

Q4 FY2018 Review Note

9th May 2018



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Agenda

- **Q4 & FY18 Performance**

- **Business Analysis**

- **Outlook**

Q4 2018: Executive summary – strong all round growth; margin improvement in Branded Apparel and Engineering

In Rs Crore

| | Q4 FY2018 | Remarks |
|--------------------------------------|--------------------|---|
| Revenues | 2,990 (+21%) | |
| Textiles | 1,584 (+8%) | Fabric vol grew from 56mn to 60mn |
| Branded Apparel | 1,073 (+27%) | Strong revenue growth despite negative LTLs; ~11% adjusting for TH, CK and addition of new business |
| Engineering | 84 (+31%) | |
| EBITDA | 291 (9.7% vs 9.1%) | |
| Textiles | 13% (vs 13%) | Reduced drawback rates; strong rupee |
| Branded Apparel | 8.3% (vs 4.9%) | Improved margins as expected |
| Engineering | 30% (+6%) | |
| PAT (before exception items) | 110 (+7%) | |
| Net Debt (31 st Mar 2018) | 3,323 | |

FY2018: Executive summary – robust growth story

In Rs crore

| | Q4 FY2018 | Remarks |
|--------------------------------------|---------------------|---|
| Revenues | 10,826 (+17%) | |
| Textiles | 6,147 (+7%) | Fabric vol grew from 225mn to 230mn Garments grew from 27mn to 31mn |
| Branded Apparel | 3,852 (+31%) | ~14% adjusting for TH, CK and addition of new business; Power Brands, Specialty Retail delivered strong double digit growth |
| Engineering | 224 (+25%) | |
| EBITDA | 965 (8.9% vs 10.1%) | |
| Textiles | 14% (vs 16%) | Reduced drawback rates; strong rupee |
| Branded Apparel | 6.1% (vs 3.7%) | Margin improvement in Unlimited, Power Brands and Specialty Retail |
| Engineering | 24% (vs 27%) | Increased commodity prices |
| PAT (before exception items) | 332 (+0%) | |
| Net Debt (31 st Mar 2018) | 3,323 (+357) | Rs 143 cr (first time consolidation of TH-CK), balance because of funds blocked in GST |

P&L Summary – Q4 and FY18

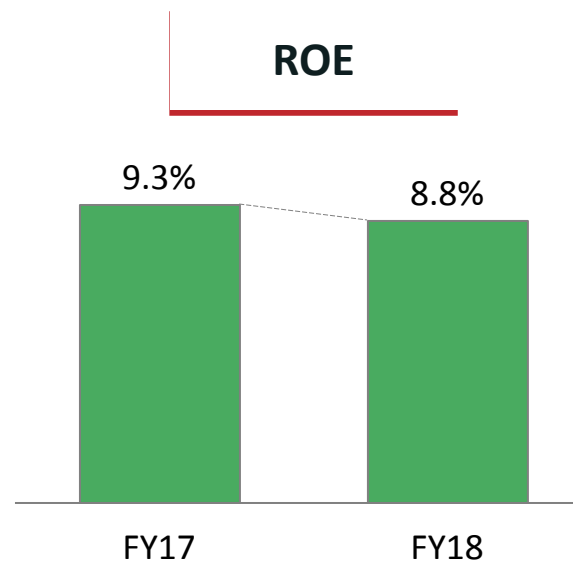
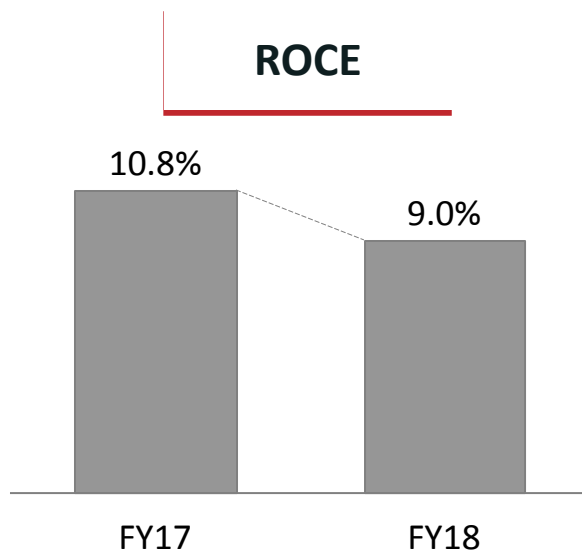
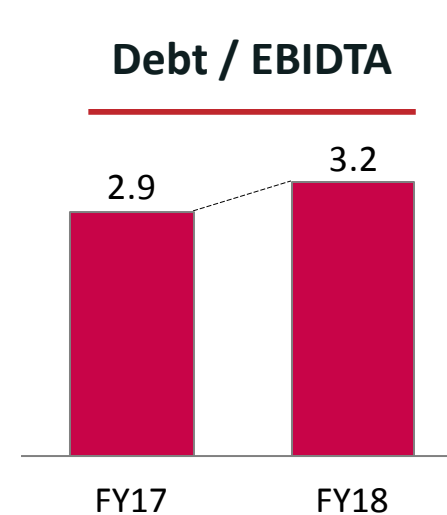
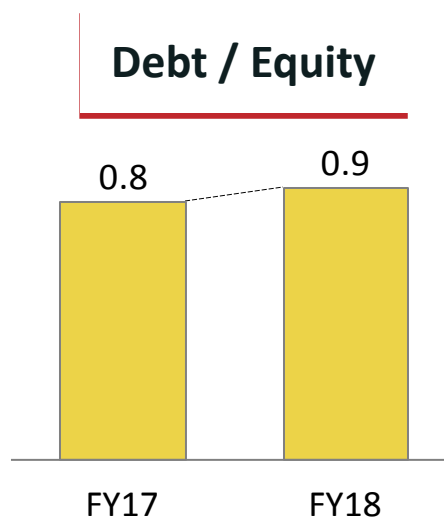
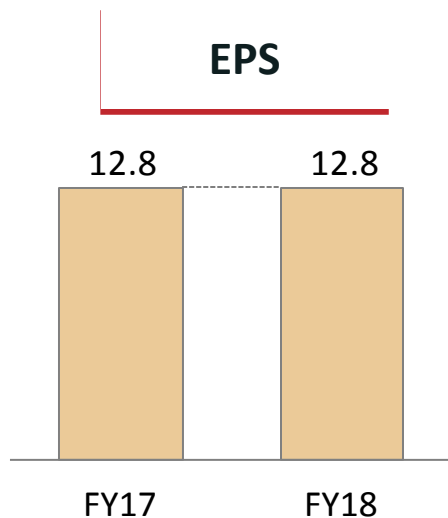
| <i>All figures in INR Crs</i> | Q4 FY18 | Q4 FY17 | Change | FY18 | FY17 | Change |
|-------------------------------|---------|---------|--------|--------|-------|--------|
| Revenues from Operations | 2,990 | 2,466 | 21% | 10,826 | 9,258 | 17% |
| EBITDA | 291 | 226 | 29% | 965 | 940 | 3% |
| Profit Before Tax | 142 | 118 | 21% | 410 | 436 | -6% |
| Profit After Tax | 110 | 102 | 7% | 332 | 333 | 0% |
| Less : Exceptional Item | 1 | 9 | | 23 | 18 | |
| Net Profit | 109 | 93 | 17% | 309 | 315 | -2% |

