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# Arvind 3.0

*Investor Presentation*

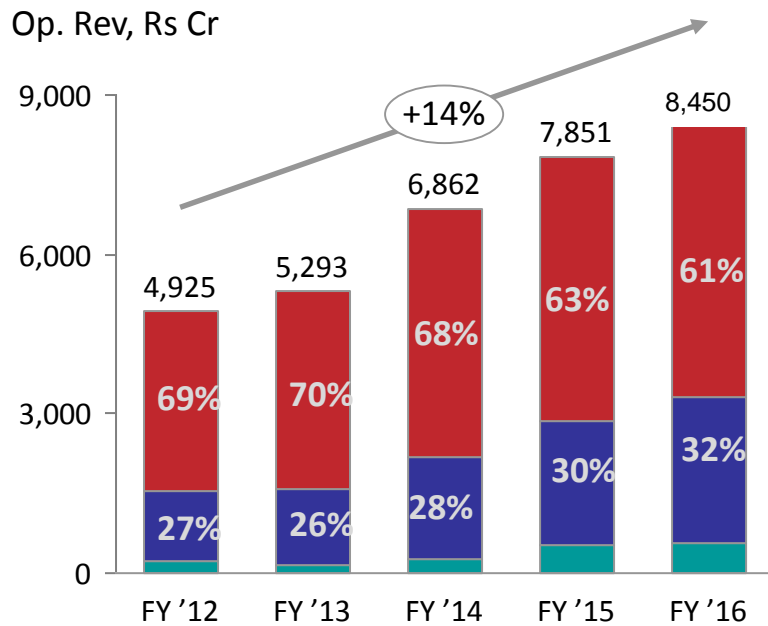
May 2016

# Agenda

- FY2016 – at a glance
- Strategic agenda – Brands and Retail
- Value creation case

# Over the last 5 years, we have achieved robust revenue growth, while maintaining margins, returns and a stable leverage

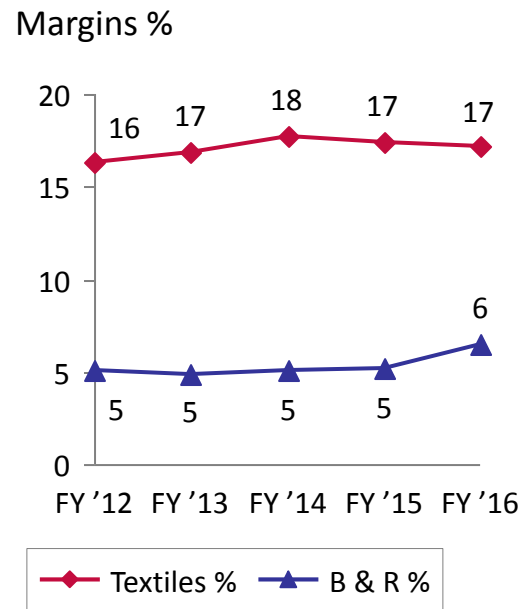
14% overall top-line growth during the last 5 years



