



Arvind Limited

Board of Directors Meeting
31st July 2008

ARVIND LIMITED

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***FINANCIAL
PERFORMANCE***

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The Arvind Mills Limited

- The earnings of the company continue to be depressed on account of weak denim markets coupled with rapid rise in the input cost
- The new economy business of brand and retail continue to grow in excess of 35%
- The apparel export business has also been showing rapid growth in terms of profitability primarily due to productivity gains

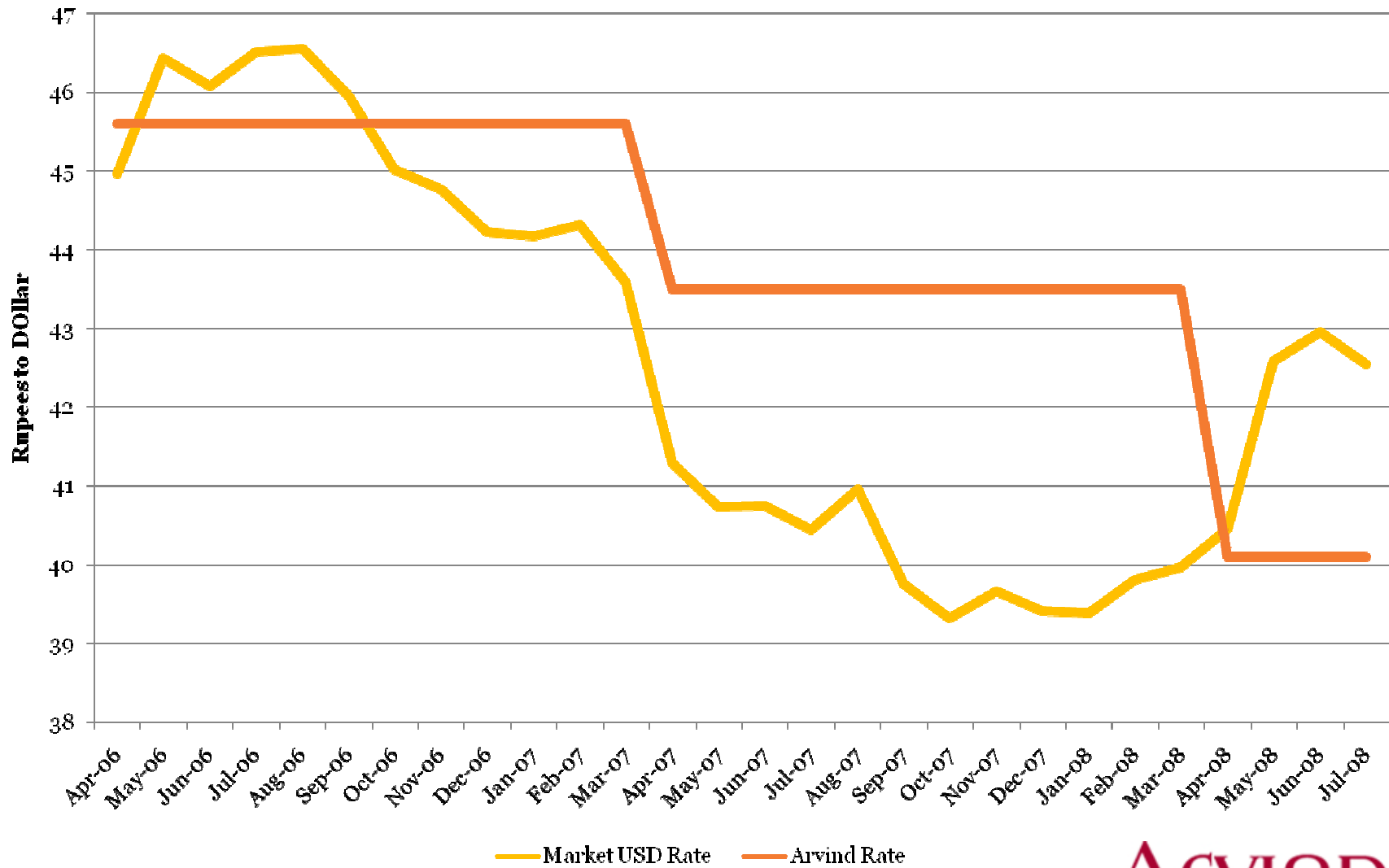
Particulars	Q I		
	2008-09	2007-08	Change %
Net Sales/Income from Operations	545	515	6%
Other Income	12	1	1500%
Revenues	558	515	8%
Total Expenditure :			
Consumption of Raw Materials	192	174	11%
Employees Cost	60	57	5%
Power & Fuel	72	46	57%
Stores Consumption	61	67	-8%
Other Expenses	106	95	11%
EBIDTA	67	77	-13%
Interest & Finance Cost (Net)	32	36	-9%
Cash Accruals	35	42	-16%
Depreciation/Impairment	29	35	-17%
Exceptional Items	2	0	
Profit from Ordinary Activities before tax	4	6	-35%
Taxes	0	0	
Net Profit from Ordinary Activities after tax	4	6	-34%

