

Arvind Limited – Pushing New Frontiers

Investor & Analyst Note | July 2018

Safe harbour statement

Certain statements contained in this document may be statements of future expectations and other forward looking statements that are based on management's current view and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. None of Arvind Limited or any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its content or otherwise arising in connection with this document. This document does not constitute an offer or invitation to purchase or subscribe for any shares and neither it nor any part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

Global textile business is at an inflection point with clear megatrends playing out on both Demand and Supply sides

Demand Trends

1. Fast-fashion is now table-stakes

- Success of Zara, H&M and Uniqlo is forcing all brands to be nimble
- Global brands strongly prefer buying complete apparel solutions

2. Innovation and Sustainability have become critical drivers

- Weatherproof, ultra-light and smart-clothing becoming norm
- Performance sports/sports inspired largest and growing segment
- Closed-loop Circular Fashion is the new sustainability frontier

3. Domestic market rapidly organizing and achieving scale for branded segments

- Branded apparel (also Branded fabrics) growing at 12%-15% (5-6% unbranded)

Supply Trends

1. Re-ordering of the global supply chain

- Gradual receding of China, rising Bangladesh and Vietnam, emerging Ethiopia & India

2. Post GST, domestic supply chains to shift in favor of compliant players

Arvind gearing up well to realize the global and India market opportunities

Demand and Supply Trends

Demand Trends

1. Fast-fashion is now table-stakes
2. Sustainability and Innovation have become critical drivers
3. Domestic market rapidly organizing and achieving scale