- Exceptional Item - Retrenchment compensation includes payments under Voluntary Retirement Schemes

Consolidated Balance Sheet, as at Mar 31st 2018

| Rs Cr | As at | |
|--|--------------|-------------|
| | 31st Mar 18 | 31st Mar 17 |
| Shareholders' Fund | | |
| Share Capital | 259 | 258 |
| Reserves & Surplus | 3524 | 3309 |
| | | |
| long Term Borrowings | 849 | 757 |
| Short Term Borrowings | 2264 | 2025 |
| Long Term Liability Maturing in one year | 210 | 144 |
| Borrowings | 3323 | 2926 |
| | | |
| Other Liabilities | 2834 | 2024 |
| Minority Interest | 305 | 151 |
| Total | 10245 | 8668 |
| Assets | | |
| Fixed Assets | 4078 | 3768 |
| Non Current Investments | 76 | 277 |
| Long term Loans & Advances | 3 | 3 |
| Other Non Current Assets | 562 | 537 |
| | | |
| Current Assets | 5526 | 4083 |
| Total | 10245 | 8668 |

Key indicators – FY17-18 Vs FY16-17



Agenda

- **Q4 & FY18 Performance**

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Key businesses delivered strong performance during the financial year

Branded Apparel

Engineering

Textiles

***FY17-18 Revenue
(Growth %)***

3,852 Crs (31%)

224 Crs (25%)

6,750Crs (7%)