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Hedging Policy

- The company has been following a consistent hedging policy for last 6 years of selling the dollar forward for net exposure of next financial year
 - The company has been never out of money in the past
 - Current financial year is the first time we are out of money
- The government of India alarmed by rapidly appreciating rupee had in fact given additional drawback of 3%
- On the positive side at the current exchange rate if the company is able to achieve a rate of Rs.43 .75 for next financial year then , next year profit would be higher by Rs.70-80 Crores compared to current year

Foreign Exchange Hedging



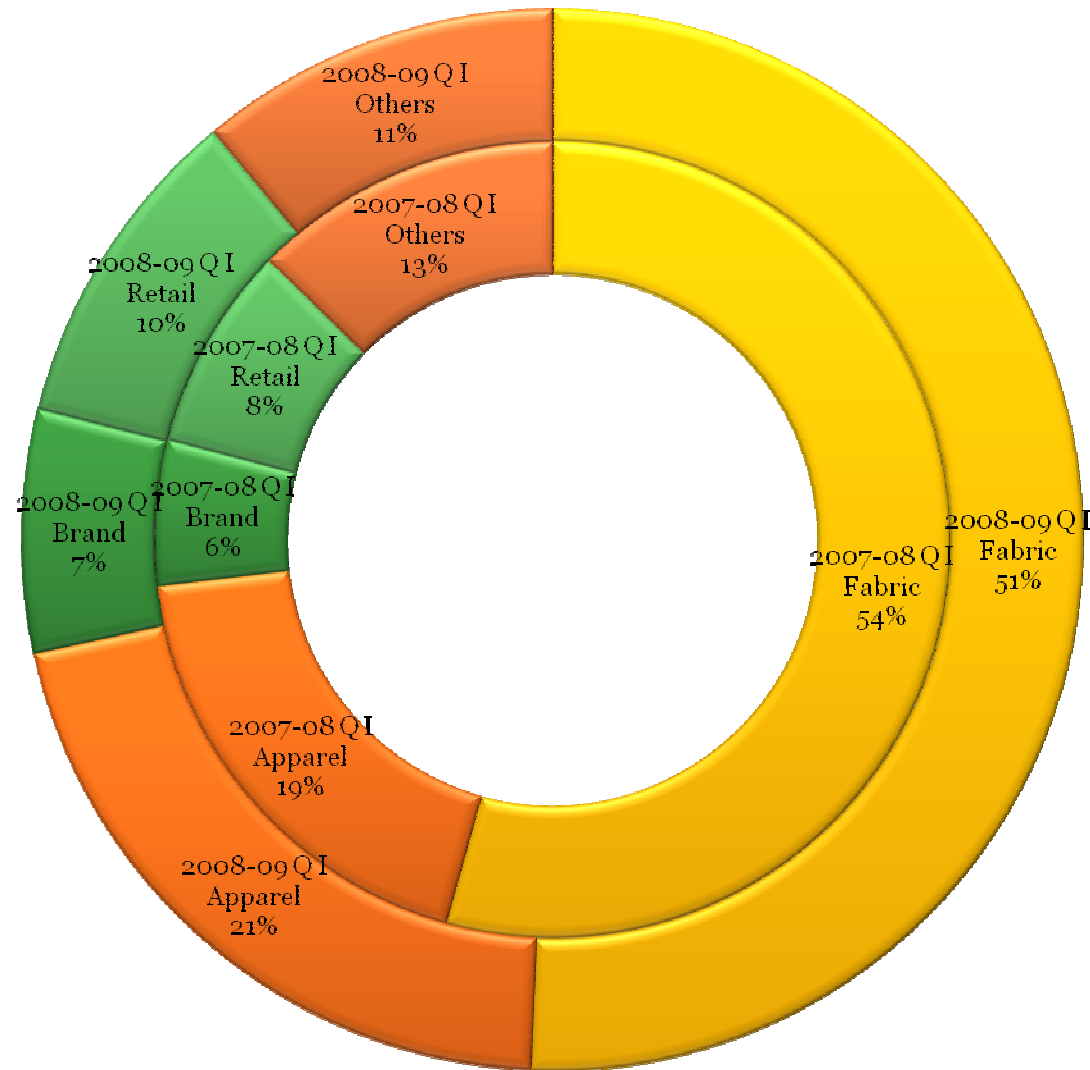
Significant Transactions

- Following the principles laid in Accounting Standard 30 – Financial Instruments - Recognition and Measurement issued by The Institute of Chartered Accountants of India with effect from 1st April 2008 and
 - Instruments qualifying for hedge accounting, the net unrealised loss of Rs. 83.10 Crores accounted for as a Hedging Reserve
 - To be ultimately recognized in the profit and loss account when the underlying transaction arises,
 - Earlier practice was recognizing the same in the profit and loss account, on unwinding of hedges.

