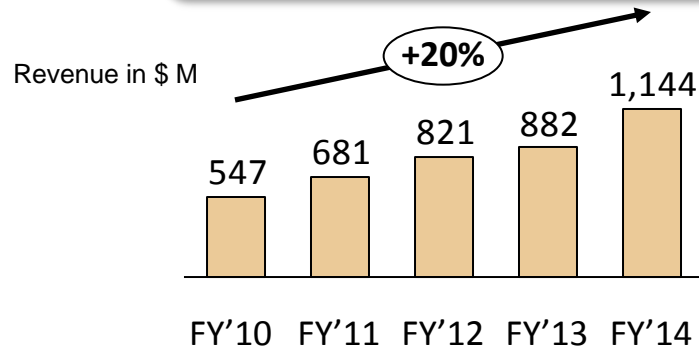
- Snapshot and Overall Growth Vision
- Division-wise Roadmap
- Summary and Conclusion: Overall Value Creation Path

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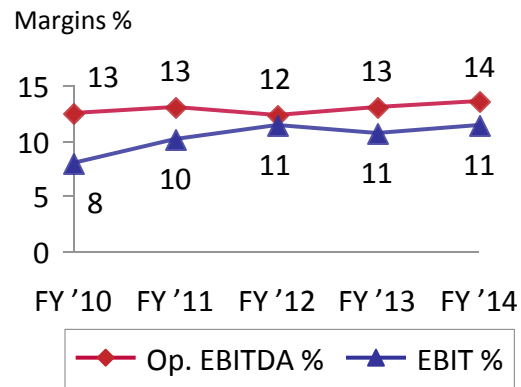
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Arvind Limited – At a Glance

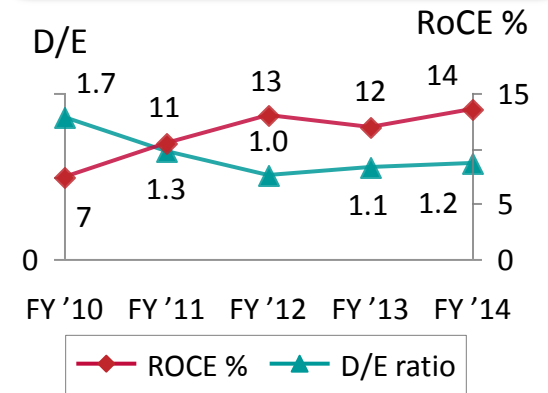
20% topline growth over the last 5 years



Coupled with rising weighted margins...



...and higher returns with lower leverage



Brands & Retail Business and Textile Business grew at CAGR 27% and 18% respectively

Arvind future story built on two parallel growth drivers, with a strong value creation logic

Opportunity



- Pivoting domestic consumption in apparel brands & retail



- Large global opportunity in textiles & clothing world trade

Arvind growth model

Brands & Retail: Build a breakthrough growth portfolio of Power Brands & Specialty Retail

- Build strong power brands
- Clear portfolio logic of growth brands
- Develop fast fashion specialty retail
- High operating leverage
- Strong retail discipline

Textiles: Build an asset-light textiles & garments play across denim, woven, knits

- Vertical garmenting with dormitories model
- Moderately growing wovens business
- Stable and differentiated denim business
- Profitable knits business
- Differentiation and de-risked model
- High asset efficiency

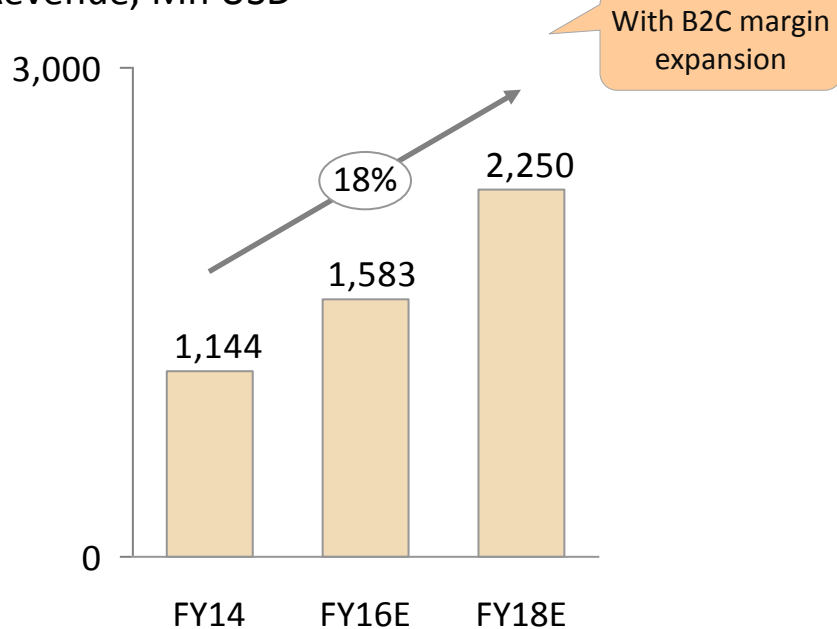
Value creation logic

- Portfolio of high growth and moderate growth businesses
- Expanding margins
- Capital balance, reducing leverage over a period
 - High growth in asset-light B&R
 - Asset-balanced growth in textiles and garmenting
- Strong focus on target RoCE 20%+