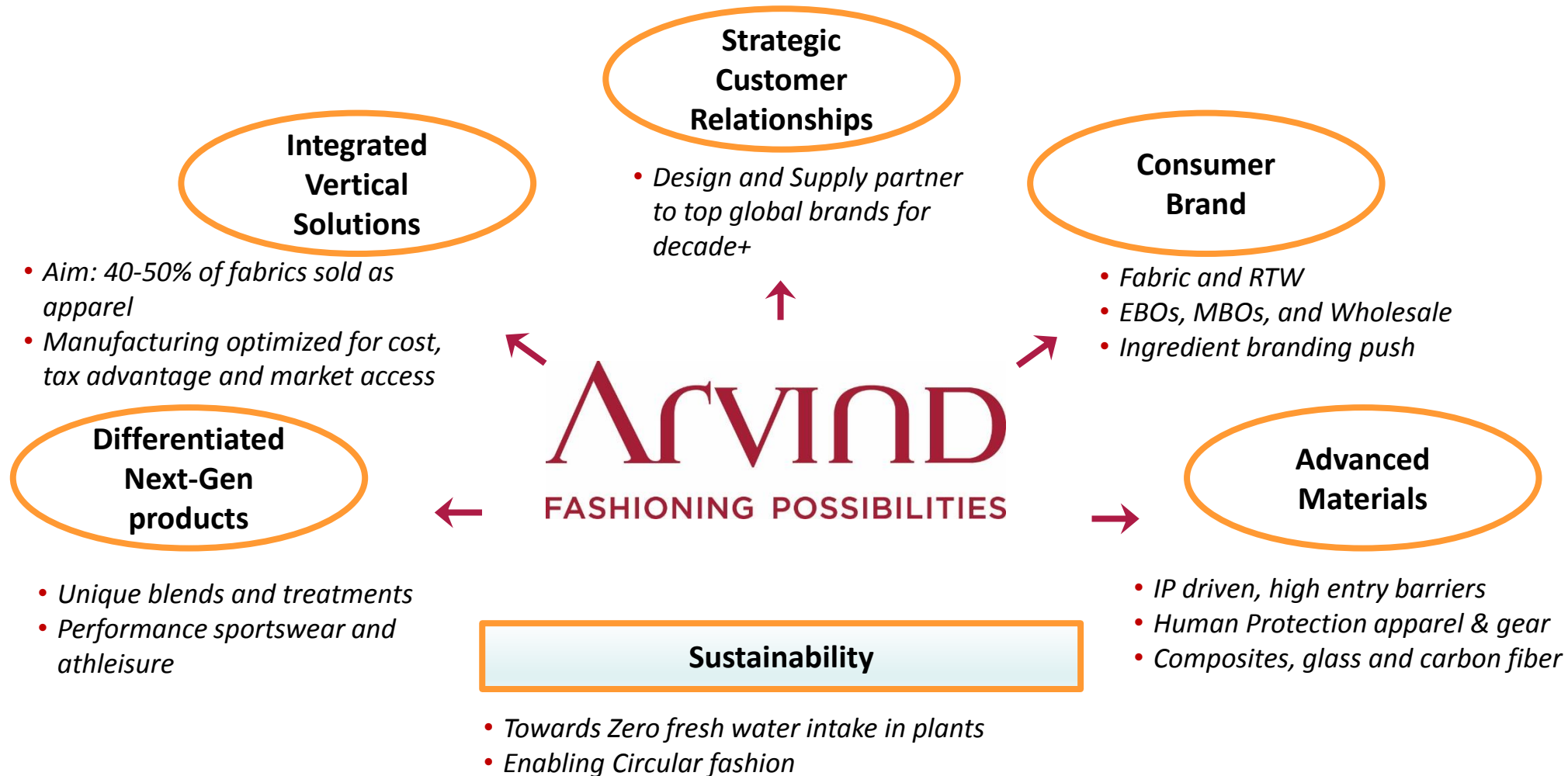
Supply Trends

1. Re-ordering of the global supply chain
2. Post GST favors compliant players

Arvind Strategic Imperatives

1. Expand capacities for **vertical** garmenting play – leverage global cost/tax advantages
2. Invest in **product innovation** to capture next-gen opportunities
3. Invest in building consumer brand **Arvind** and scale fabrics retail
4. Scale-up **Advanced Materials** business
5. Push the bar on **Sustainability**

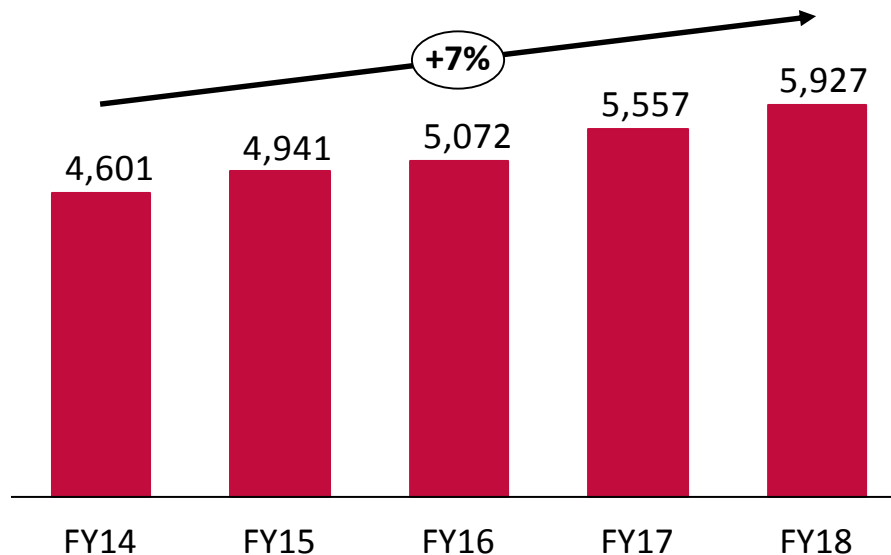
Arvind is an innovation driven and customer centric global play pursuing growth along 5 vectors



Recent performance ensures substantial momentum and earnings to power the strategic agenda

Steady top-line growth and healthy earnings*

Revenues (INR cr)



EBITDA (INR cr)