FY17-18 EBITDA

235 Crs

54 Crs

677 Crs

EBITDA Margin

6.1%

23.9%

10.0%

RoCE

5.3%

24.0%

10.0%

Current Debt/Cash

745 Crs

46 Crs (Cash)

2,578 Crs

Shareholders Equity

1,217 Crs

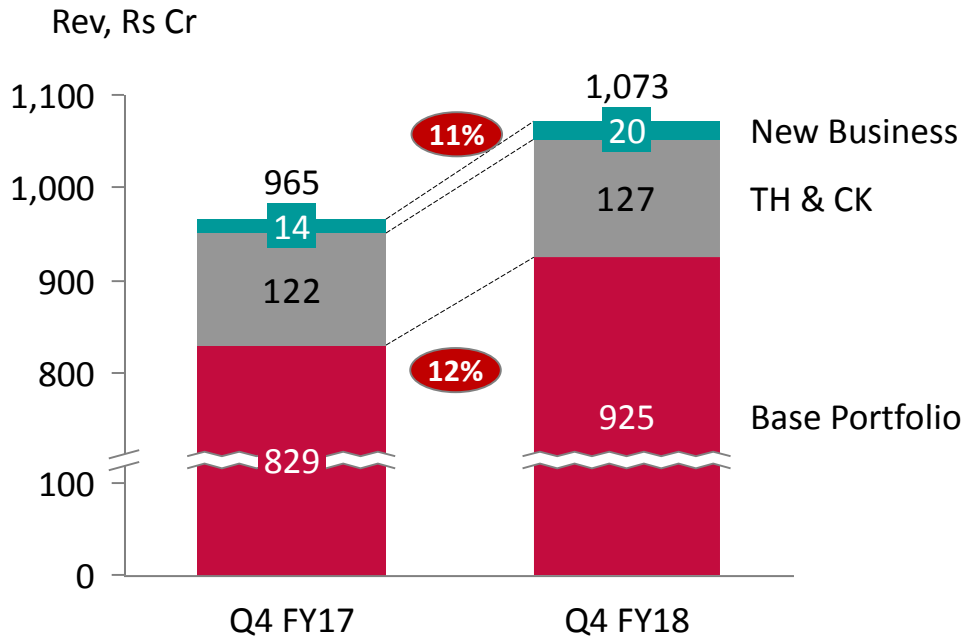
209 Crs

2,551 Crs

Branded Apparel

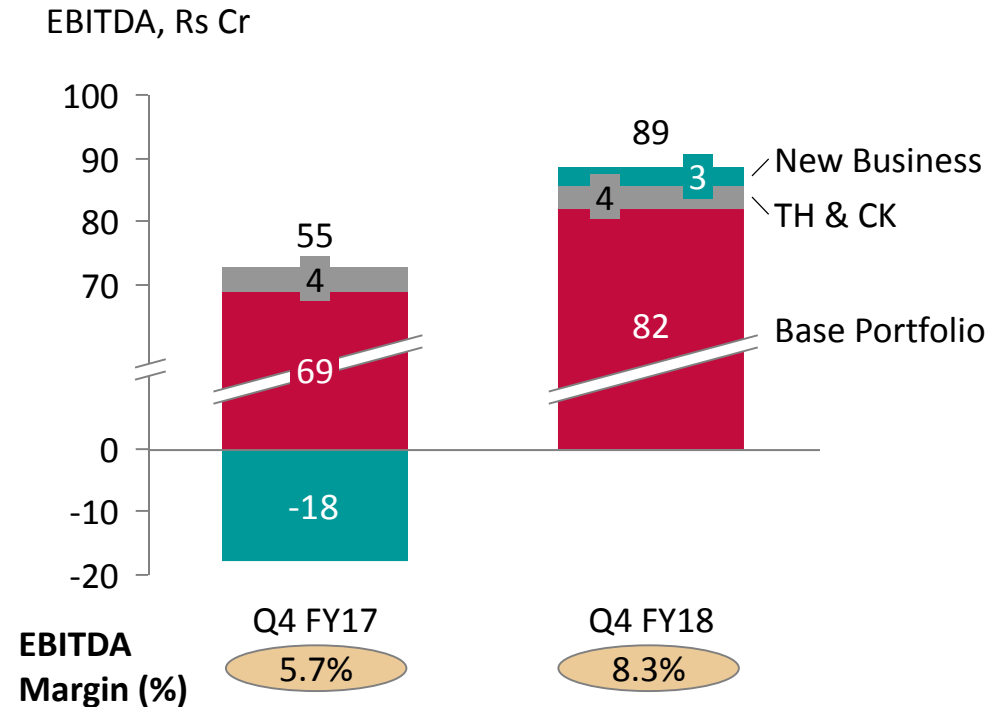
Q4 FY2018: Branded Apparel grew by 11%, and saw 260 bps margin improvement in a difficult market

Strong revenue growth



- Due to GST implementation, y-o-y numbers are not strictly comparable. Adjusting for GST impact, growth would have been higher by 4%

Strong improvement in EBITDA



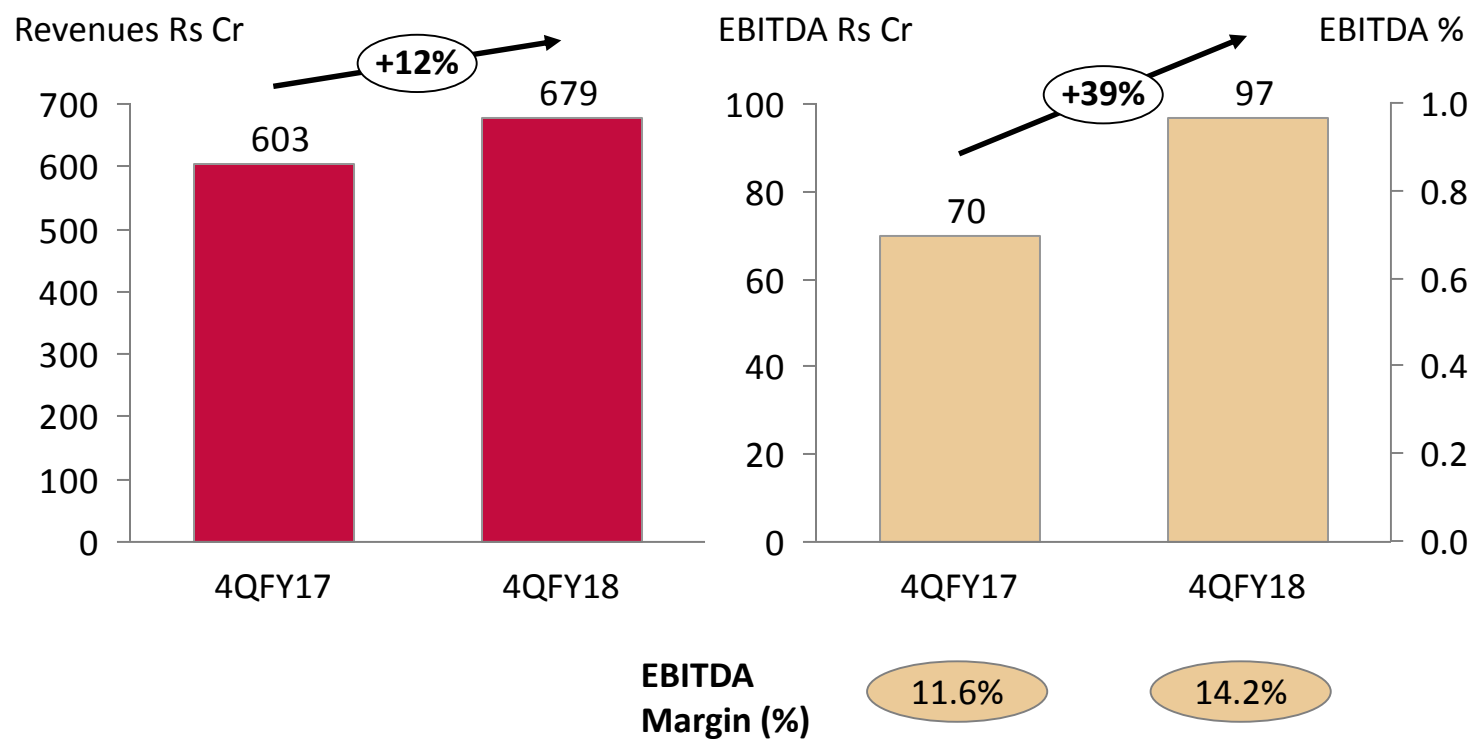
- Margins improved across the portfolio
 - Base Portfolio margin improved ~50bps to 8.9%