Arvind – The Future Vision

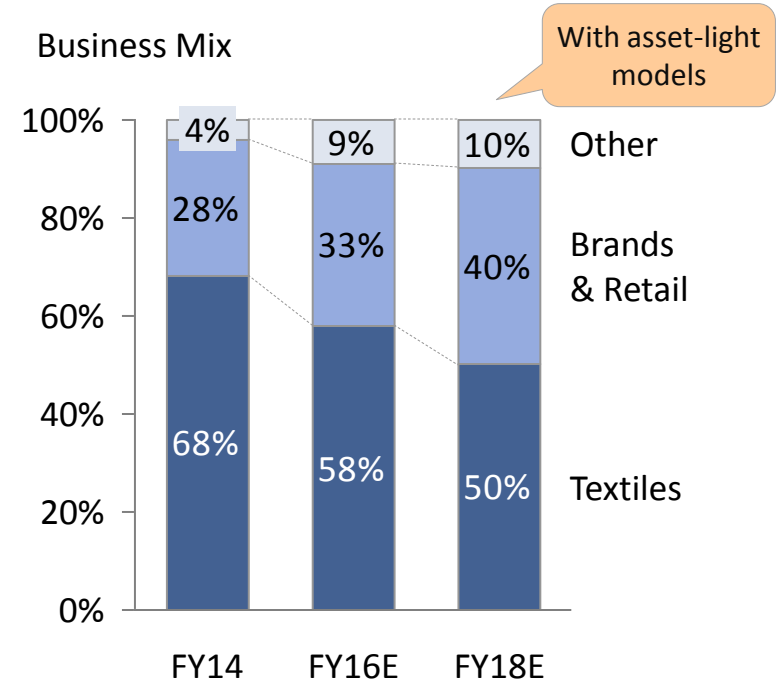
Strong topline & bottomline growth

Revenue, Mn USD



...and shift towards more B2C portfolio

Business Mix



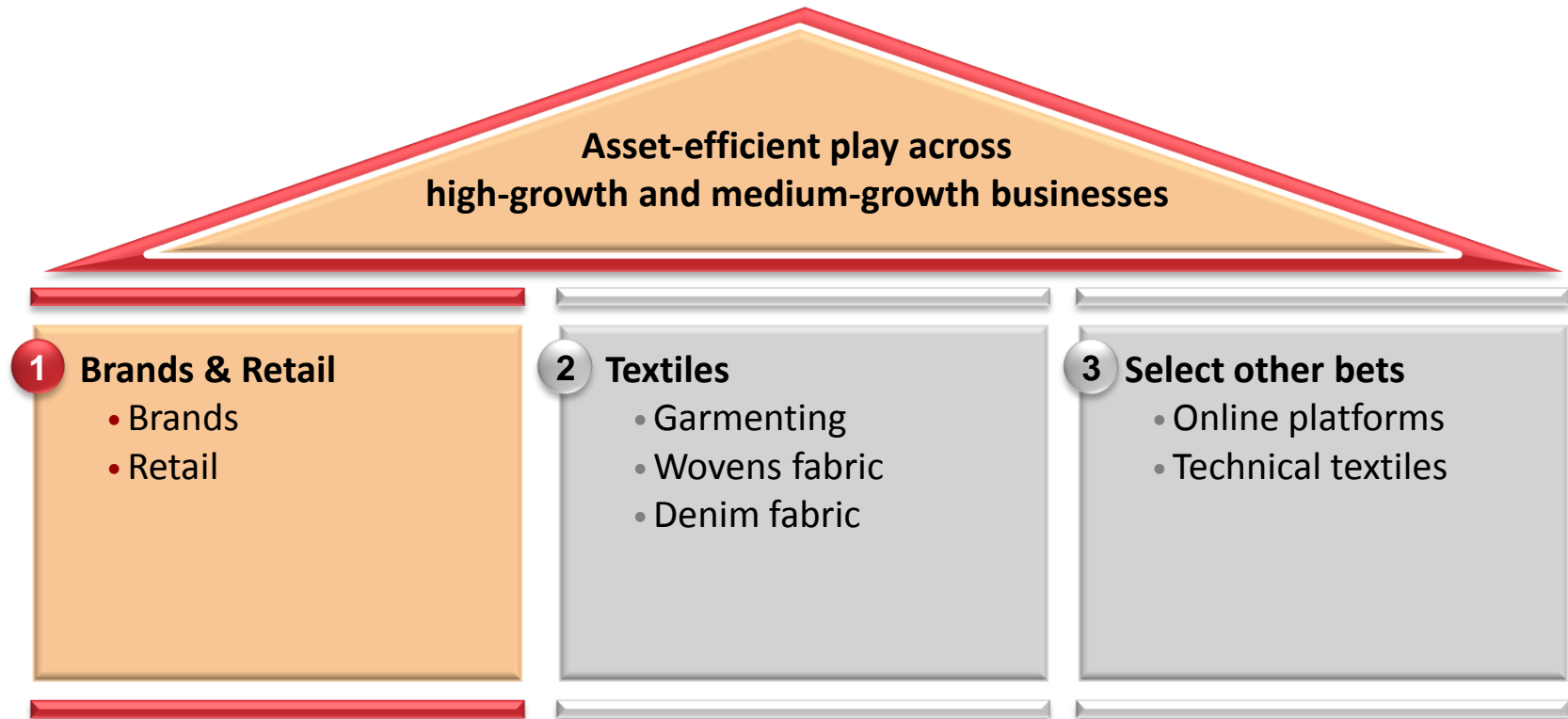
Emphasis on three imperatives:

Robust growth, margin expansion in B2C, and asset efficiency with strong RoCE focus, target 20%+

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Three pillars of Arvind strategic growth vision



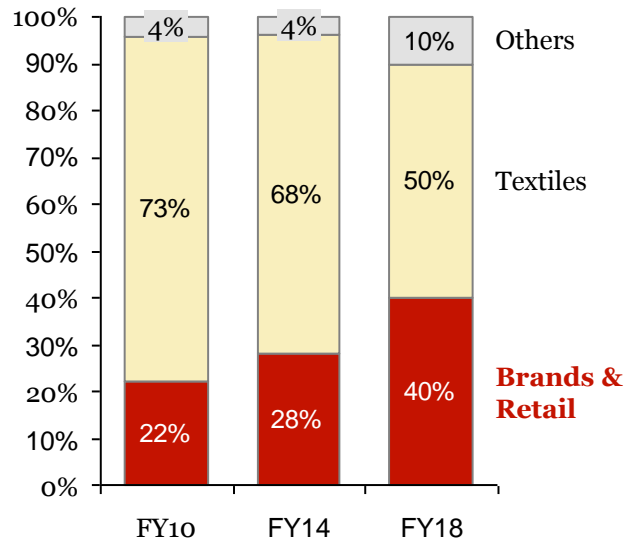
Brands & Retail Busienss: Key part of Arvind, to drive value creation going forward

**Brands & Retail to become
40% of Arvind revenue by FY18**

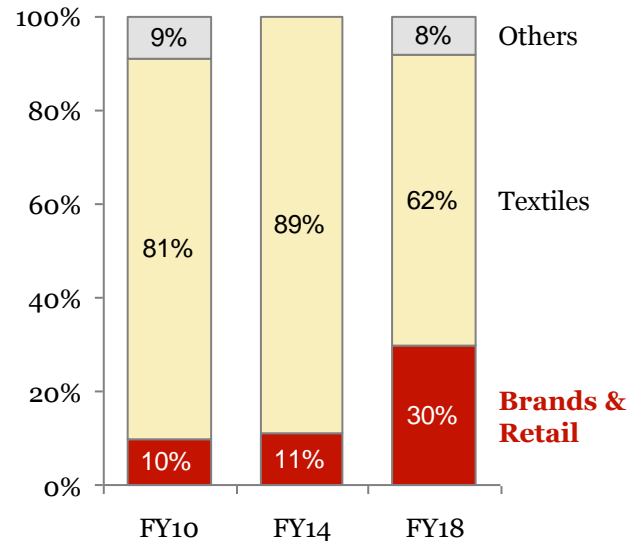
**Brands & Retail to account for
30% of Arvind profits**

**Substantial improvement in
ROCE expected**

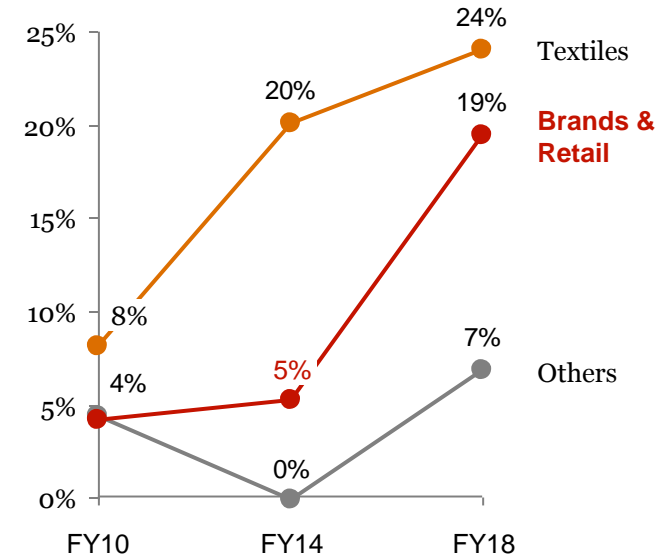
% of Arvind revenues



% of Arvind EBIDTA

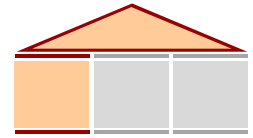


ROCE (%)



**40% of revenue and 30% of EBITDA by FY17-18,
with low growth Capex & high valuation multiple**

Arvind has an unmatched portfolio of owned and licensed brands and retail formats



BRANDS & RETAIL

Brands



FLYING MACHINE



IZOD

ELLE

Retail Formates




Arvind


Our strategy is a hybrid of brands and retail businesses, a proven model in emerging markets like ME