Highlights

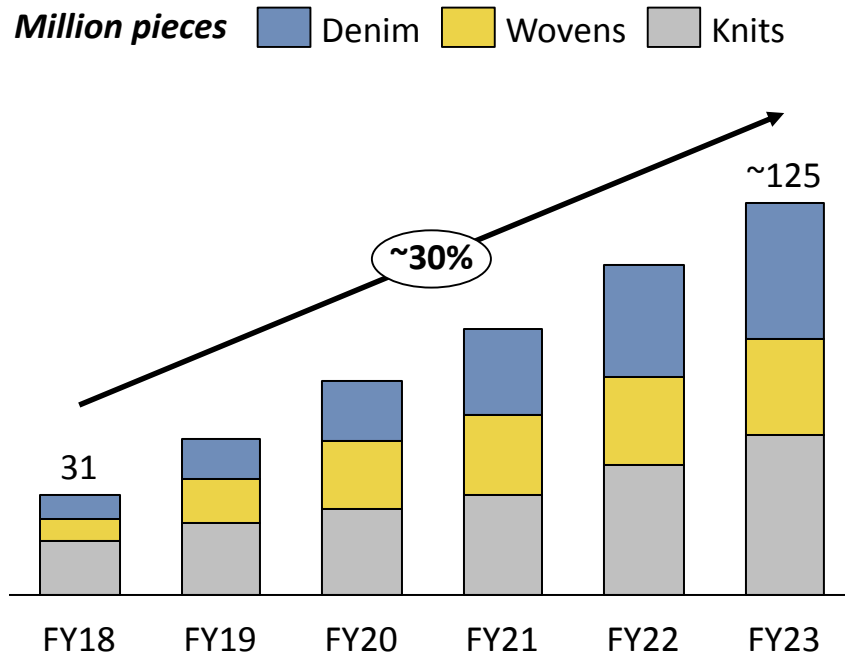
- Steady track-record of delivering top quality and differentiated products that drive pricing power
- Tightly managed operations
- Asset light model – focus of investments on differentiating assets (e.g. new products, processing)
- All earnings available for future growth and expansion

Financial data for Arvind is presented excluding Branded Apparel and Engineering undertaking

*Textile revenue above excludes Advance Materials revenue and EBITDA figures

Expanding garmenting capacities towards larger vertical play

>4x increase in garmenting capacity planned in next few years...



Locations optimized for market access, duties and cost advantage

- Labor cost advantage in Ethiopia and emerging Indian locations such as Jharkhand and AP

Ethiopia	India T2	India T1	China	Bangladesh
<6k	~5-7k	~10-11k	~20-22K	~5k

Source: Internal Research, BCG

- Other cost advantages and tax breaks e.g.
 - Ethiopia offers ready to use sheds, income tax breaks and training subsidies
 - Jharkhand offers refund of electricity duty, local taxes and 50% of land cost for dorms
- Ethiopia offers tax-free gateway into US, Europe and China

- Includes Present Sites at Bangalore, Gujarat & Indore and future expansion at Jharkhand, Gujarat and AP
- Million pieces excluding Knits Essential Volumes

Differentiated products, athleisure and performance sportswear will form a larger and larger portion of Textiles top-line



- Activewear for performance sports
- Indigo knits
- Athleisure
- Seamless knits
- Smart apparel
- Rapid movement chinos
- Ultra light-weight
- Temperature control clothing

Coherent strategy to build B2C brand and retail business across 3 channels

150 Exclusive Brand Outlets
(The Arvind Stores – Fabrics & RTW)

~ 1000 DTR counters serviced by Arvind
(Exclusive Fabric Collections)

80 fabric distributors, which in-turn
service 10k retailers

way
forward

Targeting INR 1000 crore mark across RTS & RTW by FY22-23

Advanced Materials Division (AMD) is into IP driven human protection and industrial products

Range of Human Protection and Industrial products

Human Protection Apparel & Accessories



- Specialty suits, gloves and gear for fire fighting, high altitude, chemical and radiation protection, etc.