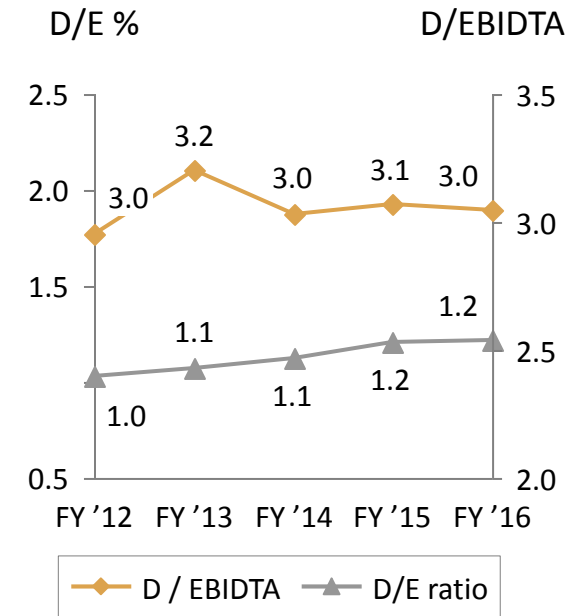
Textiles

B & R

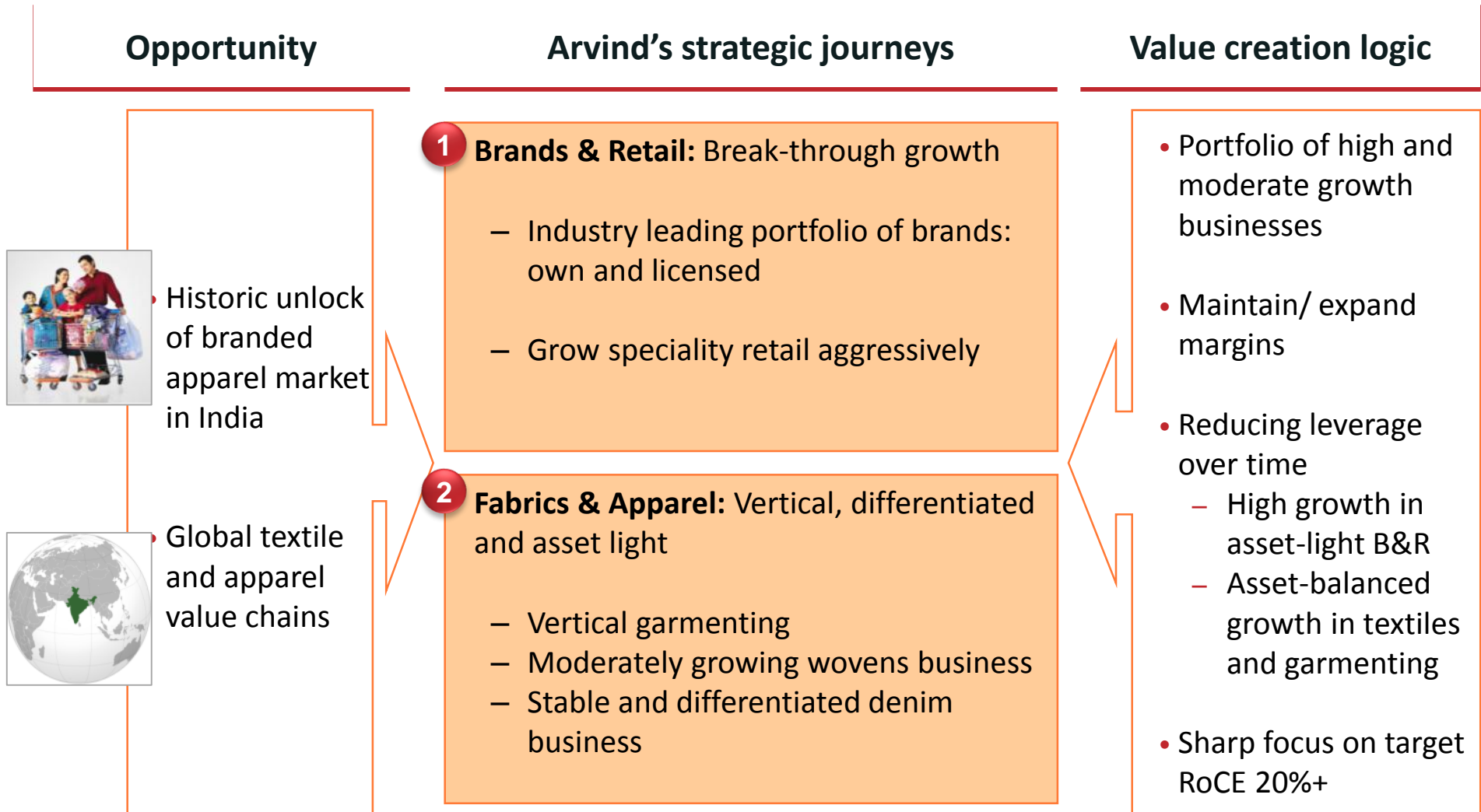
Margins maintained on an overall basis...



..and robust returns with stable leverage



# Recap: Arvind's growth and value creation agenda driven by two parallel strategic journeys

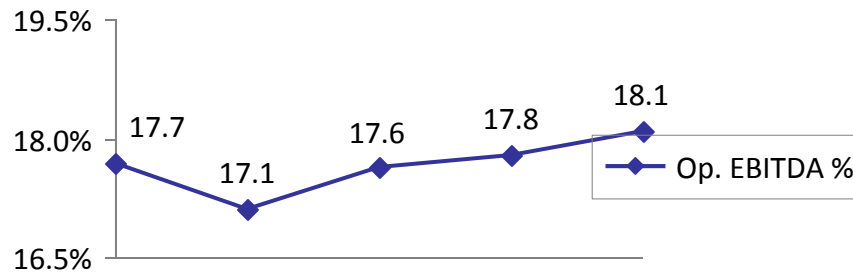


# Fabric business has delivered strong EBITDA and ROCE growth despite volatile external environment

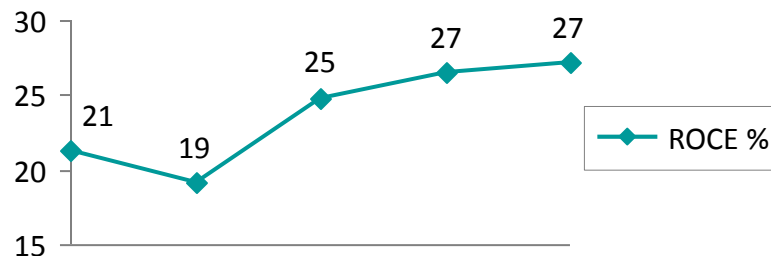
10% top-line growth in fabrics was coupled with expanded margin, improved ROCE and cashflows...