Two successful strategies seen in developed markets

1 Multiple brands, price points and channels




• 25+ brands
• Turnover¹ : \$11 Bn




• 25+ brands
• Turnover¹ : \$6 Bn


2 Specialty Retail




• Turnover¹ : \$21.2 Bn



• Turnover¹ : \$18.4 Bn






• Turnover¹ : \$15.6 Bn



• Turnover¹ : \$9.3 Bn

Neither strategy sufficient for required scale in emerging markets

Successful emerging market players have combined brands and retail models

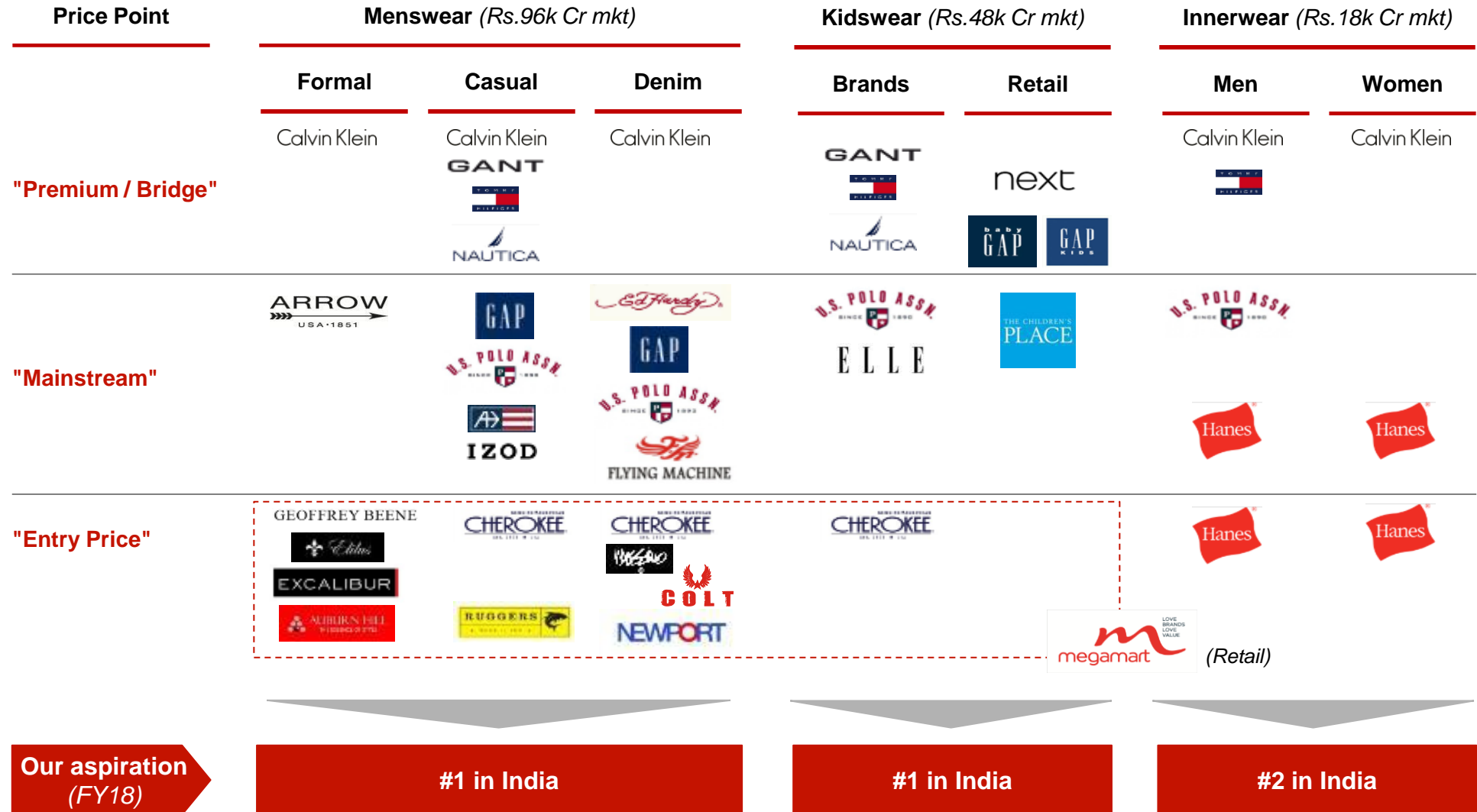
	Brands	Sp. Retail	Financials
 Saudi Arabia	<ul style="list-style-type: none"> F&F La Senza Jack & Jones 	<ul style="list-style-type: none"> Zara Gap 	Turnover ¹ <ul style="list-style-type: none"> \$4 Bn Growth ² <ul style="list-style-type: none"> 45%
 Dubai	<ul style="list-style-type: none"> Tommy Hilfiger Aldo Kenneth Cole Charles & Keith 	<ul style="list-style-type: none"> The Children's Place 	Turnover ¹ <ul style="list-style-type: none"> \$1.5 Bn Growth ² <ul style="list-style-type: none"> 30%
 Kuwait	<ul style="list-style-type: none"> Mothercare Victoria's Secret Pink Jack Wills 	<ul style="list-style-type: none"> H&M Debenhams Next American Eagle 	Turnover ¹ <ul style="list-style-type: none"> \$1.2 Bn Growth ² <ul style="list-style-type: none"> 33%



Arvind's strategy in India: Hybrid of brands & retail business

1. In 2012-13 2. Growth CAGR

In chosen categories, we have a strong portfolio that straddles consumer segments across price points



How to Win:

Five key capabilities which will help us win over the long term

- 1 • **Excellent distribution footprint with strong momentum**
 - Strong distribution footprint, across retail, department stores, MBOs and other channels
 - Strong Go-to-market capabilities: Real estate, customer relationships, seamless supply chain
- 2 • **Proven track record in building brands in India**
 - Strong brand building capabilities: product / design, speed to market, international partnerships
- 3 • **Focused category expansion**
 - 2007: 100% Menswear → 2015: 55% Mens-wear + Women-wear + Kids-wear + Innerwear + Accessories
 - Strong brand extension capabilities: leveraging existing brand equity, kids-wear capabilities, sourcing
- 4 • **Common platform across brands with plug-and-play architecture**
 - Combination of business focus organization and shared services
 - Flexible organizational setup
- 5 • **Best talent base in apparel in India**
 - Experienced team across all levels
 - Practices in place to attract and retain best talent