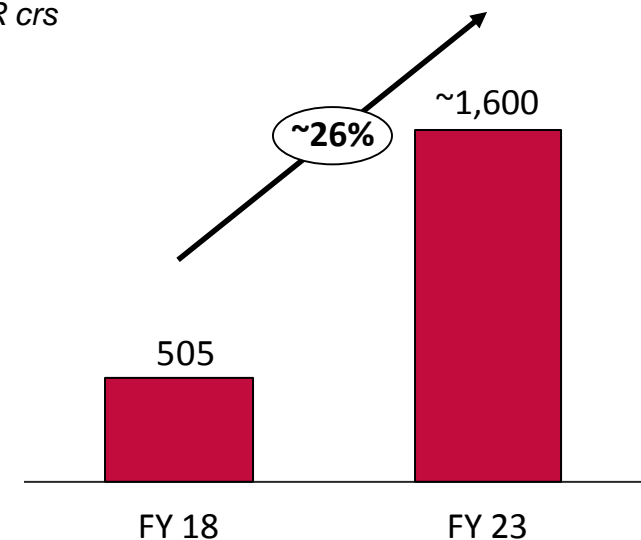
Industrial applications



- Non-woven filters, felts and auto interiors
- Coated fabrics for tents, awnings, large signages etc
- Glass and Carbon reinforced composites

High growth business with attractive fundamentals

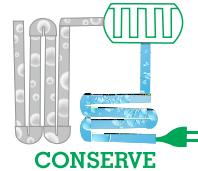
INR crs



- High technology business that will generate attractive returns over time
- Value creation basis Intellectual Property controlled by select global players
- Large export and import substitution play

Industry leading practices to ensure environmental sustainability

Water



One of the largest
Zero Liquid Discharge
plant in Asia at shirting unit



Use of Sewage water
from nearby communities as
process water at Voiles plant



100% process water
from recycled water at
Denim laundry facility

Energy



India's most energy
efficient textile unit,
awarded two years in a row



One of the **largest solar**
roof-top plant in Gujarat
under installation



Specific **energy**
consumption reduced
by 20% over last four years

Chemicals



Robust quality check
established for incoming
chemicals



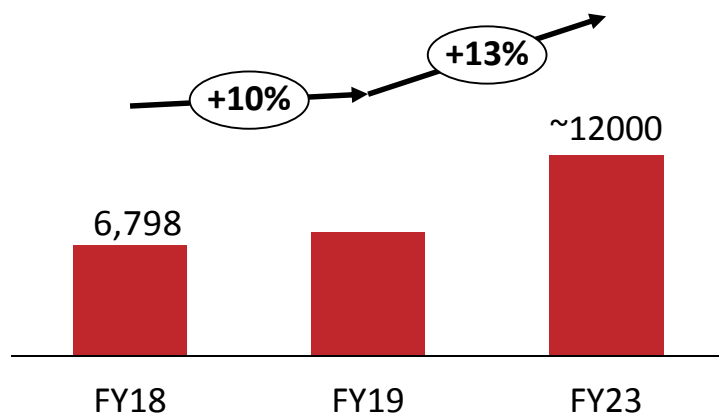
In house state of the
art IQC lab

Ø ZDHC

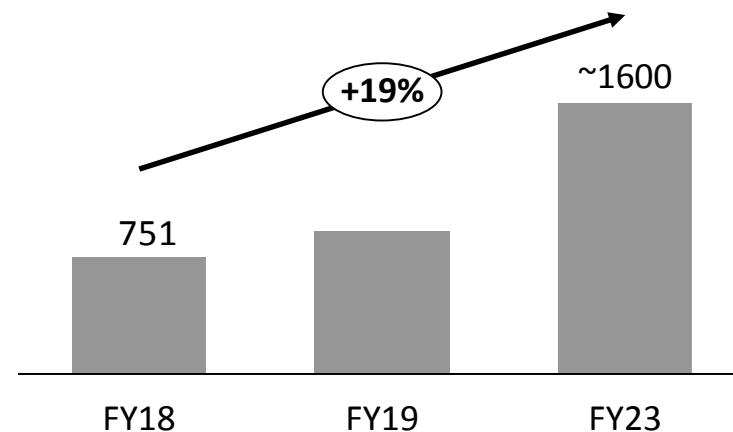
Globally first textile mill
to sign a pact towards zero
discharge of hazardous
chemicals