..while cotton prices and US\$ remained highly volatile

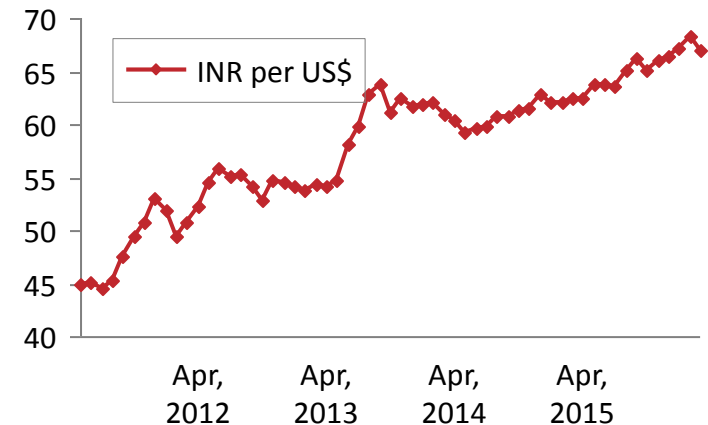
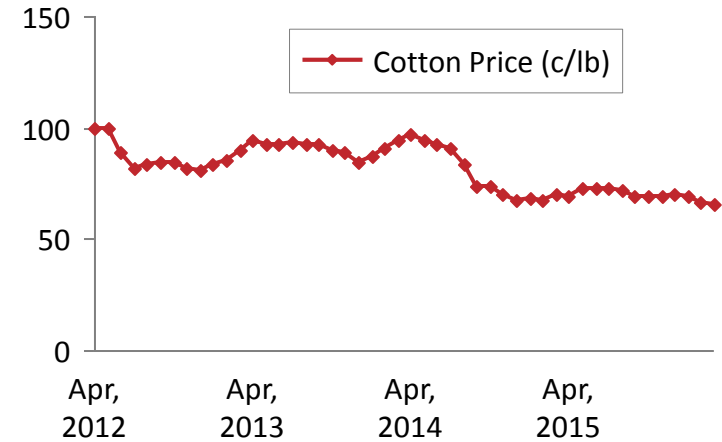
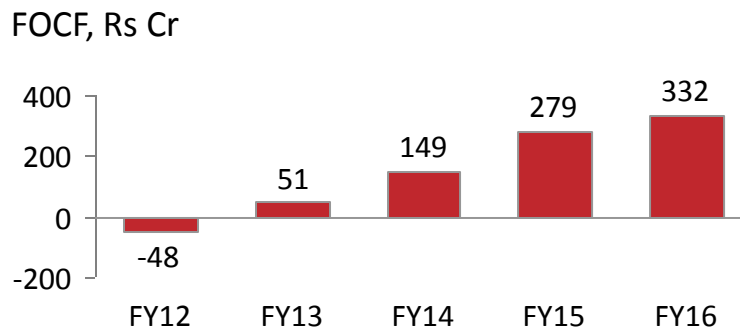
Margin expansion, while growing revenue



Significant shift in ROCE profile

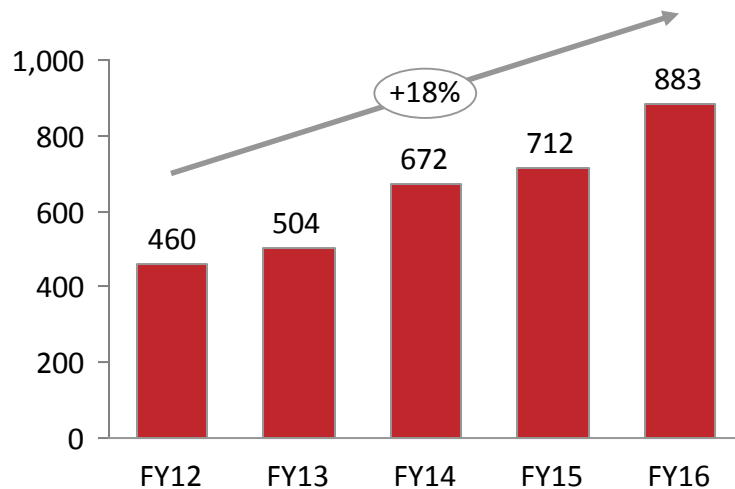


Steadily improving cashflows



# Vertical garmenting will dominate the agenda for our fabrics business

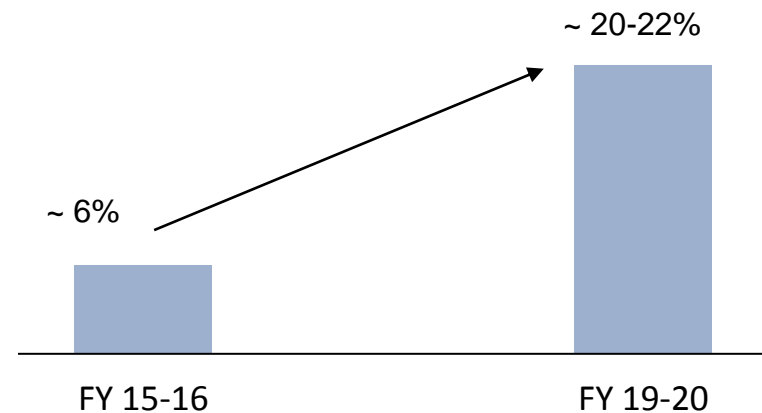
Top-line from garmenting grew by  
~20% in FY2016



- Added capacity of 1 million units in Bangalore
- Operations in new facilities stabilized

10+ customers already served through  
vertical offering – clear plans to step-up