Our robust strategy will create multiple large brands by FY18

\$ 400 M brand



\$ 200 M brands



\$ 100 M brands

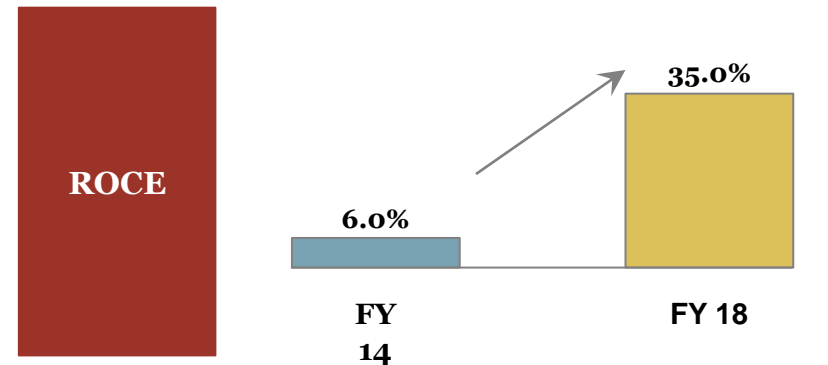
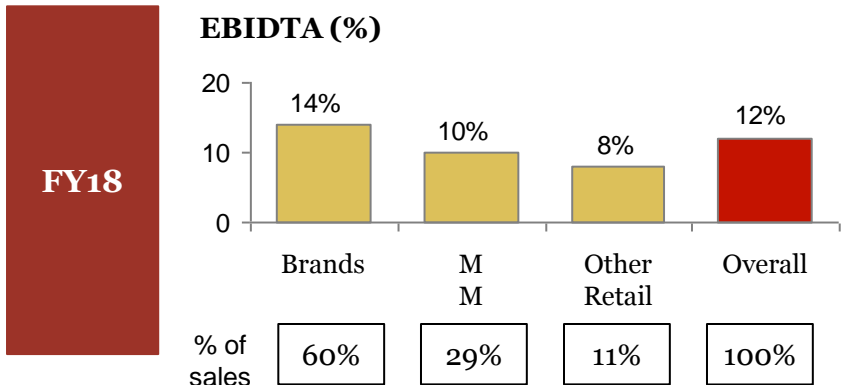
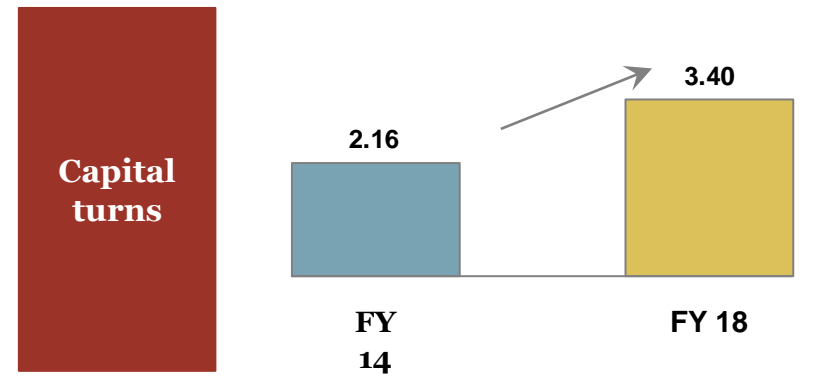
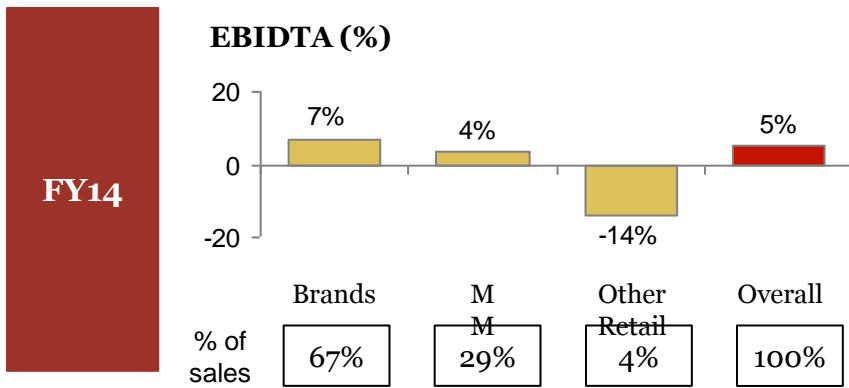


ARVIND

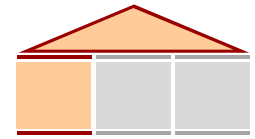
Our strategy will deliver EBIDTA and ROCE improvement

EBITDA improvement driven by Growth brands and Megamart

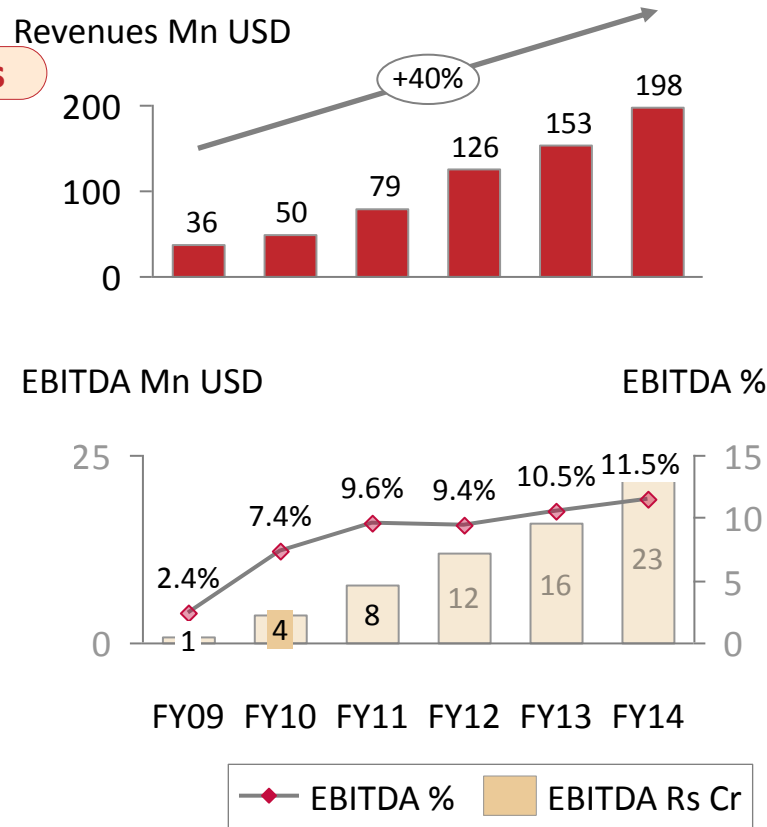
Inventory Improvement and Better Profitability to drive Increase in ROI



Strategy to create many 'Power Brands', with strong topline growth and healthy bottomline



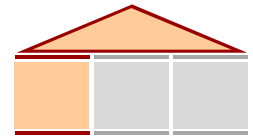
BRANDS & RETAIL



- Among the top Indian apparel brands
- Very strong growth over a sustained period
- Operating at double digit store contributions
- Strong growth in LTL store sales, new stores viable in a short span
- Significant sourcing leverage and channel bargaining power

1. Note: Tommy Hilfiger numbers reflect 100% of topline of the JV company

Arvind well-positioned to be a formidable brands and retail player over the next 3-4 years