* For comparison purposes, TH and CK revenue are included for both the periods

4QFY18: Power Brands saw a sharp improvement in margins



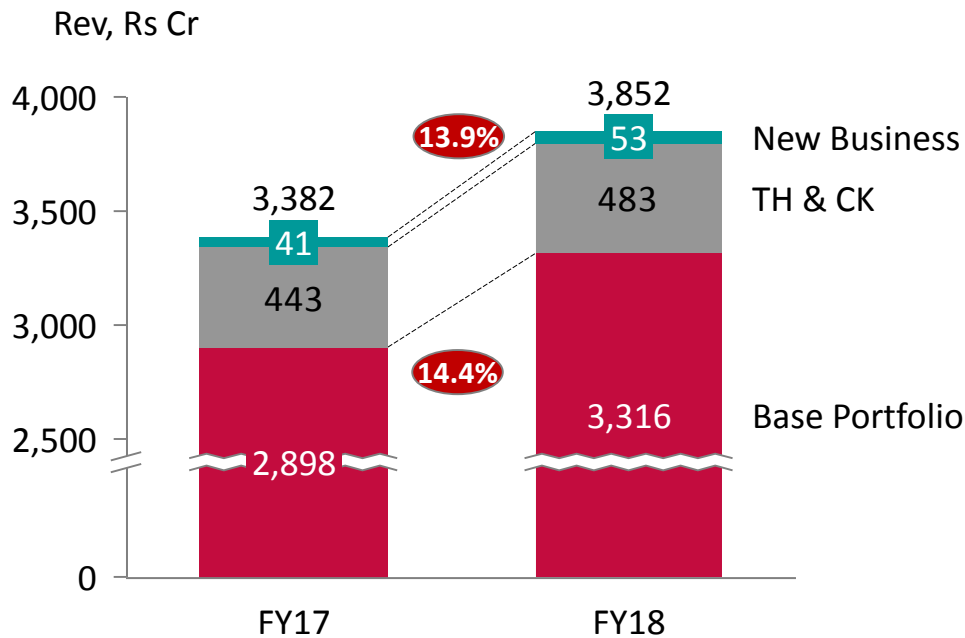
Q4 17'18 performance



*for comparison purposes, TH revenue are included for both the periods

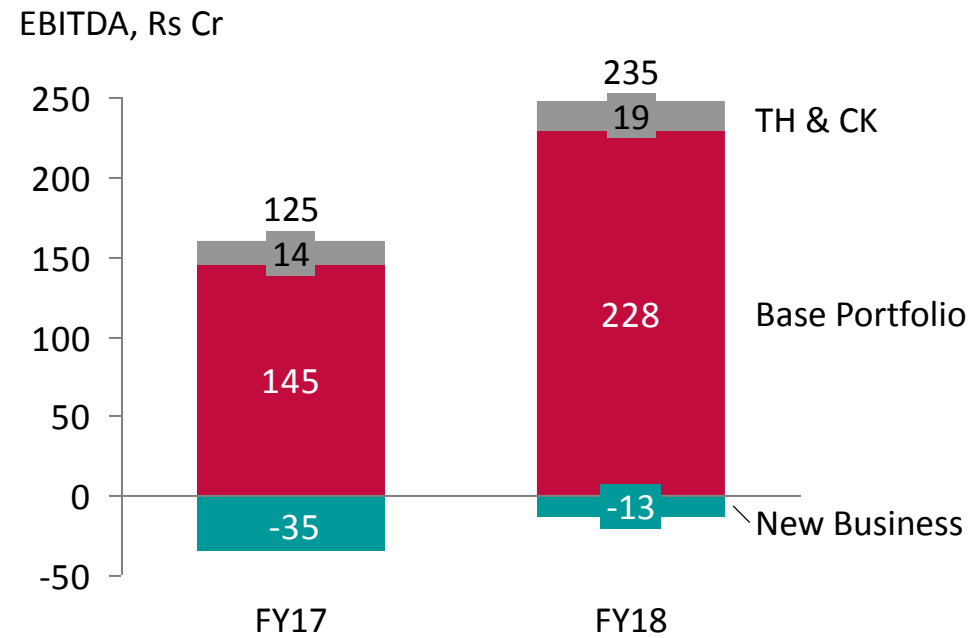
FY2018: For the full year, topline growth was 14%; margins improved more than 240bps to cross 6%

