

ARVIND

Performance Review Q1 FY2014-15

30th July 2014, Ahmedabad

Agenda

- Performance Review Q1 FY 2014-15
 - Financial Performance: Consolidated
 - Financial Performance: Standalone
 - Business Analysis

- Demerger of Arvind Infrastructure Limited

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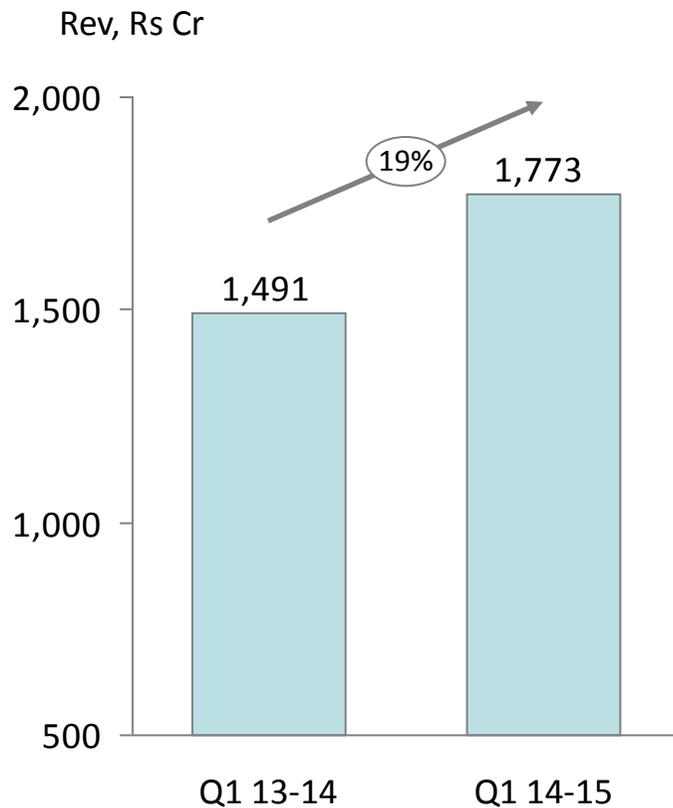
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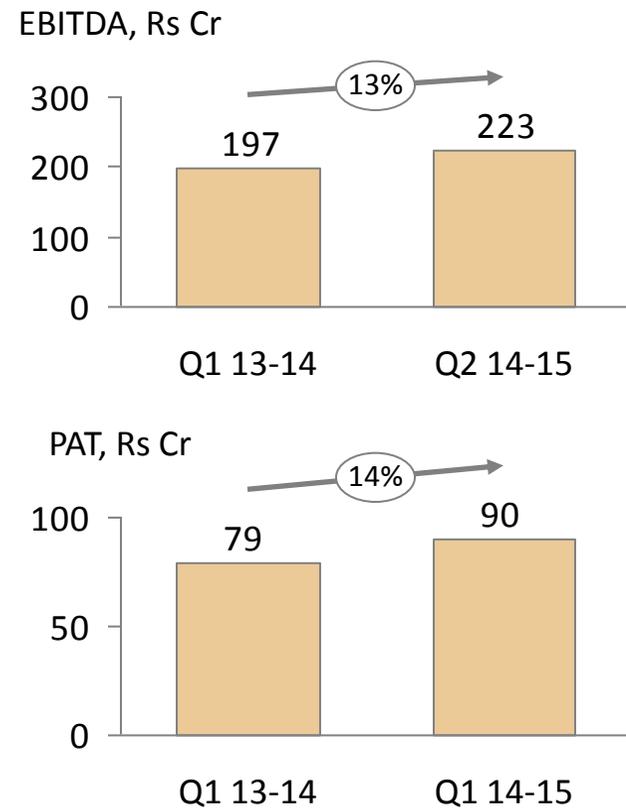
Financial Performance: Q1 2014-15

Consolidated revenue growth of 19% and PAT growth of 14%

Strong growth in revenues...