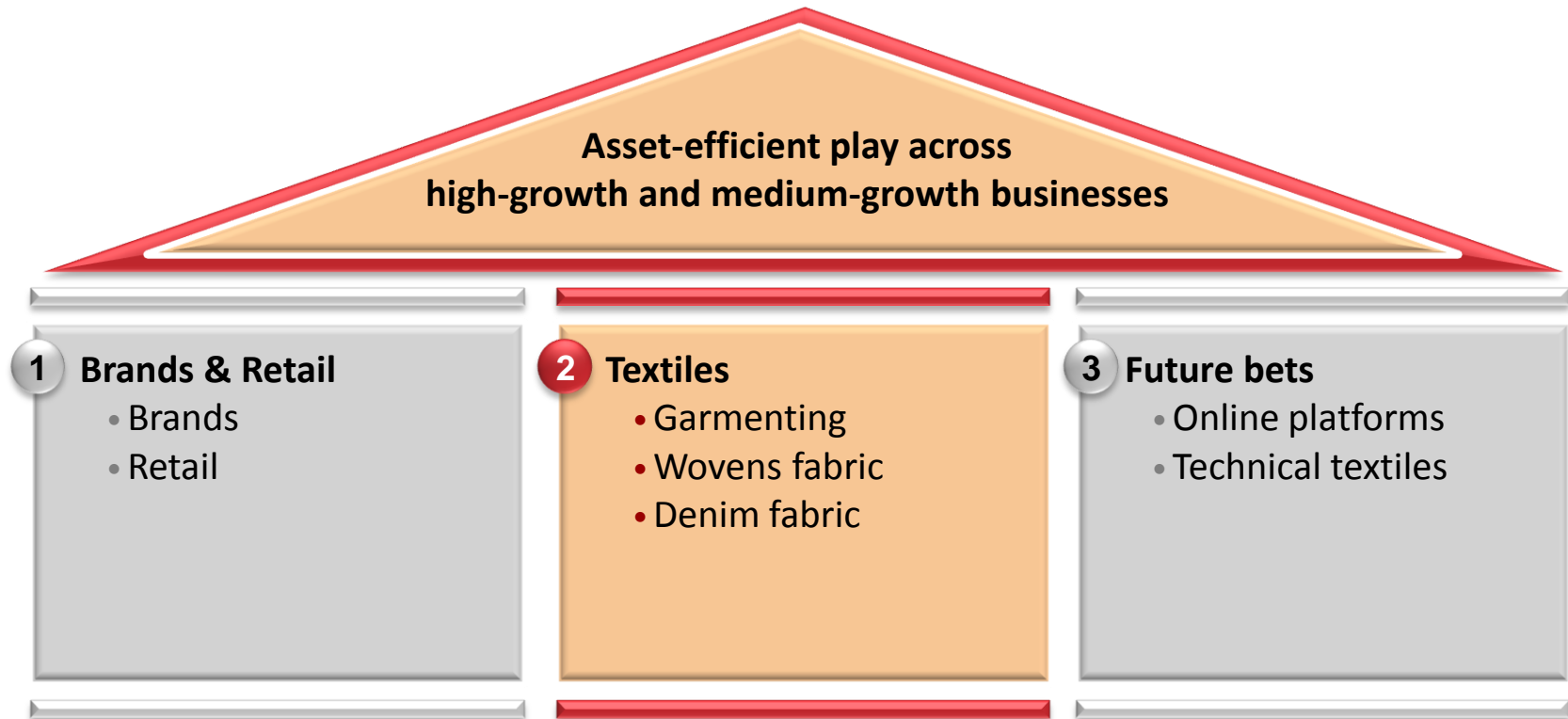


BRANDS & RETAIL

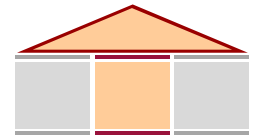
Topline Mn USD



Three pillars of Arvind strategic growth vision

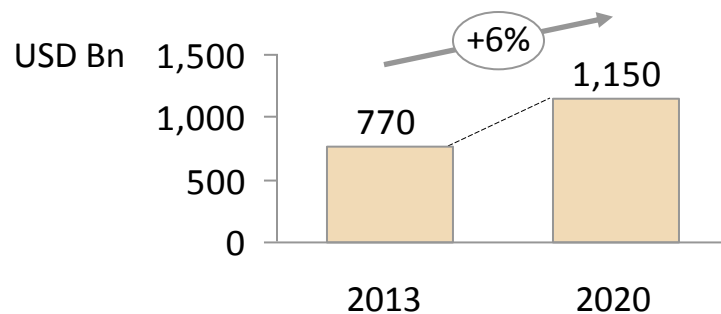


In the longer run, a large opportunity is expected to emerge for India in global Textile trade



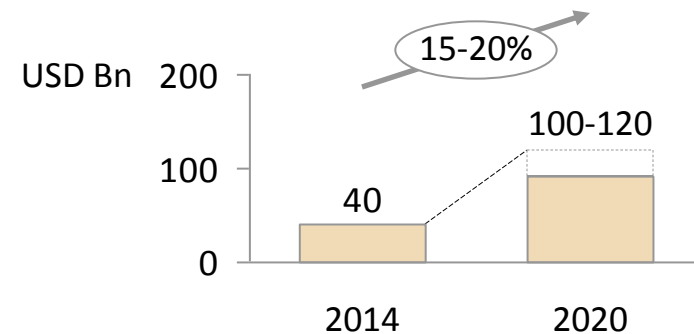
Strong growth in global Textile trade

- **Key drivers:**
 1. Increasing global consumption
 2. Continued shift of production base from developed to developing economies
 3. Value growth from Inflation
- **Increase in ~400Bn USD global trade demand in T&C projected by 2020**



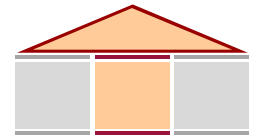
India poised to be a strong contender

- **Strong pointers that China will have to cede some opportunity to other SE Asian countries**
 - Strong domestic demand in China
 - Reducing gap in competitiveness
- **India best poised to benefit from the global shift in supply chain dynamics**
 - Strong combination of resources, cost, technology and infrastructure advantages



Arvind with its strong capabilities in fabric as well as garments well positioned to leverage this opportunity

Arvind is looking to develop a de-risked and capital efficient textiles business model through a vertically integrated offering



More robust business model

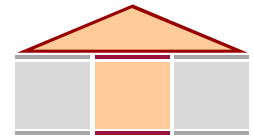
- More customer stickiness
- Better pricing power
- Better visibility
- Better market access
- Address issue of scalability/growth

Capital efficient growth model

- Lower capital intensity
- Better end-to-end RoCE profile
- Up-gradation in the value chain
- Model can scale up substantially while yielding free cash flows!

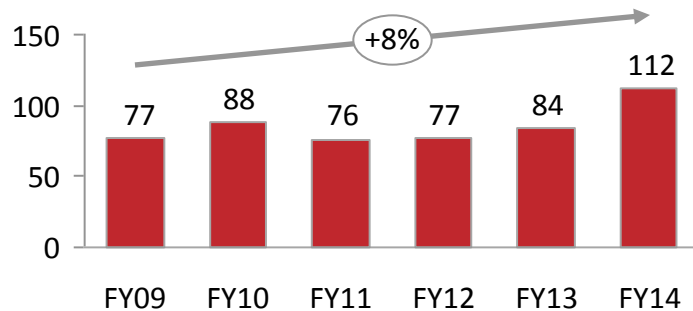
**We intend to go 25-30% vertical offering from the current ~10 % in 4-5 years
Success could also offer additional / adjacent growth opportunities in future**

Garmenting strategic to build vertical business model with capital efficiency and de-risking

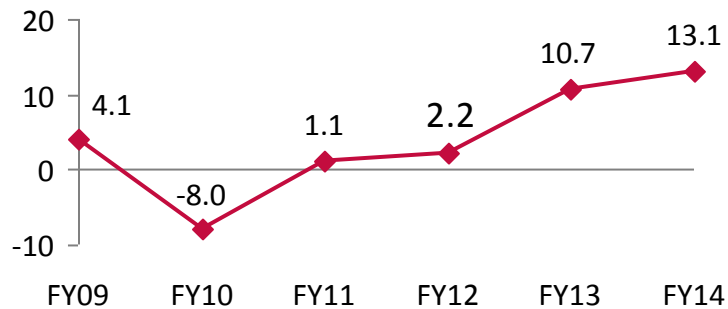


Topline and bottomline performance

Rev, Mn USD



EBITDA %



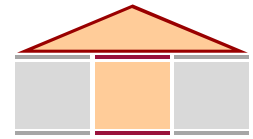
Future strategy

- Stable and strong management team, achieved profitable operations
- Strong customer relationships with global majors from fabric operations
- Capacity additions planned through Greenfield and Brownfield expansions
- Developing a large-scale dormitories-based garmenting model in India

- 25-30% topline growth
- Stable margins
- Capital-efficient growth for textiles
- De-risking the business model

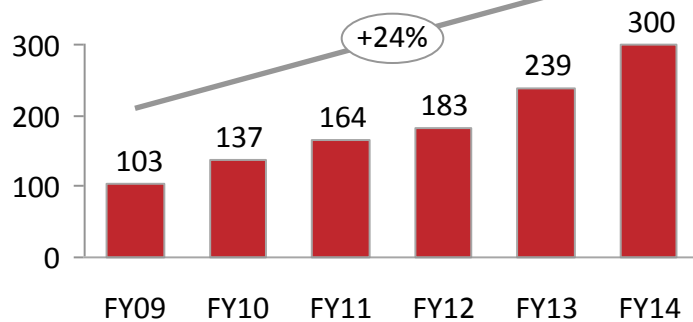
GARMENTS

Wovens provide a great balance of high growth opportunity and strong cash flows

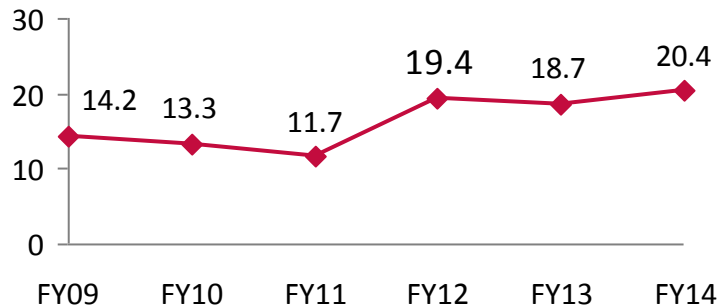


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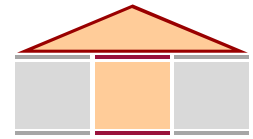
Future strategy