Sale of Land

- Property measuring 88100 square meter at a place called Sanavad near Ahmedabad sold for Rs.12.75 Crores
- Net profit after all expenses is Rs. 5.22 Crores and included in other income

Arvind Mills Sales Mix



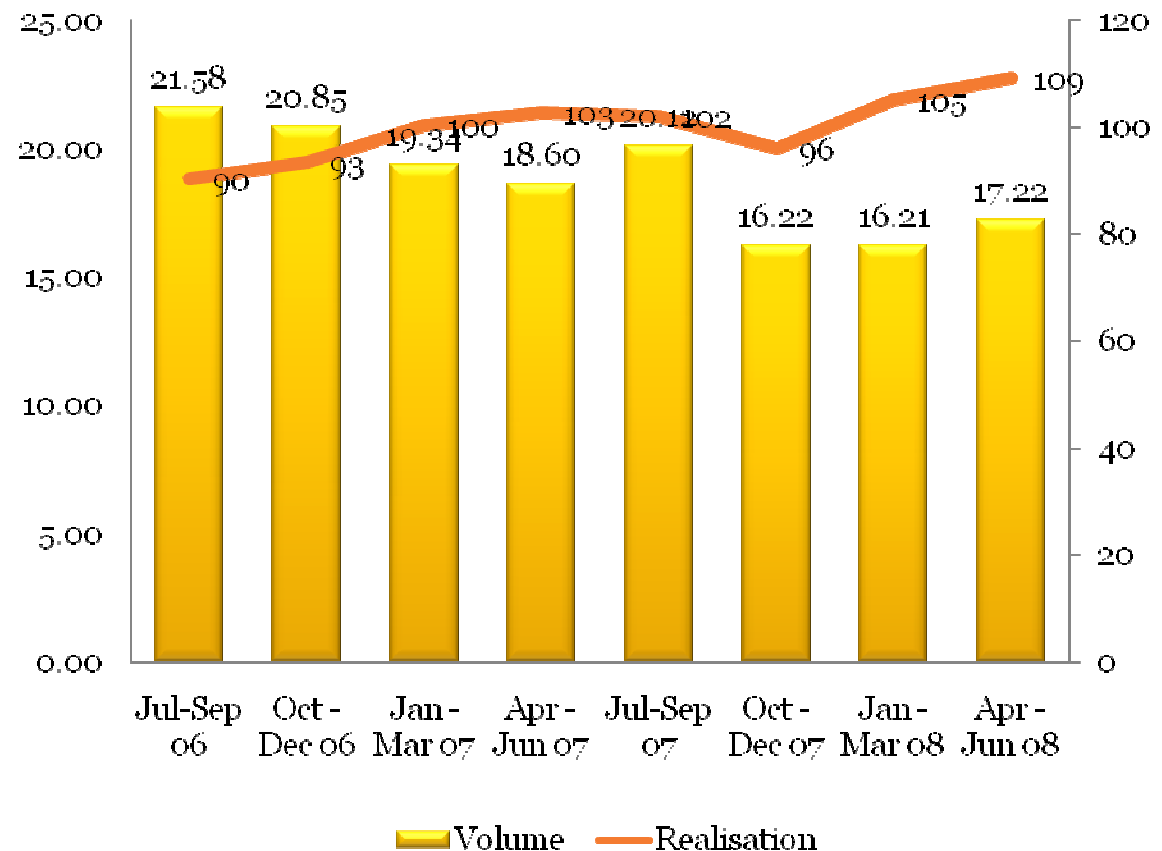
BUSINESS ANALYSIS

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Denim

- The sales and realization performance of denim improved on back of higher prices in domestic markets on back of rate hike to offset the cotton price increase and also continued growth in export realization due to better product mix
- The volume and realization increase has not offset the impact of significantly higher cotton cost and almost 30% increase in the energy cost