...as well as margins



Business Highlights: Q1 2014-15

Strong top-line growth with moderated bottom-line

	Q1 Rs Cr		Change
	2014-15	2013-14	
Revenue from Operations	1,773	1,491	19%
RawMaterials	849	726	
Project Expenses	15	30	
Employees' Emoluments	188	164	
Others	553	460	
(Increase) / Decrease in Stock	-52	-90	
Foreign Exchange Loss /(Gain)	-4	3	
EBIDTA	223	197	13%
Margin	12.6%	13.2%	
Other Income	25	19	
Interest & Finance Cost	96	76	
Cash Accruals	152	140	9%
Depreciation	49	53	
Profit Before Taxes	103	87	
Profit After Tax	90	79	14%
Less : Exceptional Item	0	12	
Net Profit	91	68	34%

Key highlights

Revenue growth of 19% achieved due to

- 26% top-line growth in Brands & Retail
- 4% volume growth in Denim
- 8% volume growth in Woven fabrics
- 16% volume growth in garments

EBIDTA margin % moderated due to

- Growth mix favoring Brands & Retail
- Operations of Wovens business under temporary disruptions due to capacity expansion

Other income

- Includes profits on sale of investments Rs 9.73 Cr (last year 0.45 Cr)
- Current year profits on sale of land nil (last year 8.33 Cr)

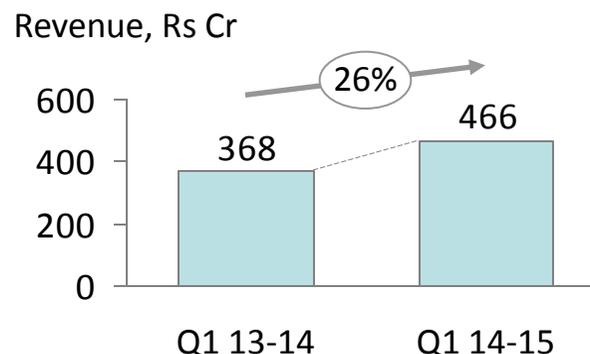
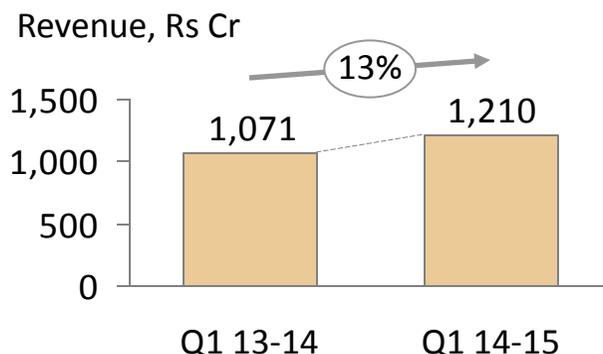
B&R business with faster growth and expanding margins

Textiles growth and margins moderated along expected lines

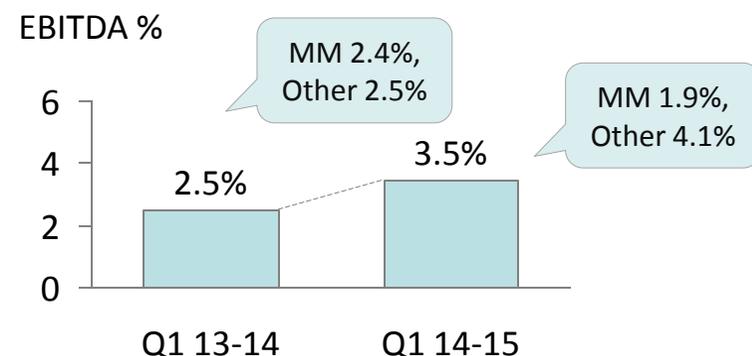
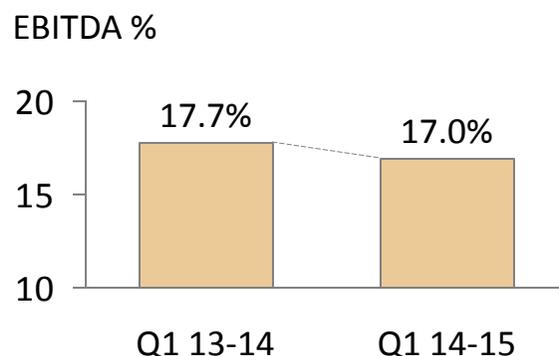
Textiles