- High growth opportunity through further expansion of global GTM
- More differentiated product, less cyclical
- Less dependence on exports
- Less dependence on currency, cotton fluctuations
- Investments mainly in processing and finishing, to reduce capital intensity

- 10-12% topline growth
- Stable margins
- Moderate investments in capital-efficient parts of value chain

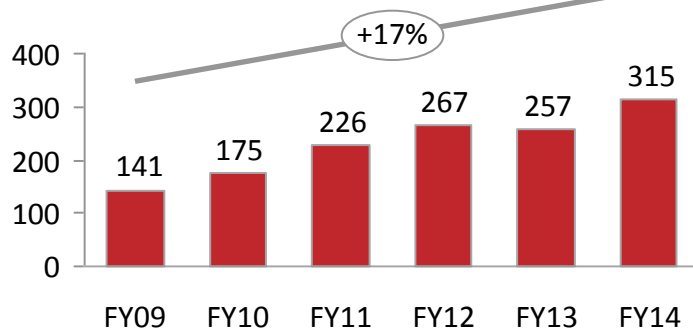
WOMENS

Denim business stable, with robust cash flows and moderate growth plans

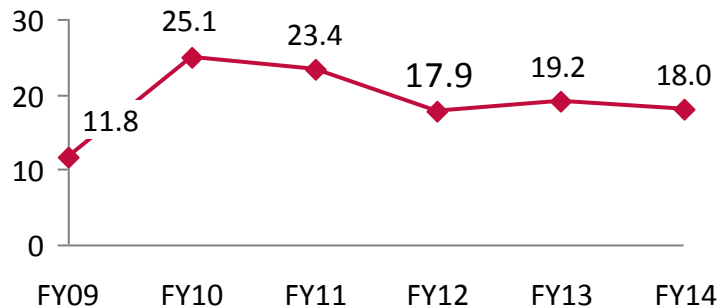


Topline and bottomline performance

Rev, Mn USD



EBITDA %

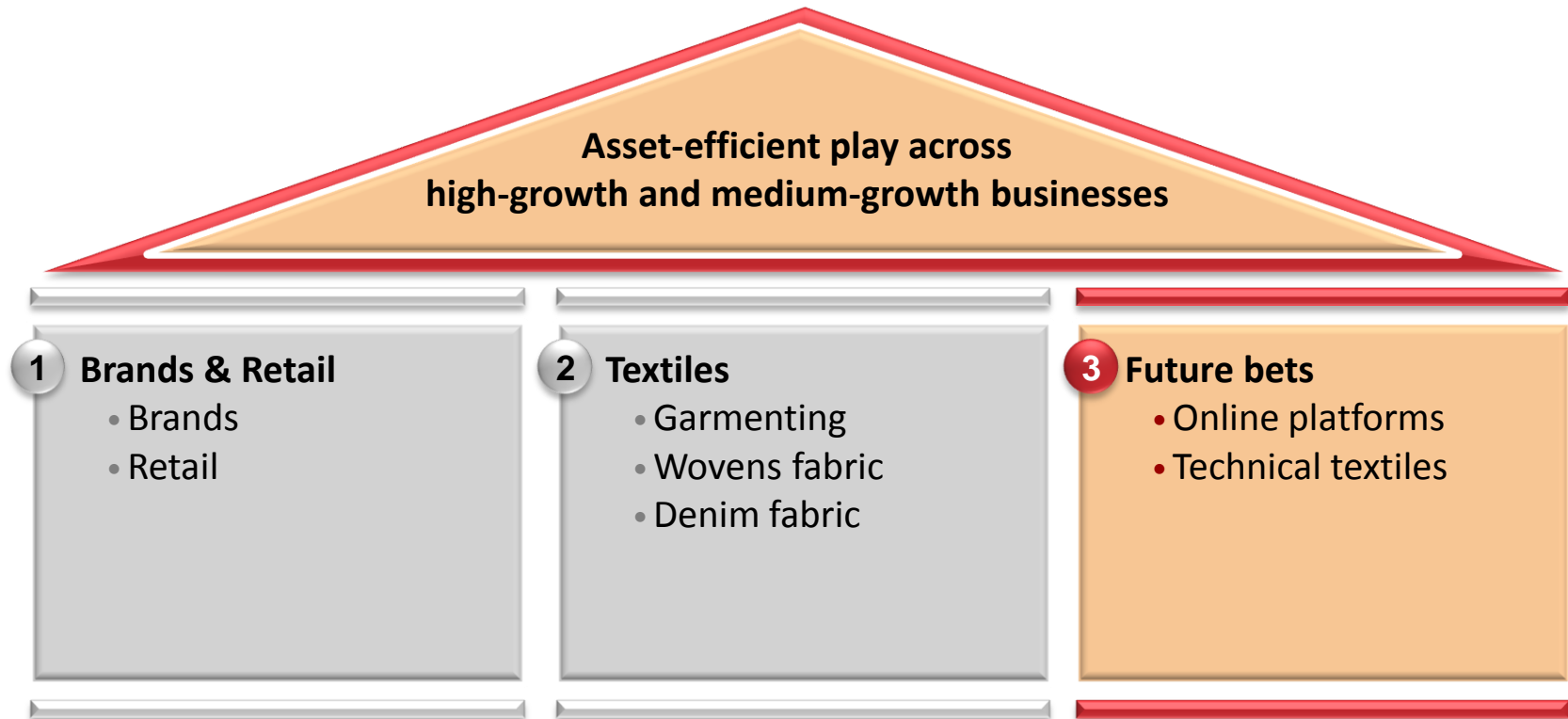


Future strategy

- Operate in differentiated segments, with 20-30% price premium
- High utilization levels while industry operates at much lower utilization, lean cost and asset management
- Moderate growth, de-risked through vertical garmenting expansion

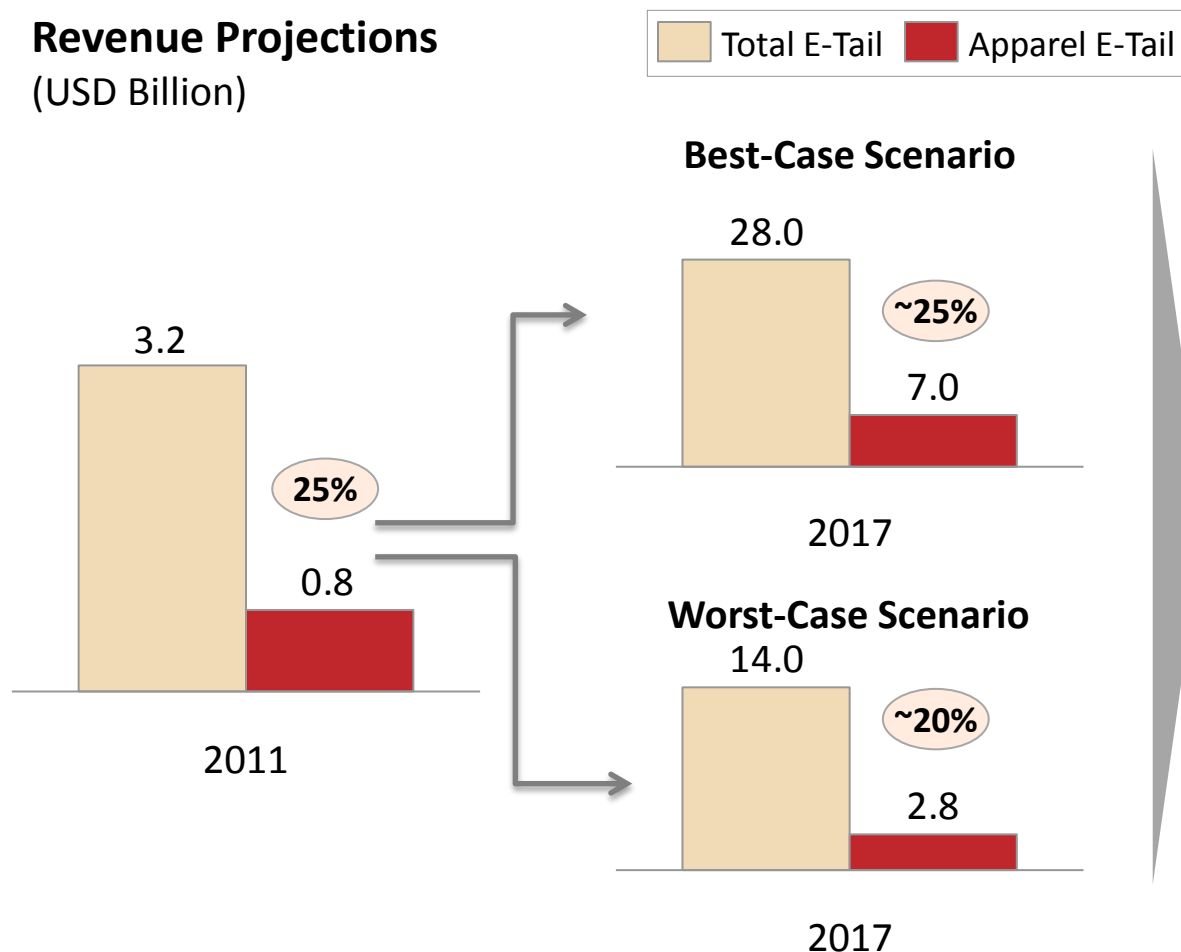
- 4-6% topline growth
- Stable margins
- Cautious investments in capital-efficient parts of value chain, coupled with garmenting expansion