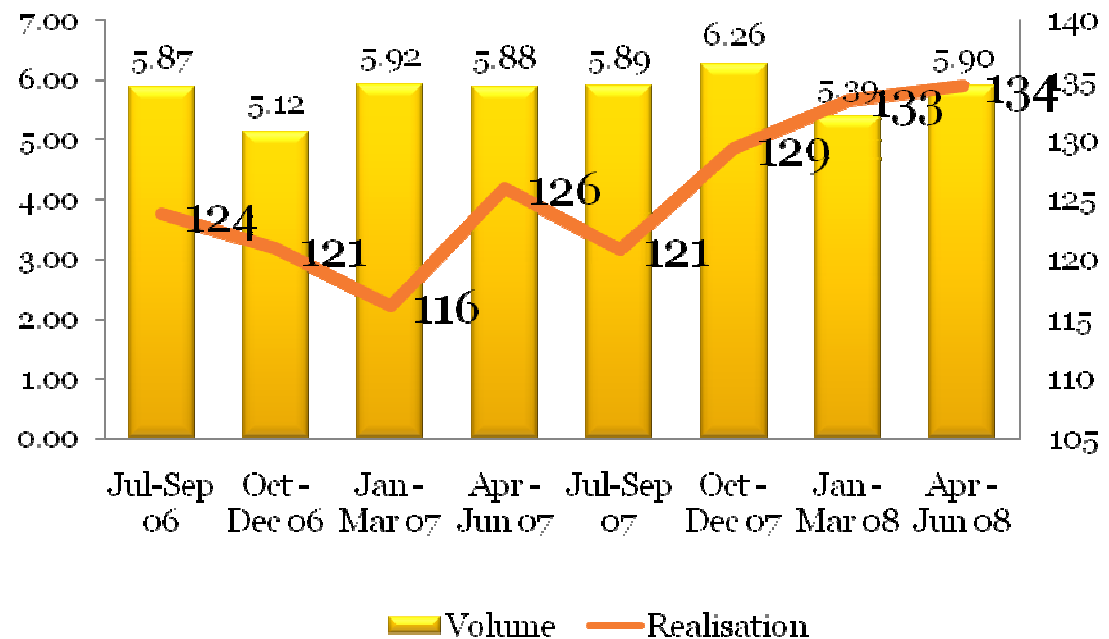
Denim Volume & Realisation



Shirting

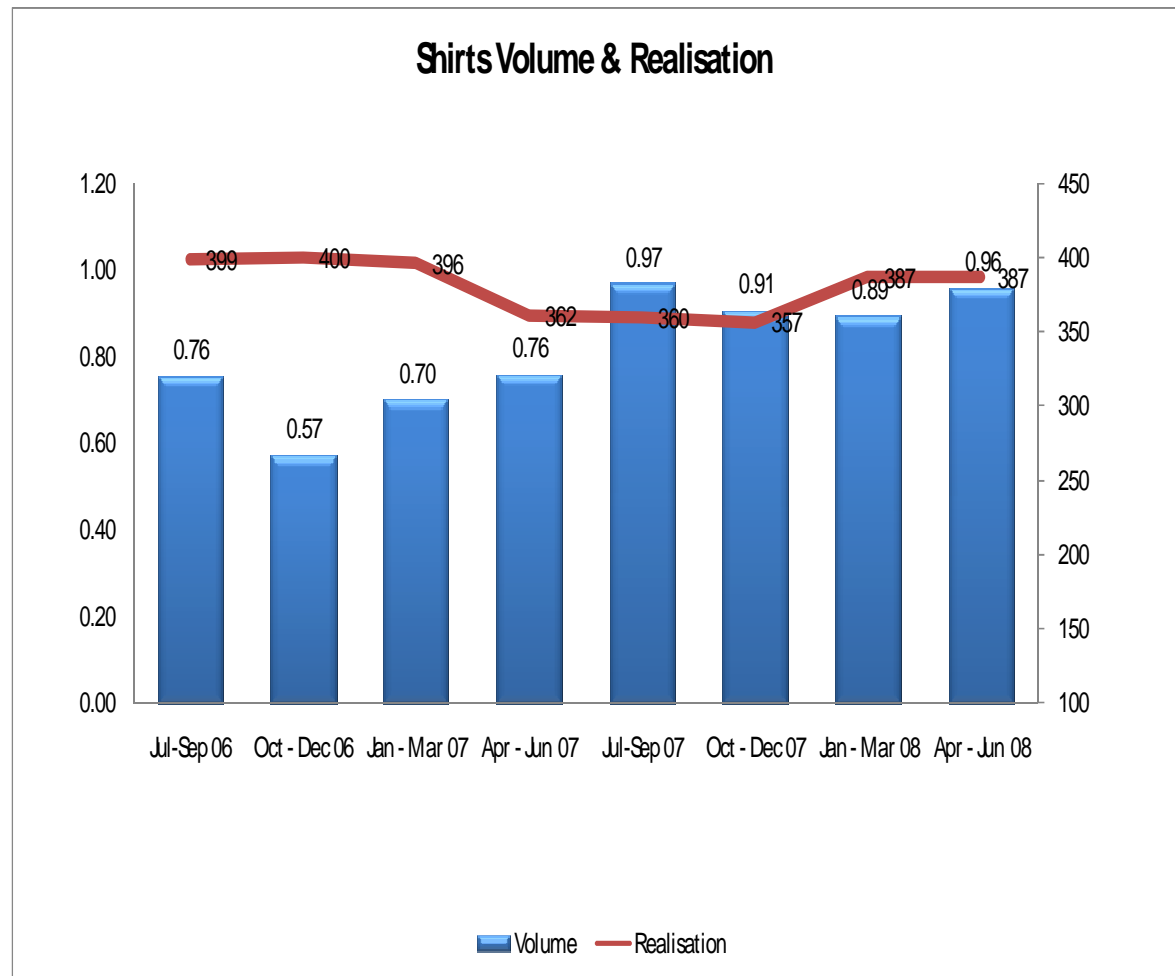
- The Shirting continues to deliver performances which are historical highs .
- The operational parameters in Shirting continue to be high
- The business could come under pressure due to pressure in the domestic market and also largely due to significant new capacities getting commissioned in near future
- Business also suffering from 50% increase in cost of energy