Brands & Retail

Revenue,
Q1 Vs LY



EBITDA %,
Q1 Vs LY



Lower operating performance in woven fabrics due to disruptions caused by expansion project to increase capacity to 132 Million from current 110 Million: Project likely to get completed in the 3rd Qtr of current FY

Key Financial Ratios

	2010-11	2011-12	2012-13	2013-14	Q1 14-15
EPS	6.50	9.48	9.63	14.4	3.5
Debt / Equity	1.31	1.00	1.11	1.16	1.28
Debt / EBIDTA	3.7	3.0	3.2	3.0	3.4
ROCE	10.5%	13.1%	11.9%	13.5%	13.7%
ROE	8.4%	12.0%	11.1%	14.0%	14.3%
Revenue Growth	25%	20%	7%	30%	17%
Current Ratio	2.0	2.0	2.0	2.3	2.1
Inventory Turn	3.3	4.4	3.7	4.2	3.9
Working Capital Turnover	3.8	4.3	3.8	3.4	3.6
Interest Cover	3.0	3.0	2.4	2.8	2.6
Asset Turn	1.0	1.2	1.1	1.2	1.2

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Financial Performance Q1 14-15

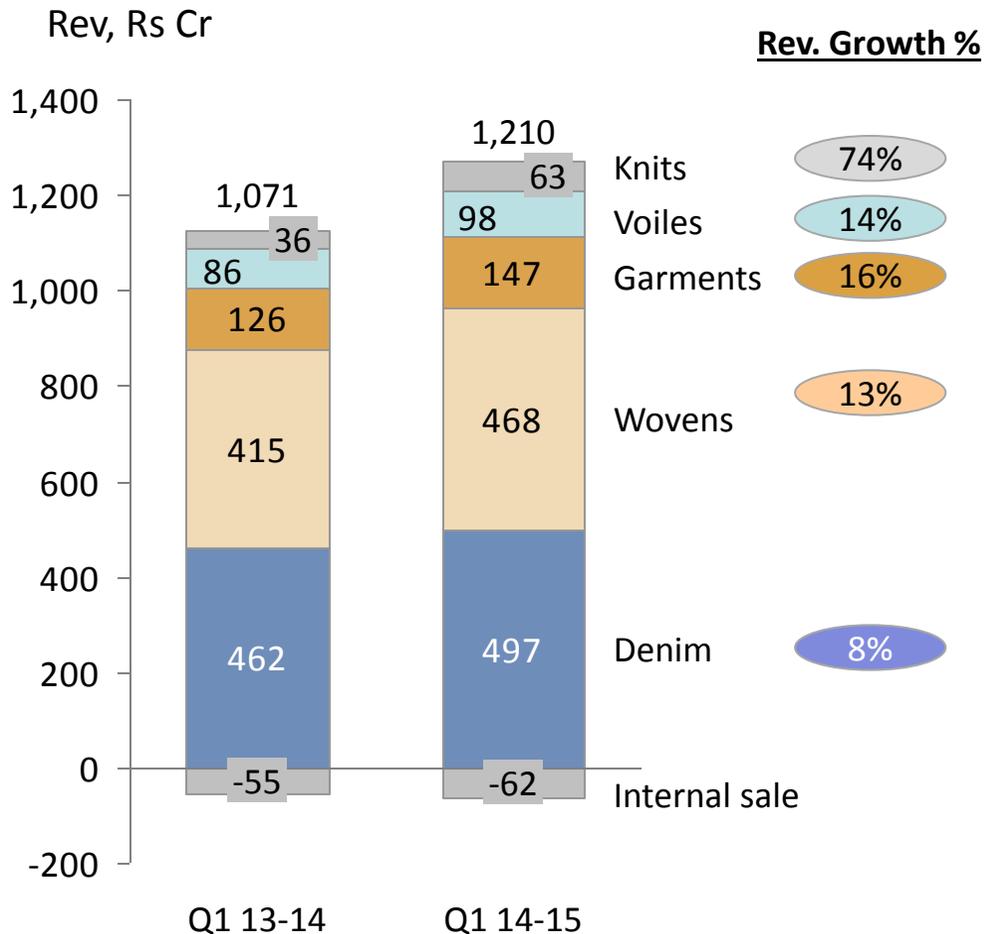
	Q1 Rs Cr		Change
	2014-15	2013-14	
Revenue from Operations	1,278	1,093	17%
RawMaterials	565	505	
Project Expenses	4	3	
Employees' Emoluments	135	123	
Others	381	304	
(Increase) / Decrease in Stock	-2	-25	
Foreign Exchange Loss /(Gain)	-5	2	
EBIDTA	201	182	11%
Margin	15.7%	16.6%	
Other Income	37	24	
Interest & Finance Cost	79	66	
Cash Accruals	159	140	13%
Depreciation	30	38	
Profit Before Taxes	129	102	
Profit After Tax	114	91	25%
Less : Exceptional Item	0	12	
Net Profit	113	79	43%