Strong revenue growth



- Due to GST implementation, y-o-y numbers are not strictly comparable. Adjusting for GST impact, growth would have been higher by ~3%

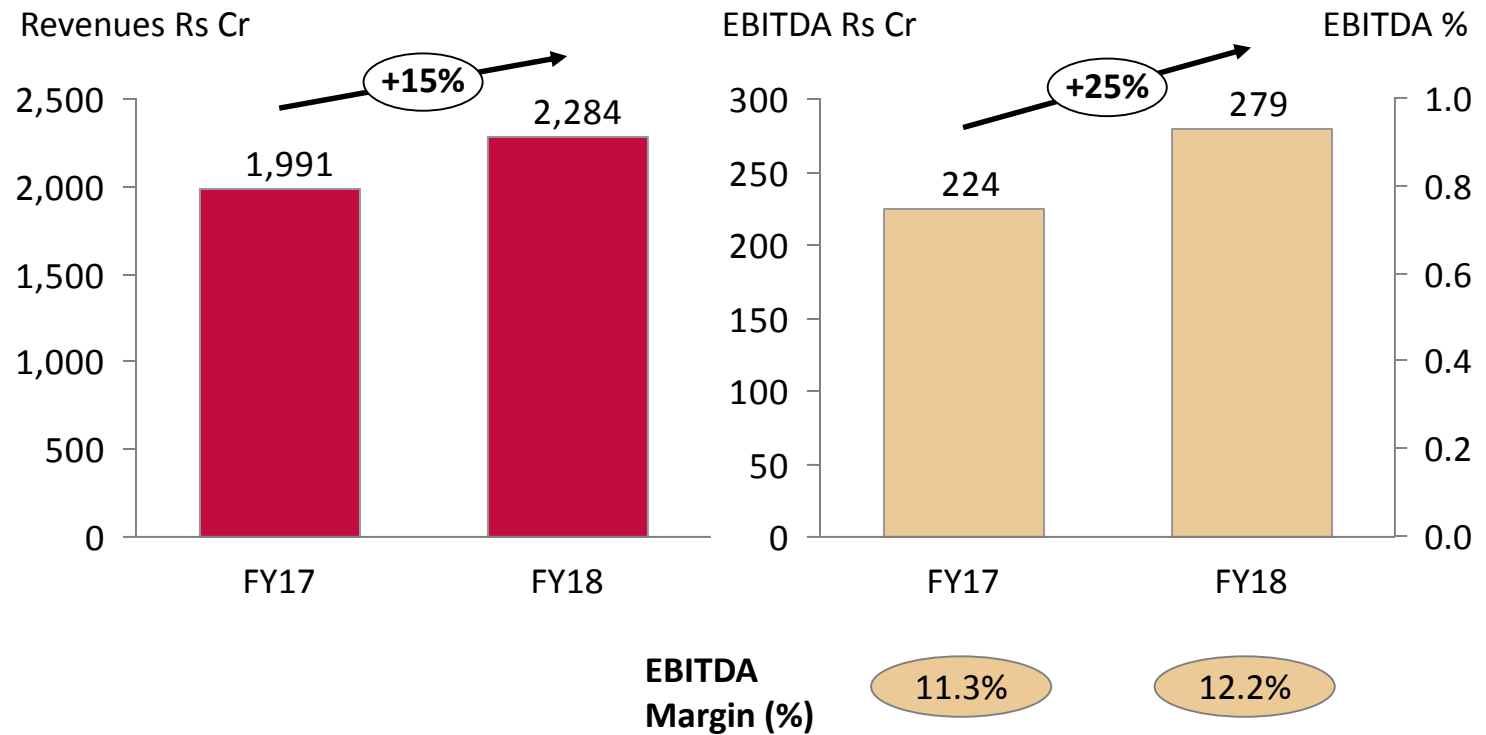
Improving EBITDA



- Margins improved across the portfolio
 - Base Portfolio margin improved ~190bps to 6.9%

FY18: Power Brands continue to drive the top-line growth for Branded Apparel business

FY 18 performance



*for comparison purposes, TH revenue are included for both the periods

Weak LTL driven by advancing of EOSS to December; recovery seen in March

| | Q4 FY 18 | FY 18 |
|--------------------|------------|-----------|
| Power Brands | -8% | 3% |
| Unlimited | -2% | 10% |
| Grand Total | -4% | 6% |