Arvind's growth to sharply pick-up on the back of strong growth in textile and Advanced Materials

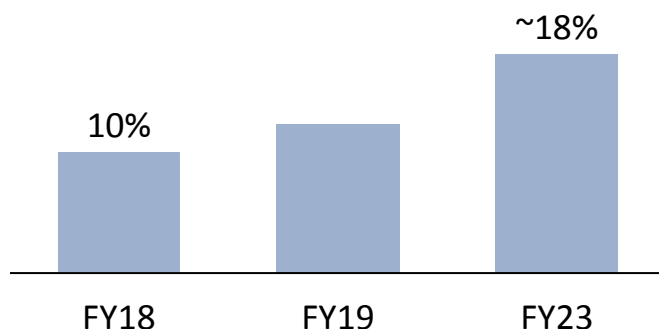
Stepped-up growth trajectory as investments resume in current FY



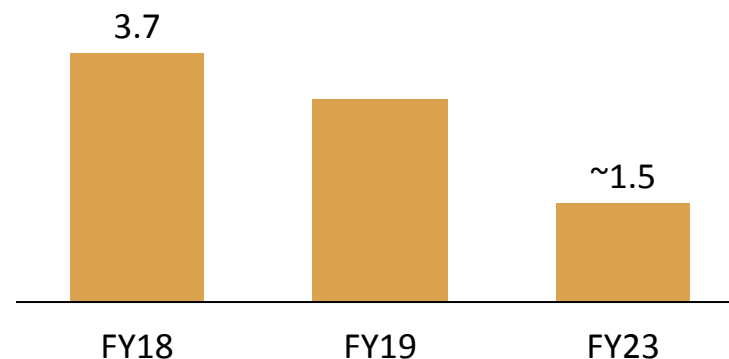
Robust profitability to continue/ improve slightly with scale



ROCE to rise to high teens



Debt to EBITDA ratio will reduce



Arvind Fashions

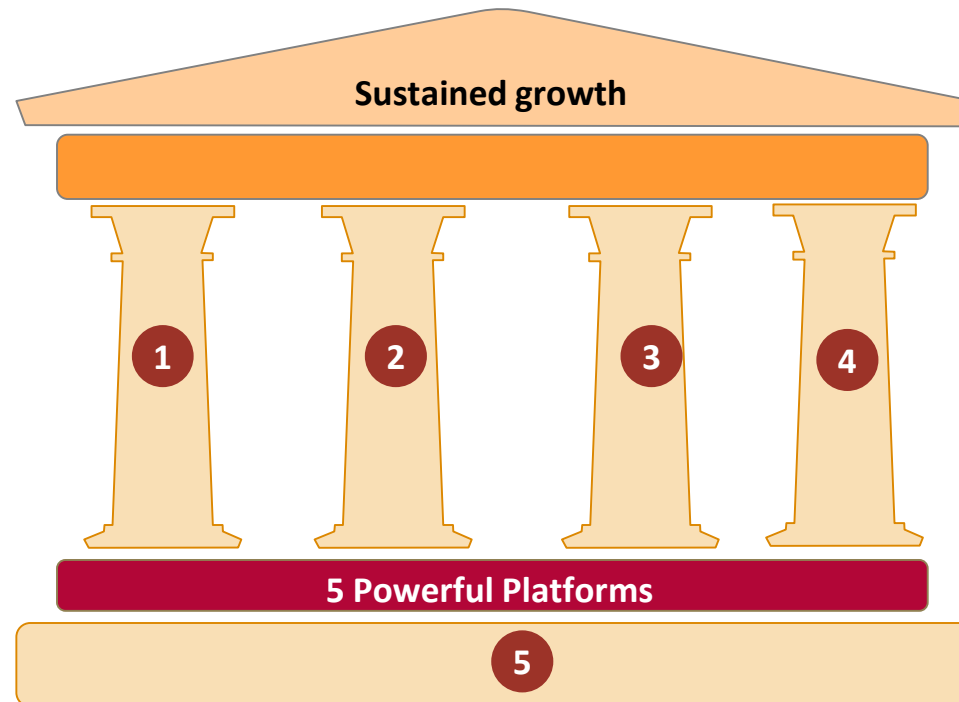
Arvind Fashions is best-placed to unlock the Indian apparel and accessory opportunity