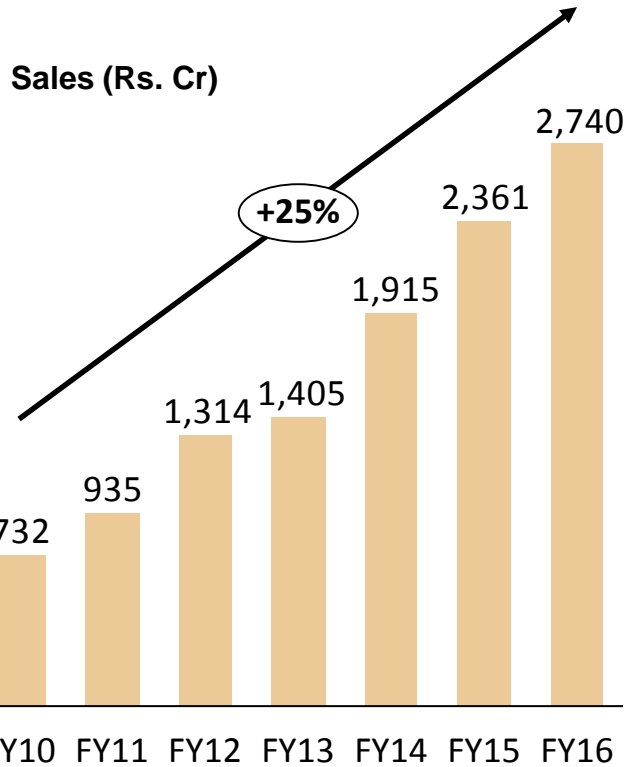
*% of fabric output sold as garment*



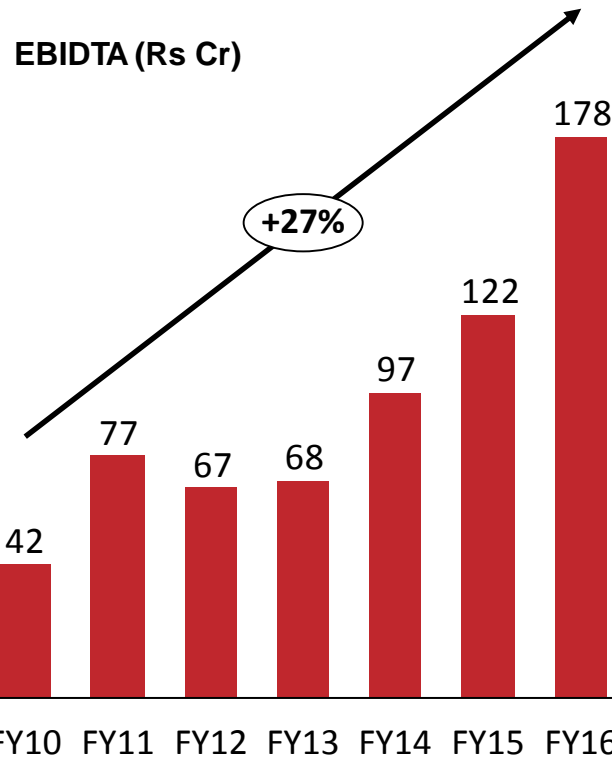
- Deeper customer relationships giving revenue visibility and stability
- Platform to expand customer value through design/development partnerships
- Supply chain simplicity/ transparency

# Brands & Retail business has achieved breakthrough growth, increased revenue by 2.5x over last 5 years

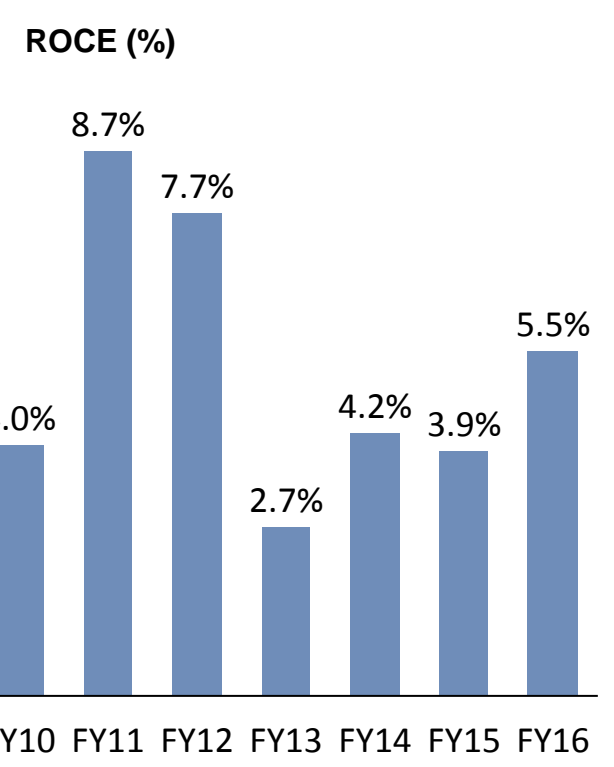
Sales growing at 25%+ yoy



Strong and improving bottom line



Capital efficiency : Poised to Improve



EBIDTA %

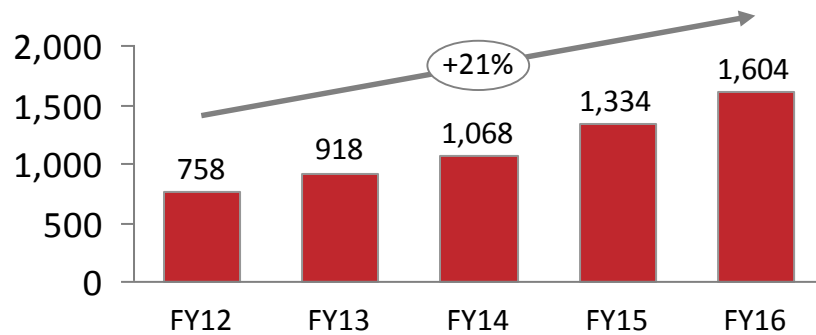
5.8	8.2	5.0	4.9	5.1	5.2	6.5
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***Fastest growing player in Indian apparel retail***