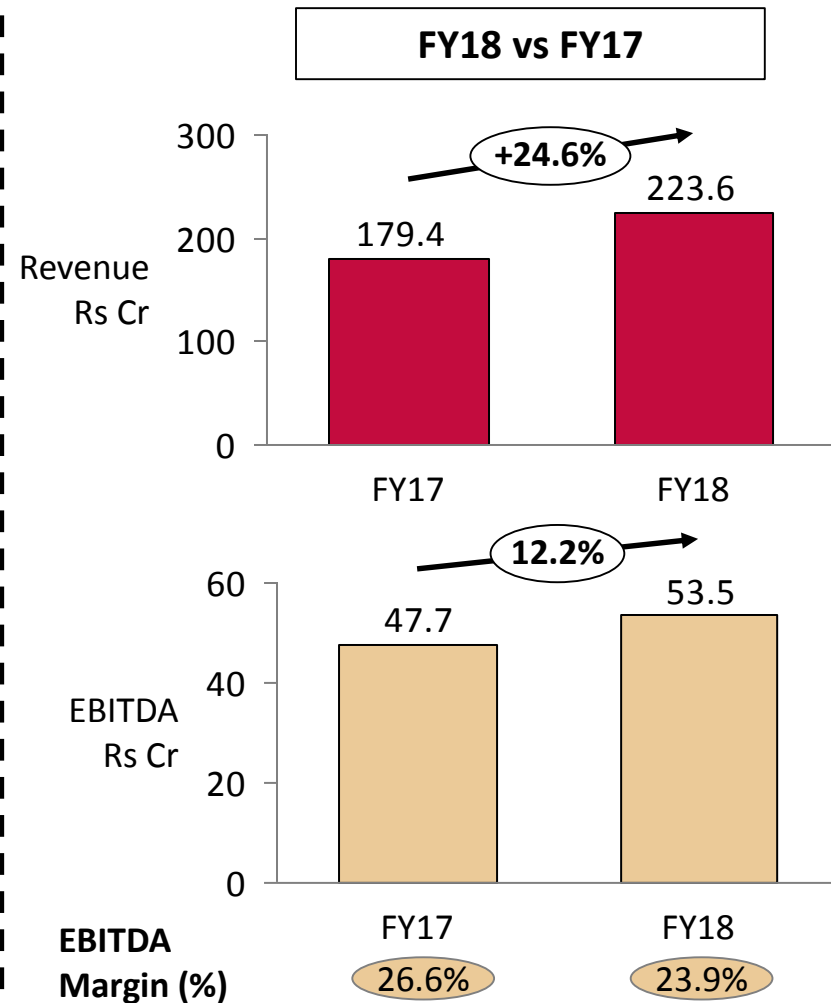
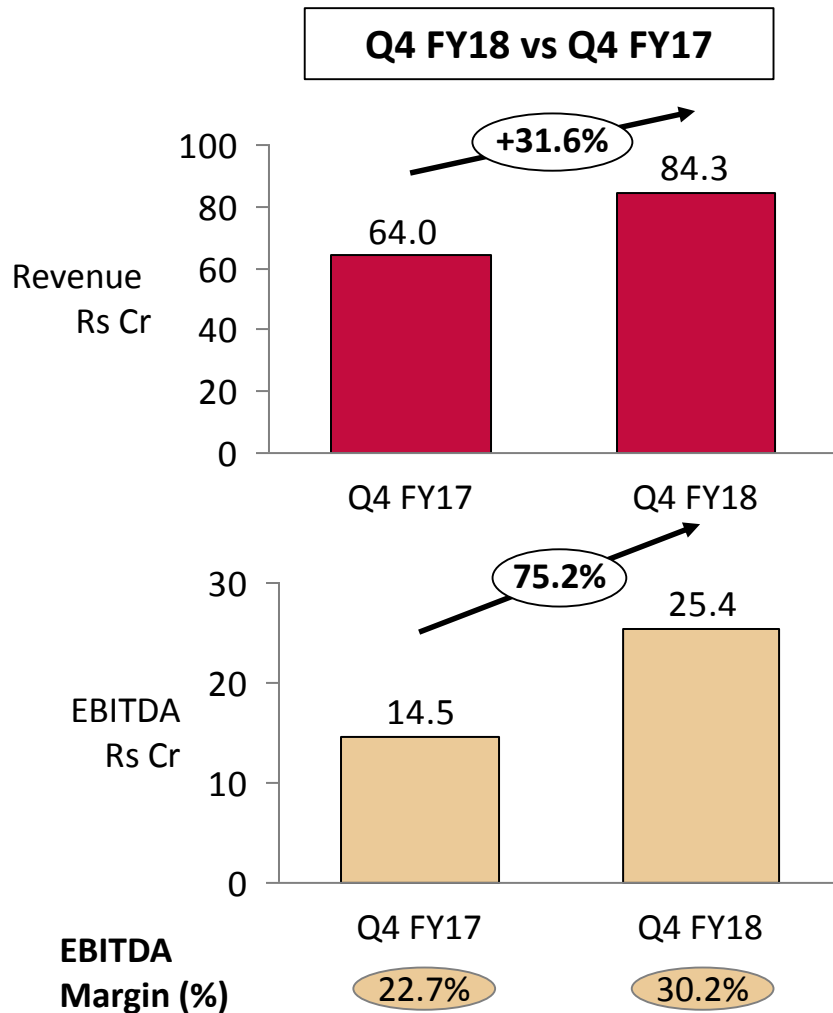
- Q4 LTL got impacted due to advancement of EOSS to Dec 17
- After a weak growth in January and February, March turned out to be a strong month across the portfolio
 - Power Brands delivered an LTL of 7% in March
 - Unlimited delivered an LTL of 13% in March

Distribution Footprint (as of 31st March 2018)

| Particulars | FY17-18 | |
|----------------------------|--------------|--------------|
| | # Stores | Sq ft (Lacs) |
| Brands | 1,160 | 10.4 |
| Unlimited | 101 | 9.7 |
| Specialty Retail | 36 | 1.4 |
| Total | 1,297 | 21.5 |
| No of Key Account Counters | 2,715 | |