1. Long lasting brand relationships

- 15 global brands
- Long tenures upto 2+ decades

2. Strong distribution footprint

- Range of retail formats
- State-of-the-art warehousing & logistics



Sustained growth

1

2

3

4

5 Powerful Platforms

5

5. Best Talent Base

3. Strong Sourcing Capabilities

- Depth in global and local sourcing
- Multi-category

4. Digital and Omni-channel

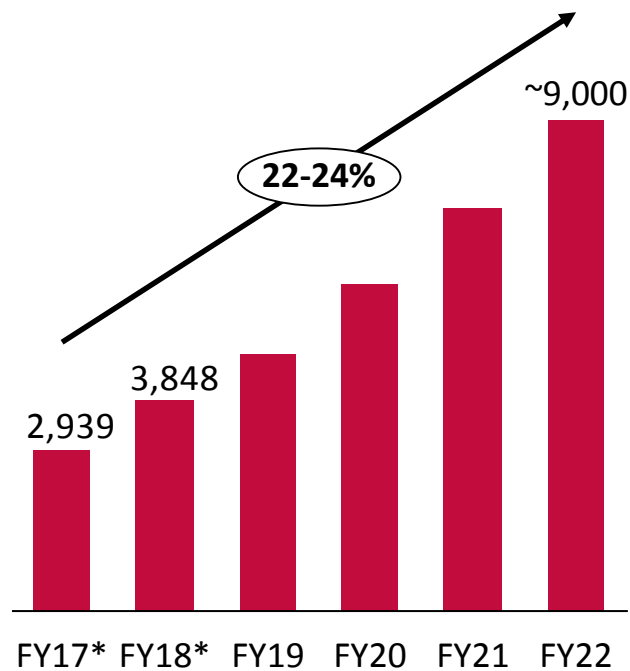
- Seamless online and in-store experience
- Best-in-class digital capabilities

- Experienced leadership team
- Recognized as best employer

Arvind Fashions aspires for INR 9,000 Crores topline by 2022

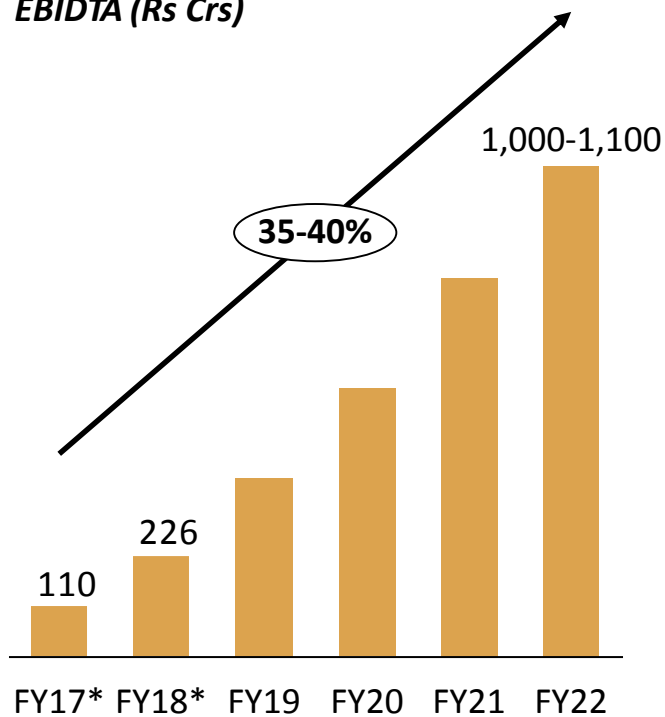
Sales growing at ~22-24%+

Sales (Rs. Crs)