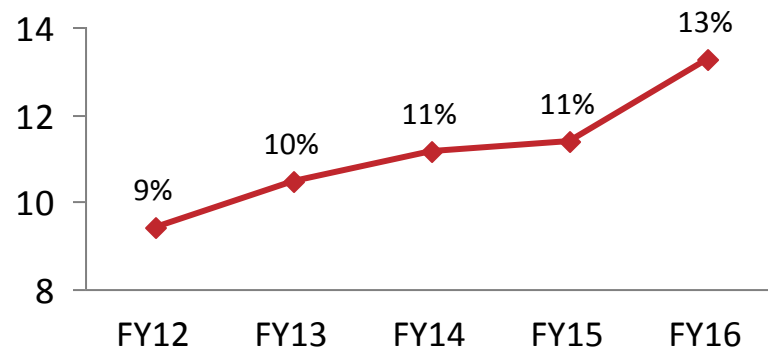
# Power Brands delivered strong revenue growth and margin expansion, while growth brands started delivering positive EBITDA

Power Brands delivered steady growth, increasing profitability

Revenues Rs Cr

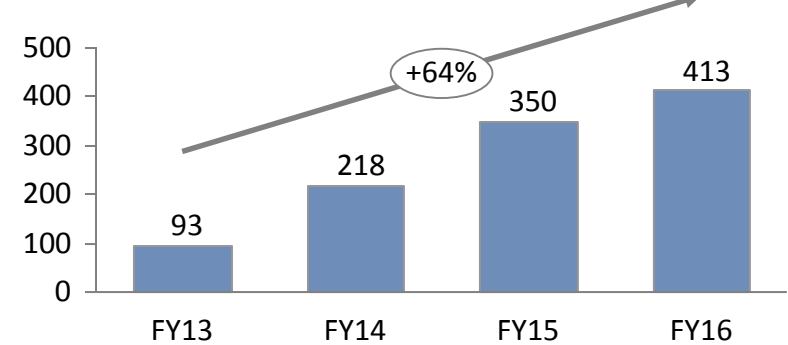


EBITDA %

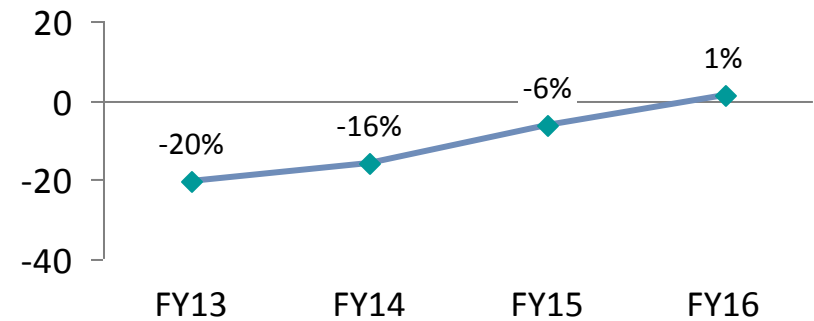


Growth Brands collectively delivered +ve EBITDA, as they grew rapidly

Revenues Rs Cr



EBITDA %





# Specialty retail forays were very successful, while re-structuring of discount/value retail started to deliver results

## Successful debutants in specialty retail

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- Enabled play in new fast growing categories – youth, children’s wear and women’s
- Each store delivered store level profitability within the year of start
  - likely to start contributing to company P&L from year 3
- Well recognized global brands – will accrue brand equity value as the businesses grow
- Include exclusive rights for online/ e-commerce play

## Mega-mart relaunched as Unlimited

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- Restructuring agenda
  - Closure of 55 loss making stores
  - Product mix largely private brands with high gross margins
  - Single size store footprint
  - Family Store (more women’s lines)
- Initial results
  - Full price sell through up 15%
  - 6% improvement in gross margin
  - Old stock reduced by 5% (fresh inventory)