Shirting Volume & Realisation



Shirts

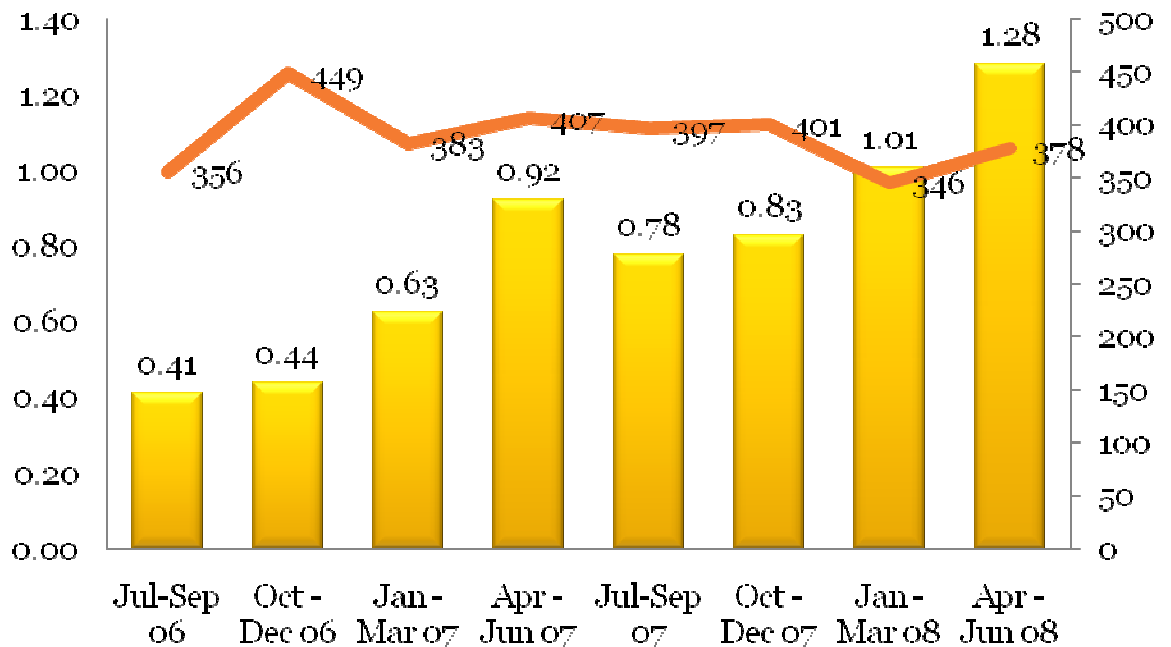
- The business continues to do well in the current quarter and the realization is continuously improving
- The operational parameters are optimized and the order book continues to be robust
- The customer mix is primarily focused on Europe and to some extent has not been impacted by the slowdown



Jeans

- The business achieved best ever operational performance during the quarter in terms of production and productivity
- The profitability of the business in spite of operational performance was impacted by air freight and shortage of staff