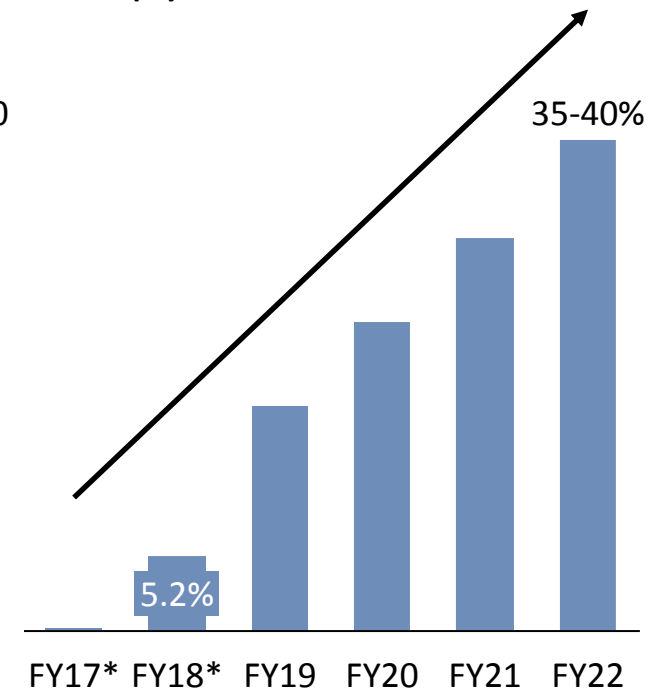
Sharp rise in EBITDA

EBITDA (Rs Crs)



Improving capital efficiency

ROCE (%)



Anup Engineering

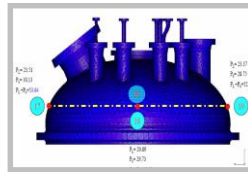
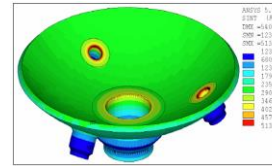
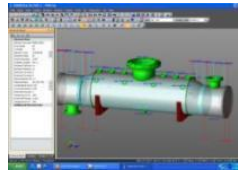
Anup Engineering is a leading critical process engineering equipment manufacturer

Business overview

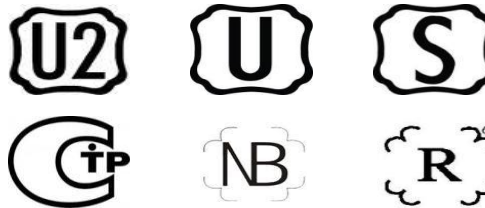
- Products include critical engineering process equipment like Heat Exchangers, Pressure Vessels, Reactors, Columns/Towers and Centrifuges
- Process industries such as Oil and Gas, Petrochemicals, Fertilizers and Pharma are the key buyers
- Well connected multi-accredited manufacturing set-up in Ahmedabad
- ~500 member team led by industry veterans

Critical capabilities and credentials

- Design and Engineering Prowess



- International standard certifications for multiple geographies and industries



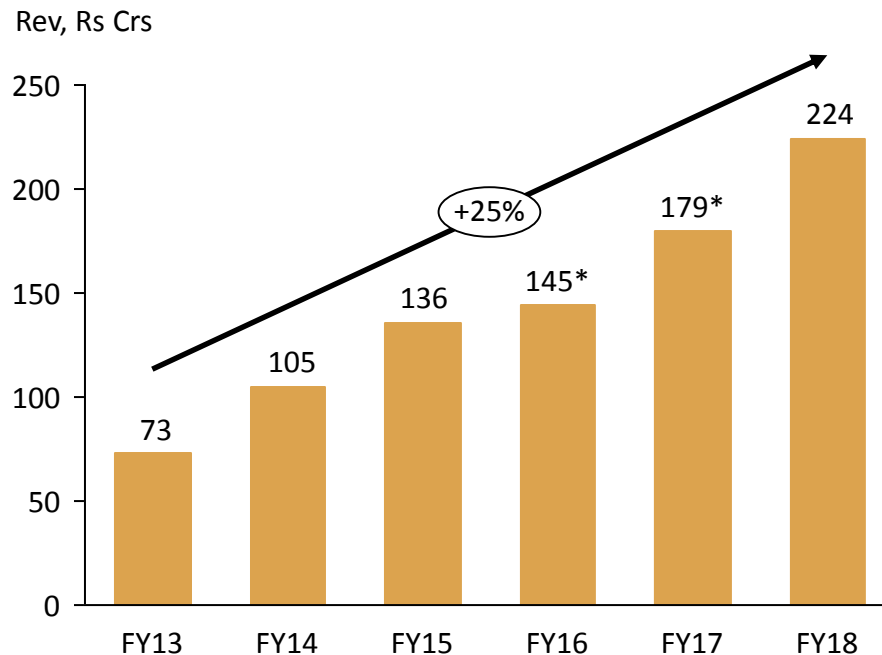
DIN EN ISO 3834 – 2
AD -2000 Merkblatt HP0