# Agenda

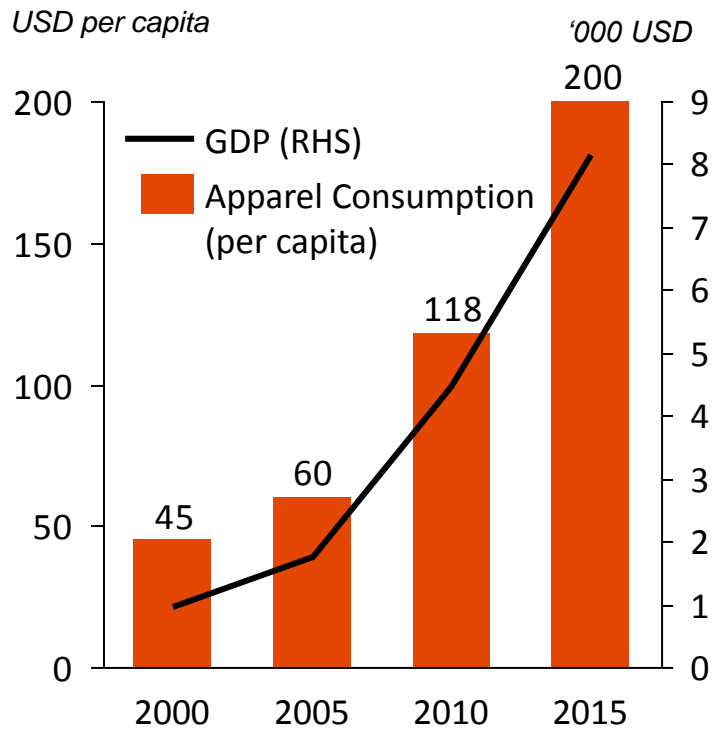
- FY2016 – at a glance

- Strategic agenda – Brands and Retail

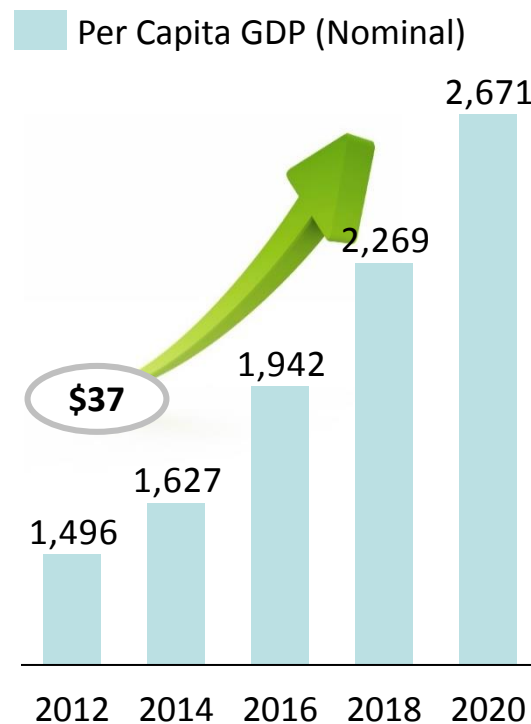
- Value creation case

# Indian apparel demand is at the cusp of significant growth as the economy crosses \$2000 GDP per capita

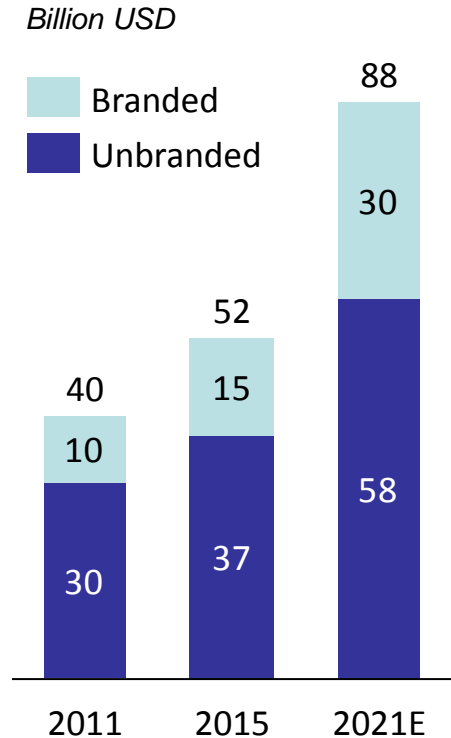
**China apparel consumption took-off at \$2k GDP per capita**



**Indian apparel consumption stands to grow significantly**



**Branded segment to grow at 1.5x the overall market**



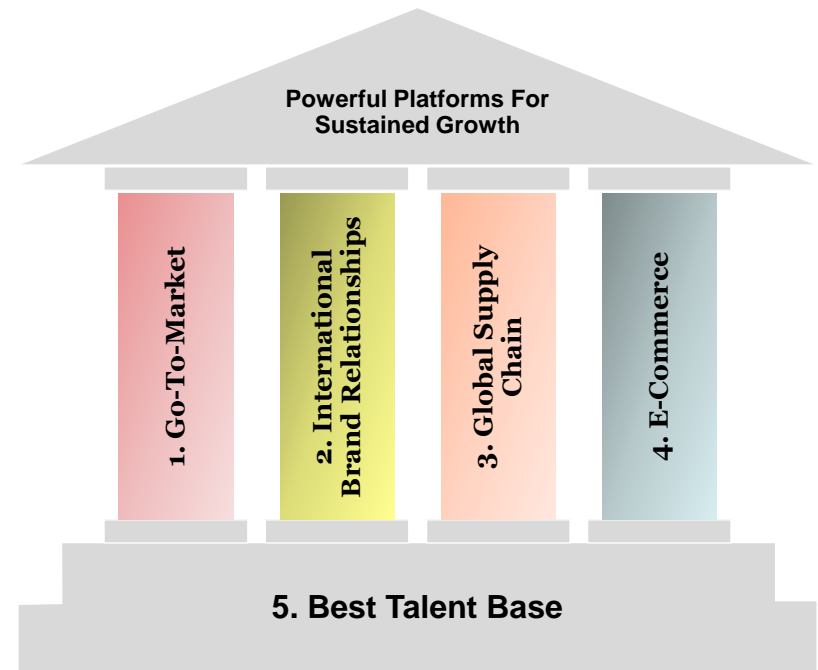
Top 15 brands have grown at 24% CAGR in last 5 years (industry @ 6.5%)