Jeans Volume & Realisation

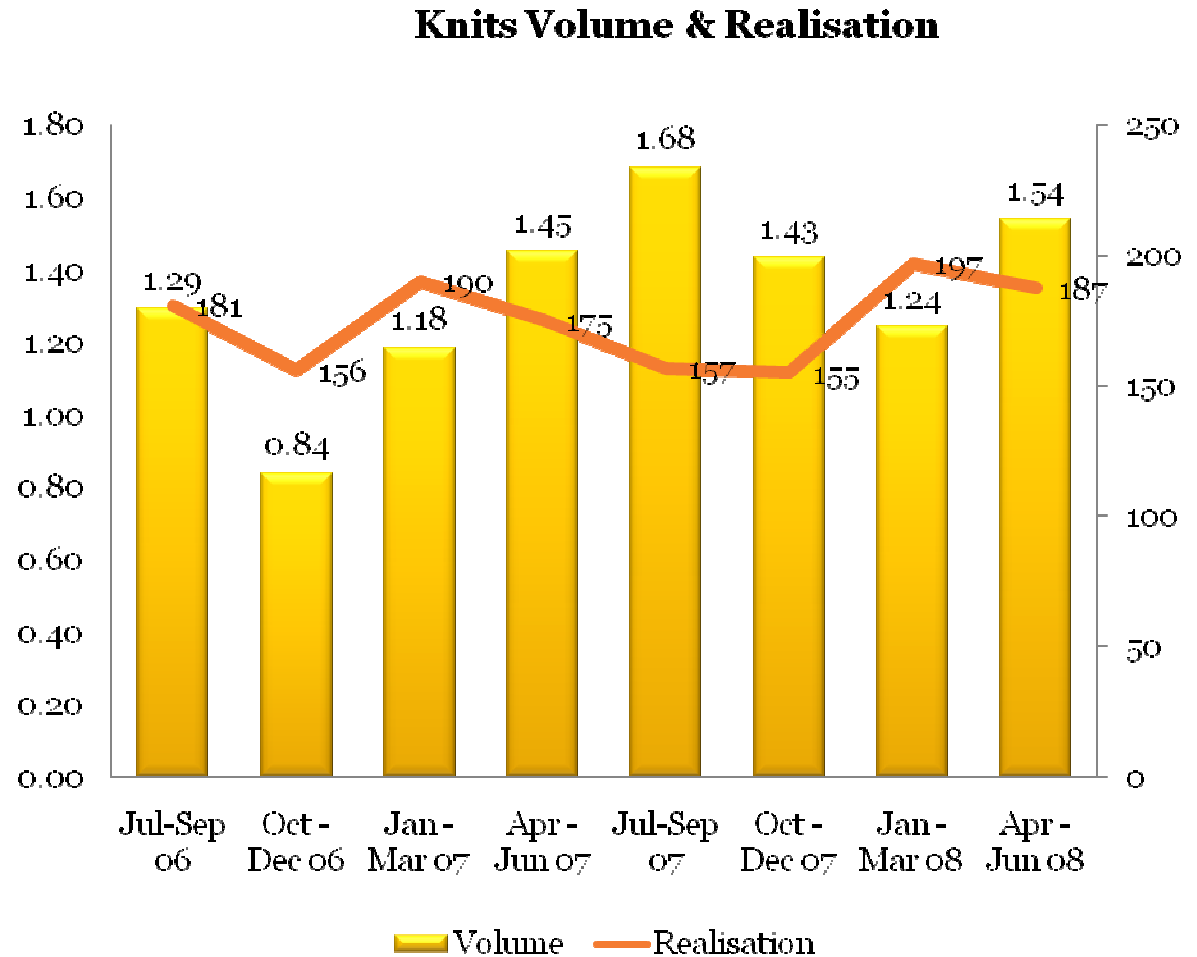


■ Volume — Realisation

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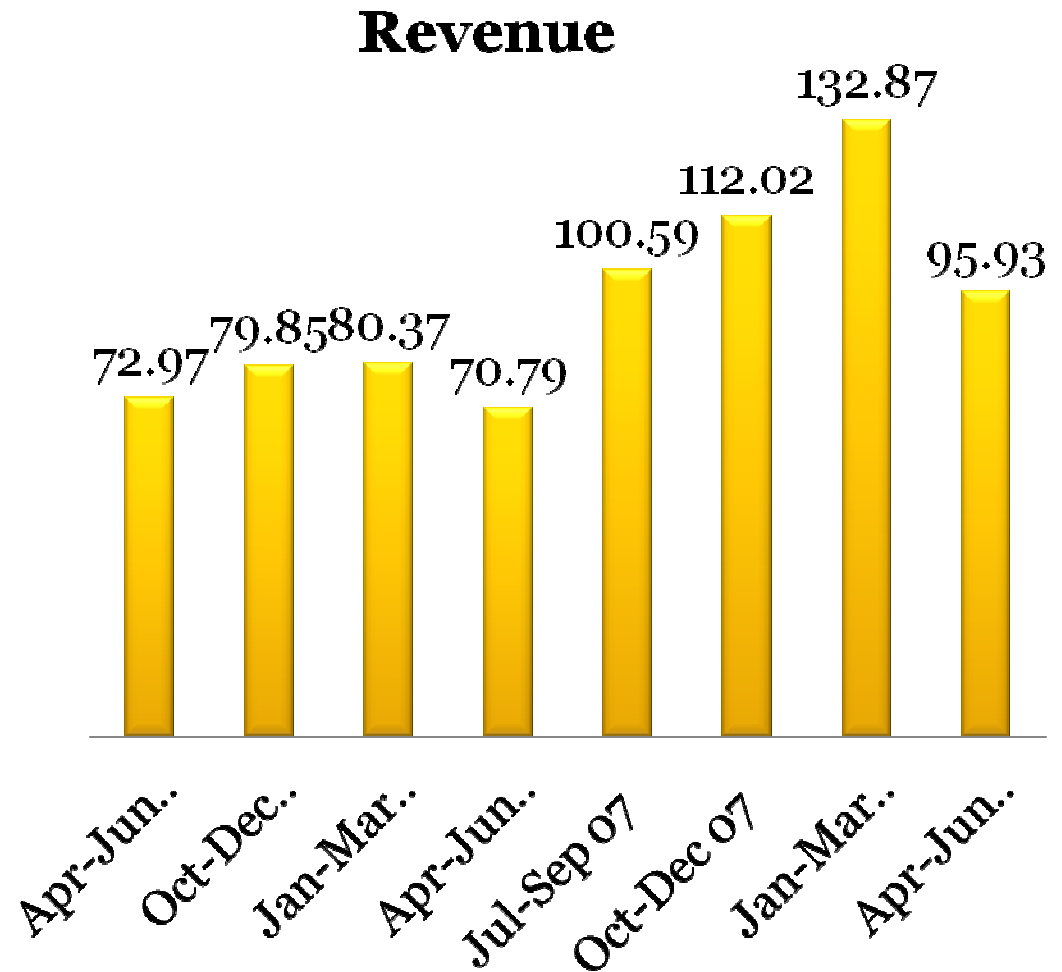
Knits