Marquee customers

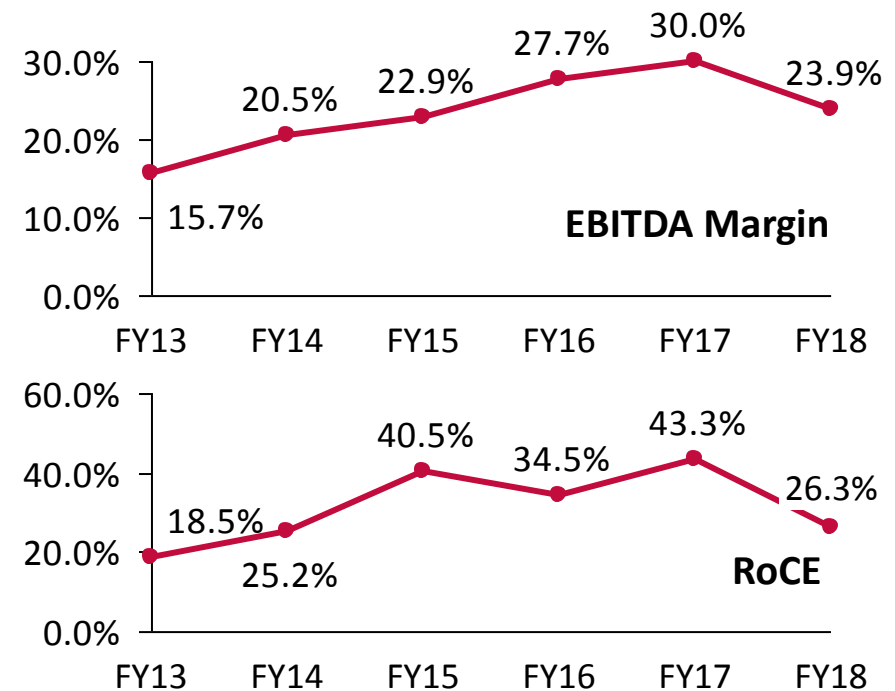


Anup's financial performance reflects its steadily growing strength

Consistent and rapid growth



Steadily improving margins and ROCE



Anup Engineering is a highly cash flow generating business. Company has zero net debt and a net cash balance of Rs 40 crores as on 31st March 2018

* FY16 and FY17 financial data is as per Ind AS. FY 13-15 financial data is as per Indian GAAP.

Outlook for FY19

Revenue

- Arvind Limited expected to grow by ~10%
- Arvind Fashions Limited is expected to grow by 20-24%
- Anup Engineering is expected to grow by 10-12%

Margins

- Arvind Limited margin to improve by 1-1.5%
 - Currency depreciation & scale up of Advance Materials Business will help the margins; lower drawback rates for full year will offset these gains partially
- Arvind Fashions Margin to improve by 1% despite increase in marketing investment by about 0.5%
- Anup Engineering likely to maintain margins at similar level.

Demerger Update

- The process of demerger is proceeding as per expectations and we expect Arvind Limited to trade ex-Fashion & Engineering business in Q2 . Arvind Fashion and Anup Engineering to list in Q3



Arvind Limited

Arvind Fashions Limited

Anup Engineering Limited

Thank You!