Three pillars of Arvind strategic growth vision



E-Commerce: Online apparel retail likely to be ~US\$ 5 bn by 2017

Revenue Projections (USD Billion)



Key Growth Drivers

- Increasing penetration of technology
- Desire for a fashion conscious behavior beyond the metros
- Increasing spend on occasion driven purchases
- Tailor-made offerings
- Limitations in growth of brick & mortar retail
- Discount led pricing model attracting value seekers
- Increasing habit of convenient purchase from e-tailers

**Apparel E-Tail opportunity too large to be ignored;
In 2017, India's Apparel E-Tail market would stand at USD ~5 Bn (~ 25% of total E-tail)**

Arvind preparing for the massive discontinuity in the online space

Unique Capabilities of Arvind

- Experience of building fashion brands
- Hands-on experience of fashion retailing
 - ~1000 retail stores
 - 2000+ additional points of sale
- A basket of in-house and international fashion brands
- Integrated apparel supply chain



Ability to differentiate from competition

- Own brands, ability to offer exclusive and/or deep ranges
- Lower cost of sourcing
- Potential to develop an integrated brick and click model offering superior value
- Omni-channel retail play thereby reducing customer acquisition cost
- Product assortment and design
- Customer Loyalty

Arvind looking to develop multiple 'Differentiated Online Formats' to play in this attractive space

Arvind will play in the online space with Multiple .com models

MBO E-Commerce¹

“To gain a leadership position as a seamless “brick-n-click”, experience oriented online multi-brand retailer and reach ~10% share of brands sales in next 3 years”

- Platform for Arvind’s omni-channel retail play
- After proving value proposition and model, to invest significantly and scale to a large business in 3 years
- To include online only / partner fashion brands

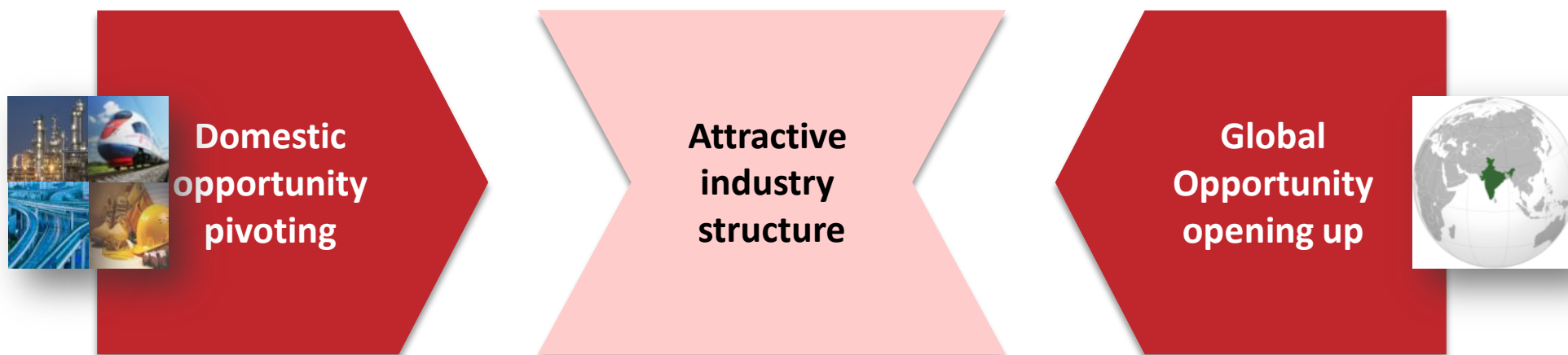


“To create a disruptive multichannel custom clothing brand with global reach”

- Niche ‘custom online’ model launched recently
- High margins and high barriers to entry, will be built out gradually over the next few years
- Global launch to follow India operations reaching stability

Technical textiles poised to evolve as an attractive space in India

Combination of strong opportunity and attractive industry structure



- Domestic mkt size US\$12 Bn / Rs 70K Cr), growing at 10-12%
- Driven by growth in domestic infrastructure, manufacturing, transport and safety
- Lack of credible players
- Strong imports substitution opportunity

- Strong IP-based industry
- High entry barriers due to technology sophistication
- High differentiation
- Attractive returns
- Potential to be asset-efficient through high value addition

- US\$130 Bn global market
- \$50 Bn global trade in 2013, growing at 6-7%
- India only 1% share of world trade, China ~23%
- India poised with strong combination of resources and cost competitiveness

Arvind well placed to leverage this immense opportunity

Arvind Value proposition

**Textiles / Technical
Capabilities**

- Best-in-class assets, cutting-edge machining
- Ability to efficiently manage complex supply chain
- Impeccable quality credentials

**Marketing capabilities –
Domestic and
International**

- Long standing legacy and reputation
- Gold standard in textiles in India
- Strong presence in all major foreign markets

Partnership capabilities

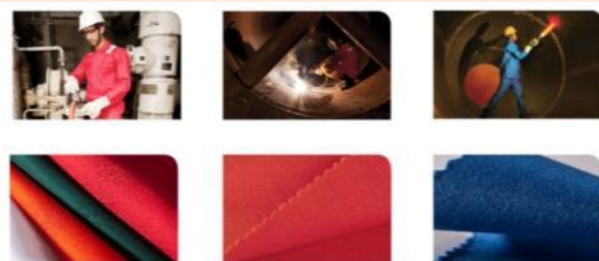
- Strong track record of partnerships / JVs across businesses over the years
- Clear value-proposition to potential partners on front-end as well as back-end

Arvind has a bold Vision in this space

Global technical textiles company with expertise in Protective Wear, Woven Fabrics, Non-Wovens and Composites