- There has been a management change in Knits during current quarter and initial results have been very encouraging
- The garmenting operations achieved an average of 17000 pieces per day as against 13000 in the past
- The order book for garment is robust and profitable



Brands & Retail

- The sales has increased by 36% over corresponding quarter previous financial year
- Even though the end retail sales went through one of most rough quarters in last two years initially due to IPL and subsequently due to negative economic news the business achieved the profit targets by cutting expenditure diligently
- The value retail format under the MegaMart brand name continues to do well even in this situation

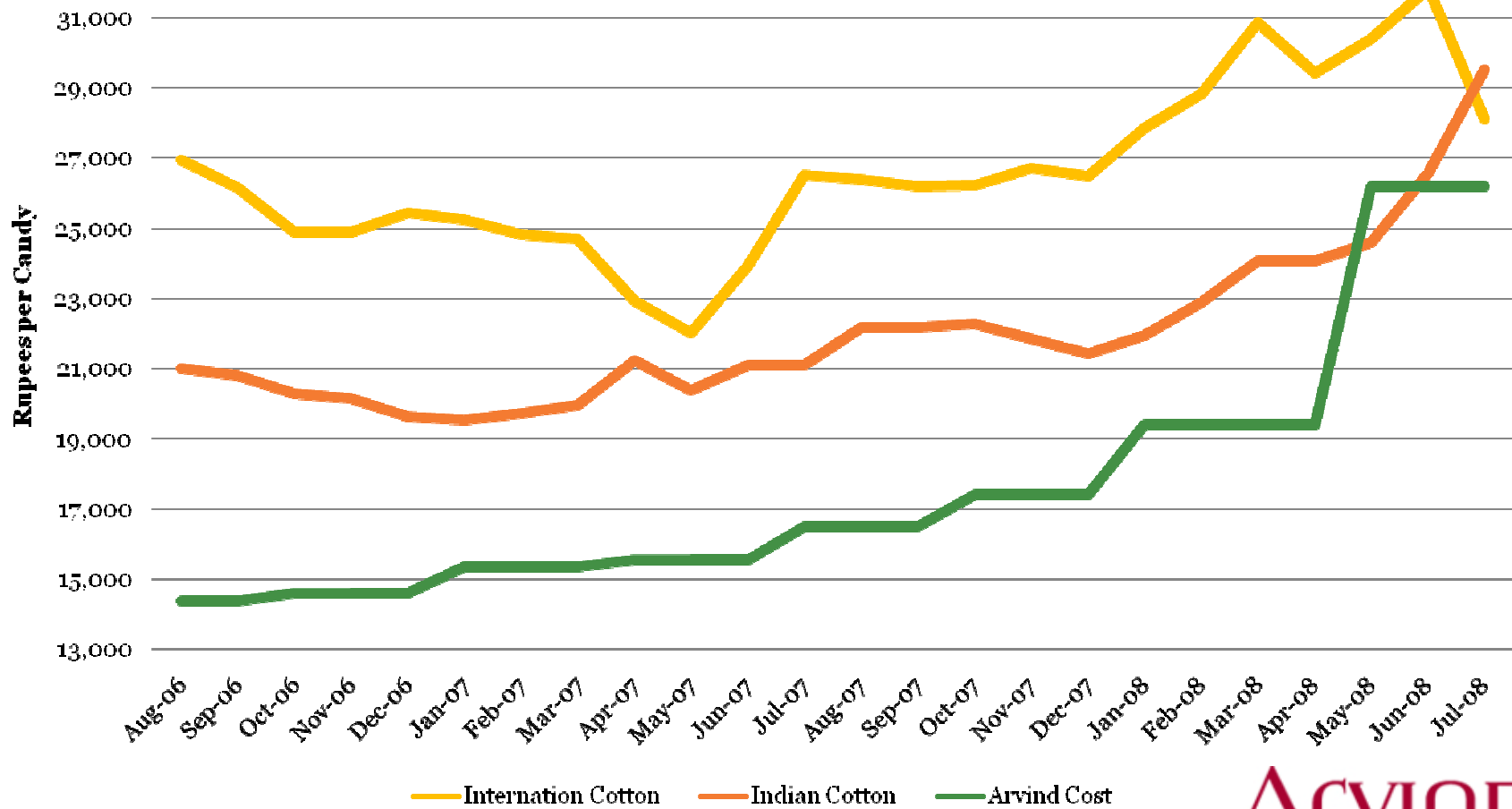


BUSINESS ENVIRONMENT

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Cotton Prices

Cotton Cost Comparison & Movement



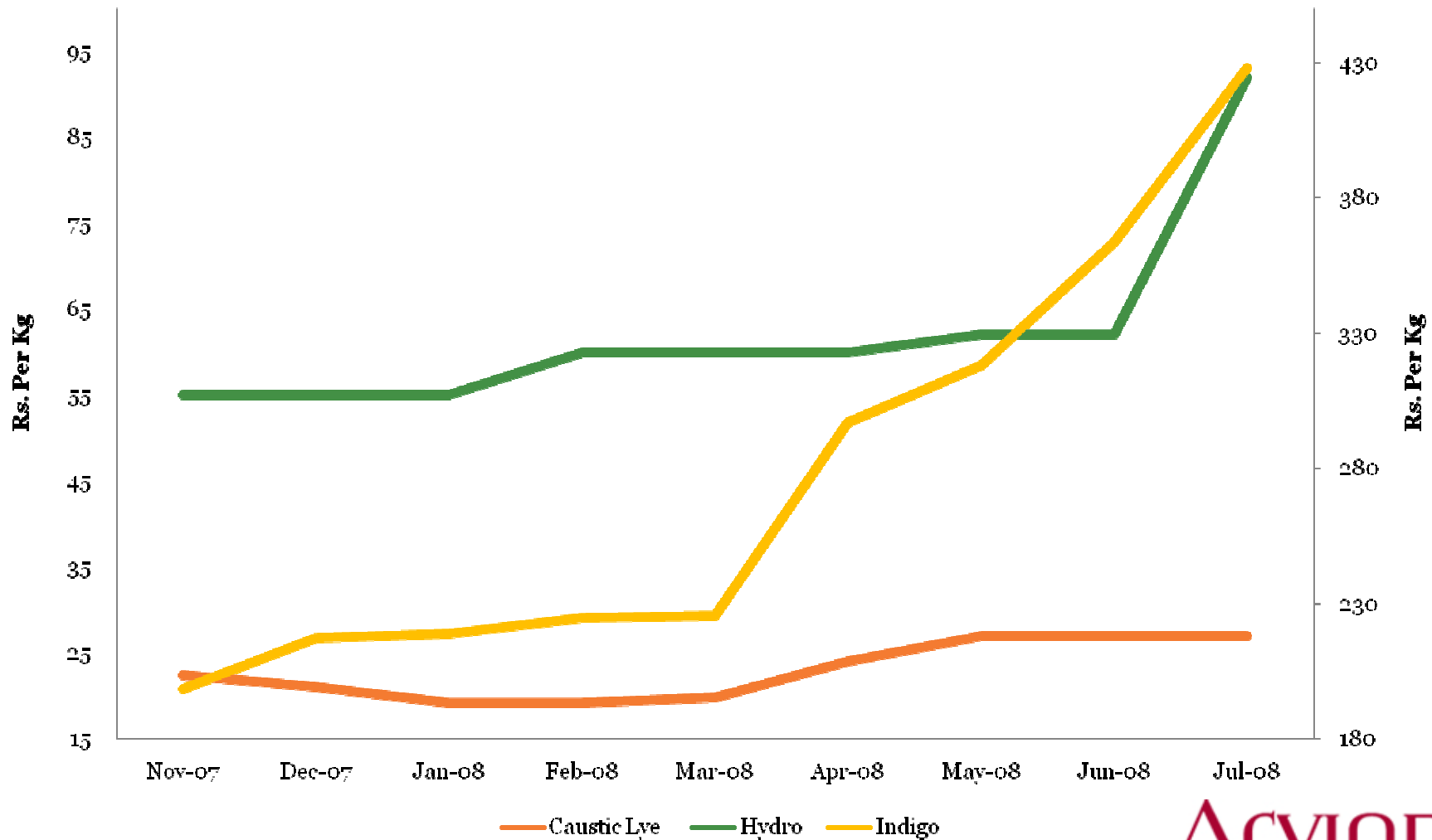
Cotton Cost

- The cotton prices have gone up substantially in last one year against the fundamentals on back of global commodity boom
 - The prices are artificially high in spite of increased production and falling demand
 - The company was managing with inventory bought almost 2 years back
- During the current year more than 20% of overall cotton production of India and much larger share of medium and short staple fiber were exported out of India
- The government of India in July first week has announced abolishing duty on cotton import and as well as withdrew the export benefit of 1%
- Even though with reduction in import duty has brought the international and Indian price almost at parity , non availability of delivery based quotes is forcing us to keep looking at Indian cotton

Energy Cost

- Cost of power cost at Naroda is Rs. 5.27 Kwh and at Santej is Rs.7.85 per Kwh as against previous year average of 4.10 and 4.80 respectively
- Apart from the substantially higher cost the impact of staggering is even larger , with Gujarat government proposing almost 40% staggering
- All our efforts to obtain alternative gas have so far not yielded any results

Dyes & Chemicals Cost



Management Response to Cost Escalation

- Apart from trying to mitigate the macro economic factor the company recognizes the need to cut down the cost of doing business dramatically and has embarked on significant surgical cost reduction initiatives, the exercise is broadly split into two large categories , people related and Overheads and the efforts are being spearheaded personally by the MD & CFO
- We plan to exit the year with at least 1% margin improvement on account of overheads control

Outlook

- The company would like to maintain a cautious outlook due to difficult all over conditions in the fabric business
- The company is very confident of growing the Value Apparel retail business under the MegaMart umbrella.
 - in difficult times value retailers do much better business globally and same is seen in the Indian markets too



Thank You