# Arvind is well positioned to be India's lifestyle powerhouse by 2020

Strong portfolio of iconic global brands across all market segments/ formats



Robust platform and industry leading capabilities to enable the growth



*Platform will easily scale-up to enable our \$1 Billion by 2020 aspiration for the B&R business*

# Our agenda in Brands and Retail will be driven by 3 clear sets of priorities

1

## Consolidate existing business

- Build on the power brands through category and channel expansion
- Specialty retail to quickly gain strength due to strengths of brands
- Growth brands moving towards double digit EBITDA
- Enhance returns through operational efficiency

2

## Strategically manage portfolio

- Carefully monitor evolution and performance of recent launches
- Take calculated bets on new opportunities
- Maintain financial discipline while making new investments

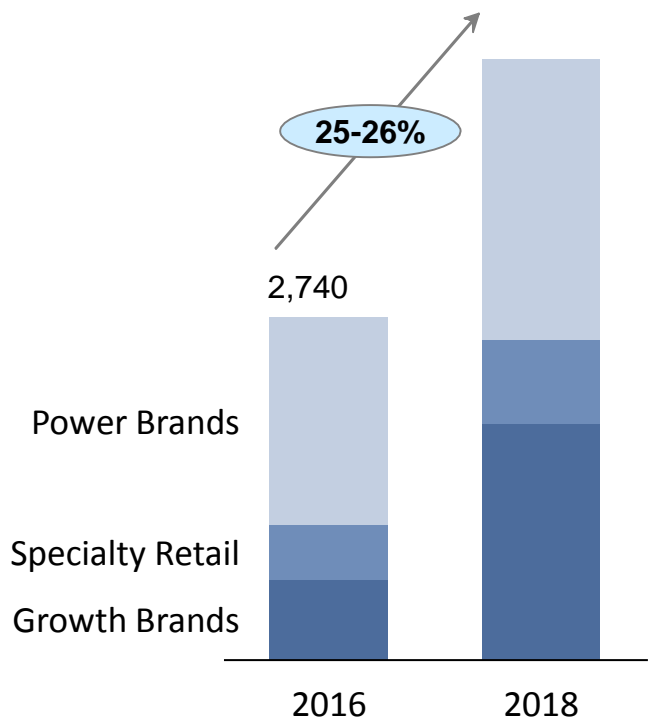
3

## Powerful Omni/ Digital play

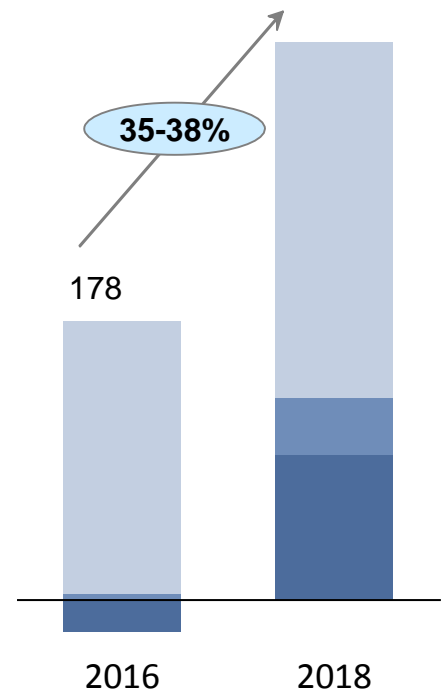
- Ensure seam-less customer journeys across all channels/ touch-points
- Maintain full complementarity with overall B&R play

# Key Priority of the Brands & Retail business over the next Two Years is to grow Topline with Improved Profitability and ROCE

## Top-line expected to grow at 25%+...



## ... and EBITDA at 35%+



## Healthy returns

- ROCE will improve 2x to reach 16-18% range
- Improvement powered by an efficiency improvement program that is delivering
  - GP improvement of 3% to 5%
  - 5% sell thru improvement
  - Inventory turns up by ~30%

# We will continue to manage our B&R portfolio to ensure that we meet the evolving market needs while balancing financial performance

## Critical to dynamically maintain B&R portfolio

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- 'Current' to consumer preferences
- Trending brands
- Unfolding shopping behavior



## Calibrated additions to B&R portfolio

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- Large opportunities with potential to become 500 cr in 5 years and EBITDA breakeven in 2 years
- Enable play in attractive adjacencies
- Niche brands that add value to NNNOW.com

***Investments in new brand are guided by our philosophy of limiting the overall EBITDA impact***

# Arvind Ltd. has launched NNNOW.com – a powerful omni-channel portal that integrates online and offline shopping

## Arvind Internet Offer

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- Exciting omni-channel features
  - Endless aisles
  - Express delivery
  - Convenient returns
- Distinctive online experience
  - Authentic brand shops
  - Curated ensembles
  - Global brands