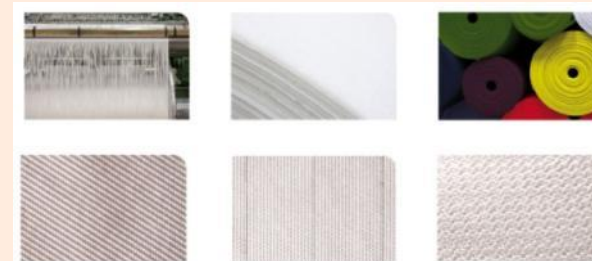
1

Protective
Fabrics /
Clothing



2

Specialized
Industrial
Weaving



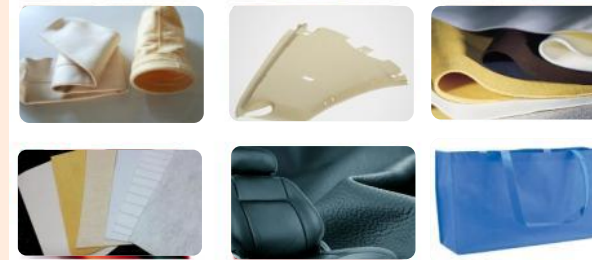
3

Composites



4

Non-Wovens



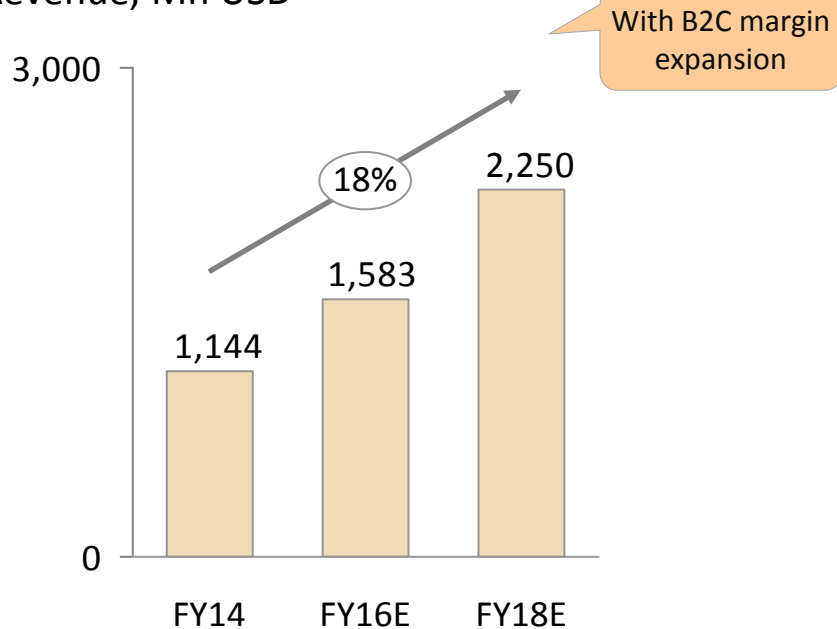
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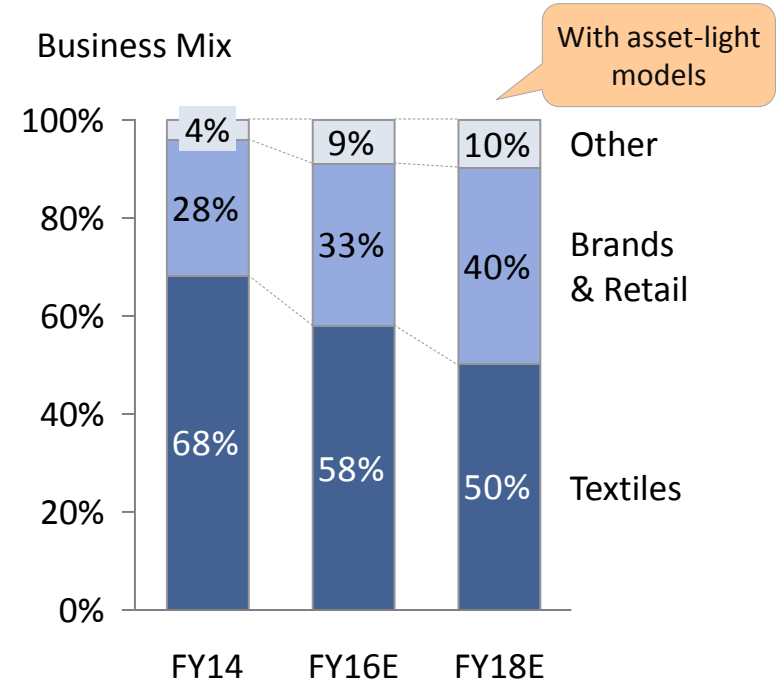
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Revenue, Mn USD



...and shift towards more B2C portfolio

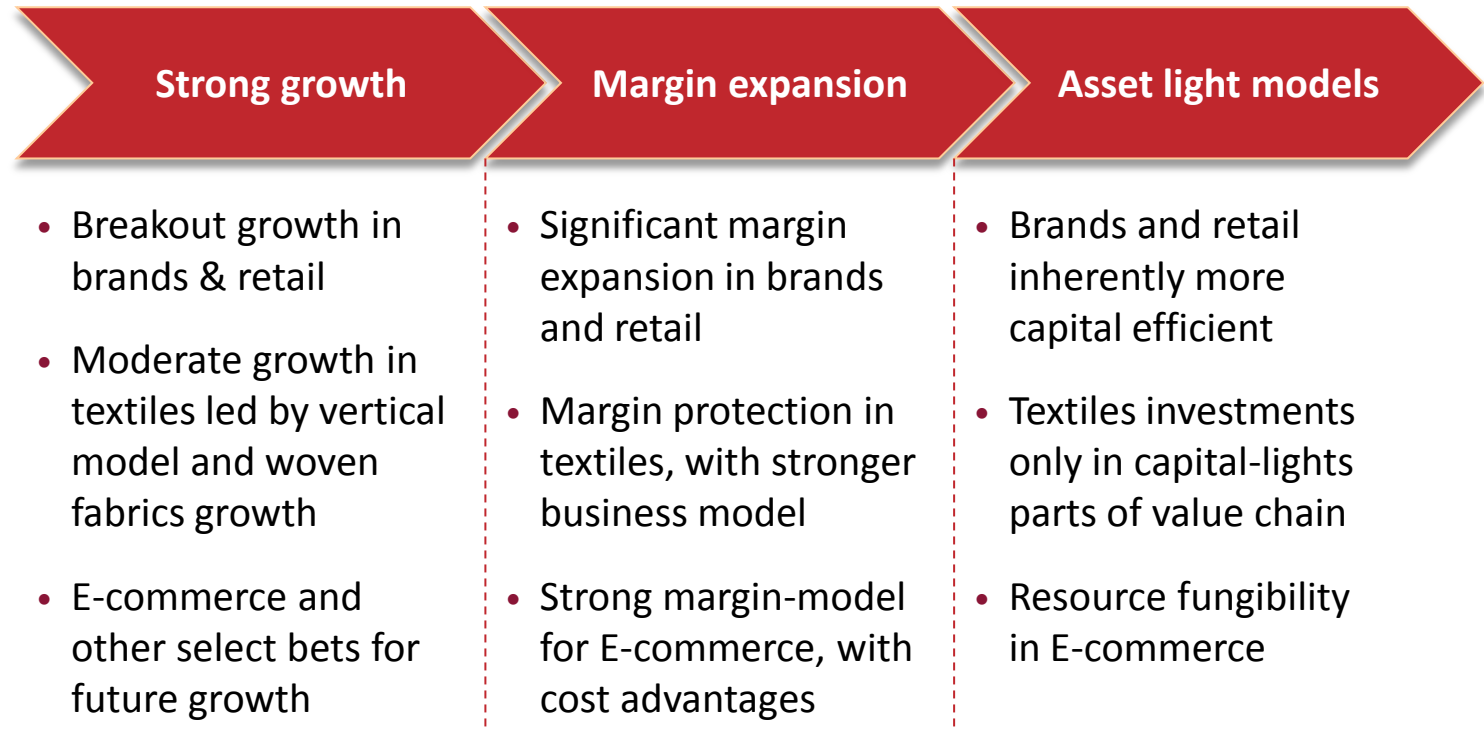
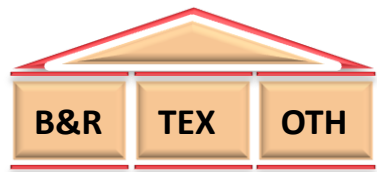
Business Mix



Emphasis on three imperatives:

Robust growth, margin expansion in B2C, and asset efficiency with strong RoCE focus, target 20%+

Summary: Arvind Limited is at an inflection point



Arvind looking to balance these opportunities to maximize shareholder value creation



Thank You!