Engineering

Anup Engineering delivered a strong performance

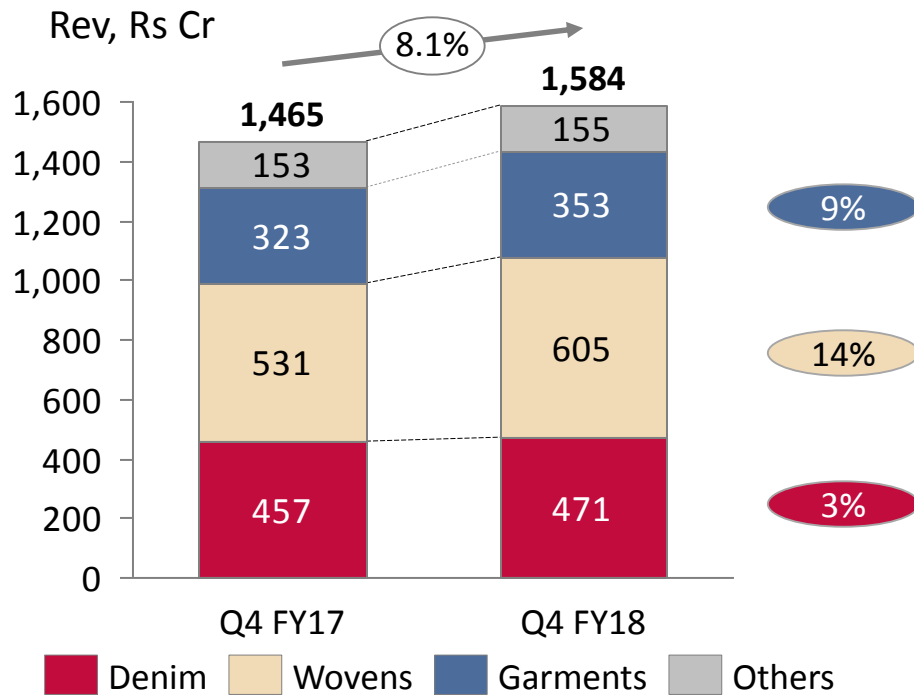


- Engineering business registered a healthy revenue growth of 32% for the quarter and 25% for the full year
- EBITDA Margins for the same period fell due to higher commodity prices partially compensated by stringent cost control measures and dynamic sourcing

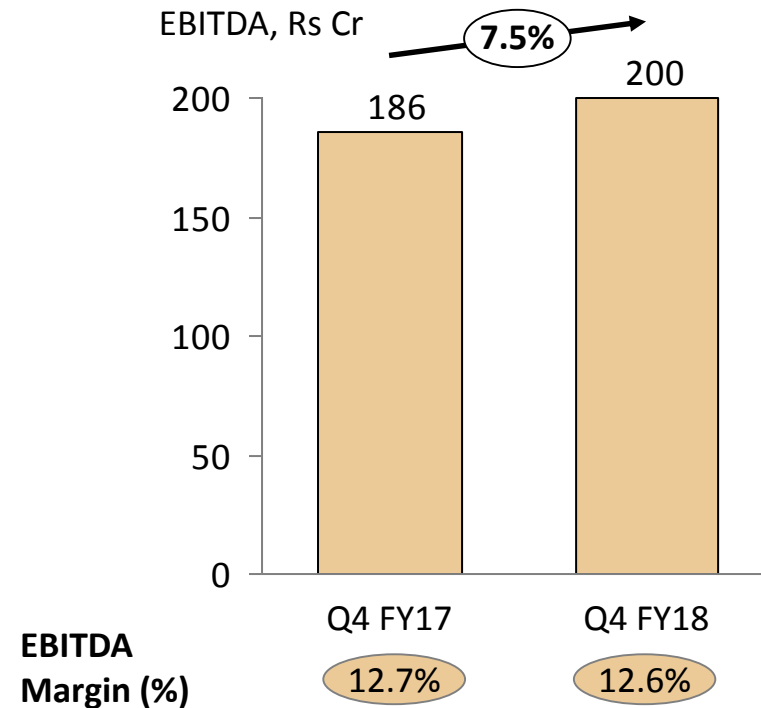
Textiles

Q4 FY18: Textiles saw volume growth, profitability maintained despite stronger rupee and draw-back reduction