## Integral to B&R Strategy

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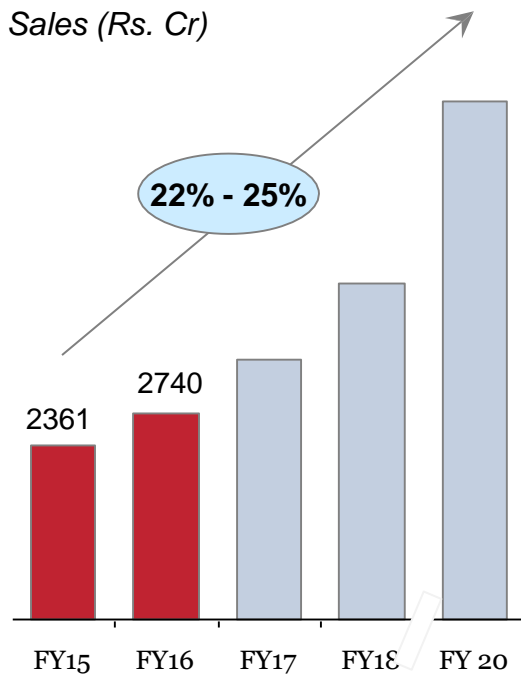
- Official online channel for ALBL brands
- Platform for creating own-brands or brand extensions in select categories
- Digitization of ALBL brand stores



# We expect to clock healthy growth, profitability and capital efficiency in our quest to \$1B in B&R by 2020

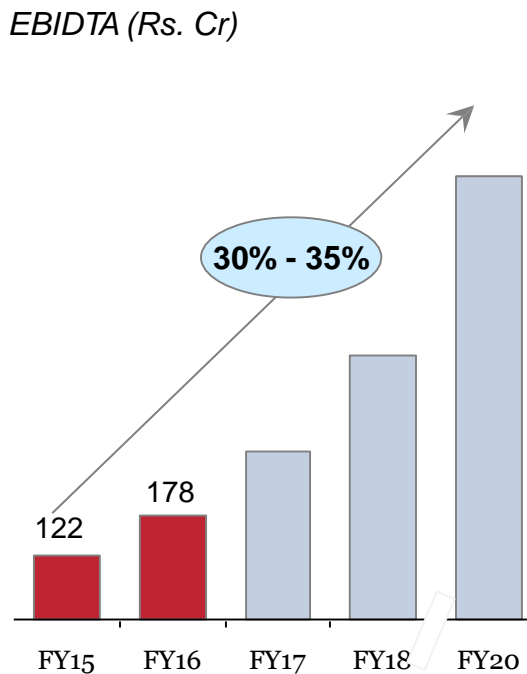
## Sales growing at ~22%+ yoy

Sales (Rs. Cr)



## Strong bottom line growth

EBIDTA (Rs. Cr)

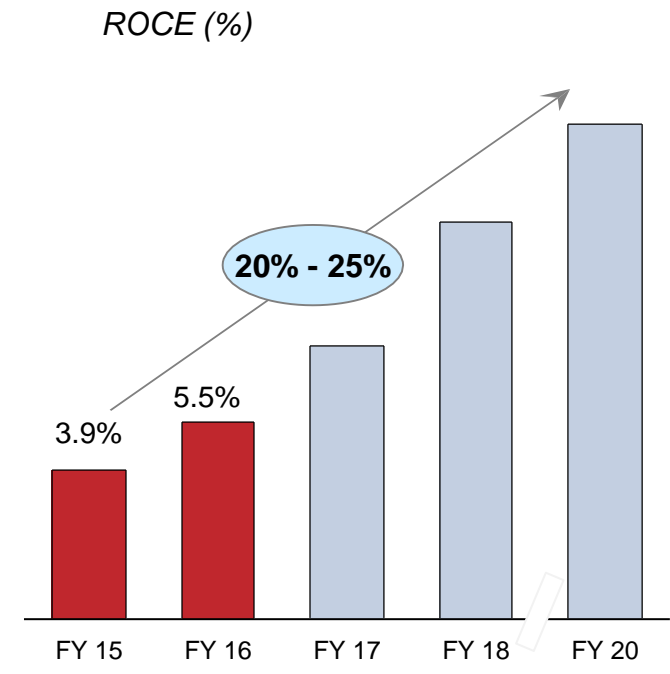


EBIDTA %

5.2 6.5

## Improving capital efficiency

ROCE (%)



# Agenda

- FY2016 – at a glance
- Strategic agenda – Brands and Retail
- Value creation case

# Summary of value creation agenda over next 4-5 years

## GROWTH

Maintain 15% overall topline growth

- Powered by 25-30% continuing growth in B2C businesses
- Measured capacity addition and higher value addition in fabrics
- Stepped-up vertical play

## PROFITABILITY

EBITDA growth in tandem with topline

- Target yoy improvement in margins in B2C business as
  - Almost all brands/Retail formats are out of investment phase
  - Operating leverage to continue in matured brands

## BUSINESS MIX

Sharpen and expand B2C plays

- Push business mix towards B2C (~40-45% by FY20 as against ~32% in FY16)
- Maintain a carefully designed portfolio of licensed and own brands available thru optimal mix of offline, online and omni channels

## RETURNS

Tight management of capital employed

- Systematic reduction of debt ratio yoy
  - Maintain strong capex discipline
  - Margin Improvement
- Target ROCE to reach 18-20% by FY20 (against 14% in FY16)



Thank You!