Revenues growth led by Wovens



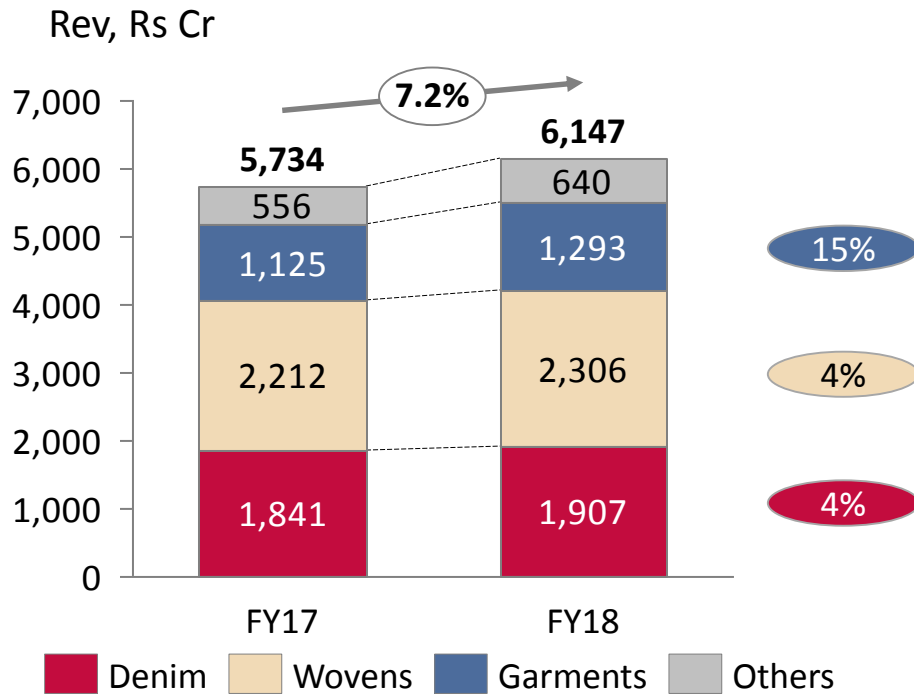
Profitability maintained



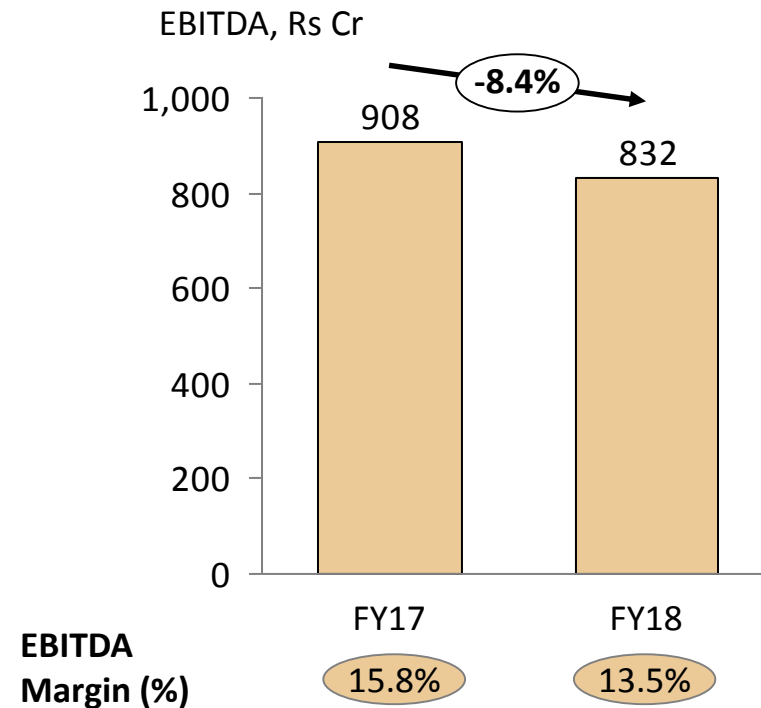
- Fabric volumes grew to 60mn meters (from 56mn) despite decline in Denim domestic volumes
- Garment volumes grew by 13%

FY2018: Garment revenues continue to grow strongly, Fabric growth was moderate

Garments continue to be the growth driver



Profitability came down



- Fabric volumes grew from 225mn to 230mn
- Garments grew from 27mn to 31mn; Both the garmenting volumes and margins were impacted due to reduction in export incentives

Key Parameters: Q4 & 2017-18 – Textiles

| | Denim | | Woven | |
|--------------------|----------|----------|----------|----------|
| | Q4 17-18 | Q4 16-17 | Q4 17-18 | Q4 16-17 |
| Exports(Mn Mtrs) | 14 | 12 | 11 | 8 |
| Domestic (Mn Mtrs) | 10 | 12 | 24 | 23 |
| Avg Prices | 181 | 192 | 164 | 169 |
| Major Components | Cotton | | | |
| Cost in Rs / Kg | 113 | 122 | | |
| | | | | |
| | Denim | | Woven | |
| | 17-18 | 16-17 | 17-18 | 16-17 |
| Exports(Mn Mtrs) | 53 | 45 | 37 | 33 |
| Domestic (Mn Mtrs) | 47 | 53 | 93 | 94 |
| Avg Prices | 182 | 184 | 169 | 169 |
| Major Components | Cotton | | | |
| Cost in Rs / Kg | 117 | 113 | | |

- Reduction in the average realisation due to sharp appreciation of rupee and reduced duty drawback rate
- Sales prices and cotton prices for Q4 FY17-18 are excluding GST, whilst they include VAT in the previous year

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- **Outlook**

Outlook for FY19

Revenue

- Textile revenue expected to grow by ~10% on back of more than 35% growth in garments volume
- Brands & Retail Business likely to grow between 20-24%
- Engineering Business to grow at 10-12%
 - Order book for the current year Rs. ~150 crores.

Margins

- Textile Margins to remain flat due to mix change in favour of garments
 - While currency depreciation will help the margins; lower drawback rates for full year will offset these gains partially
- Brands & Retail Margin will continue to improve
 - About 1% improvement despite increase in marketing investment by about 0.5%
- Engineering Business likely to maintain margins at similar level.

Demerger Update

- The process of demerger is proceeding as per expectations and we expect the three companies to list separately within next 4-5 months



Thank You!