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Textiles Business: Revenue Mix in Q12014-15



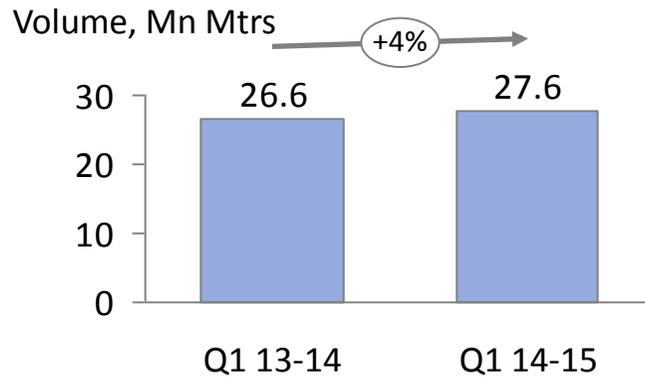
Textile revenue grew by 13%

- 13% growth in Woven fabrics
- 16% growth in garments
- 8% growth in Denim
- 14% growth on a smaller base for the voiles business

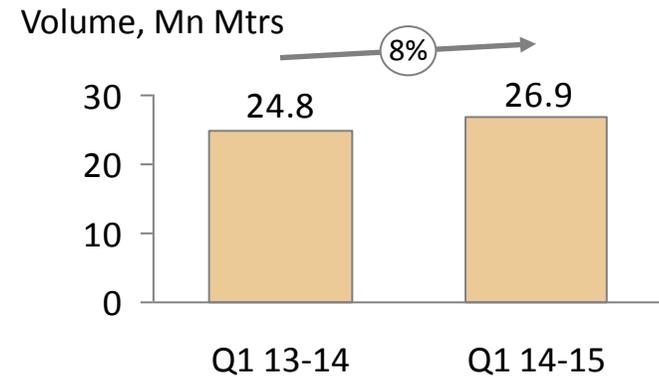
Volume growth: Denim achieved 4% volume growth, while Wovens achieved 8% volume growth in Q1 14-15

**Q1
Comparison
Vs LY**

Denim



Wovens (Shirting & Khaki)



Key Parameters: FY2013-14 – Textiles

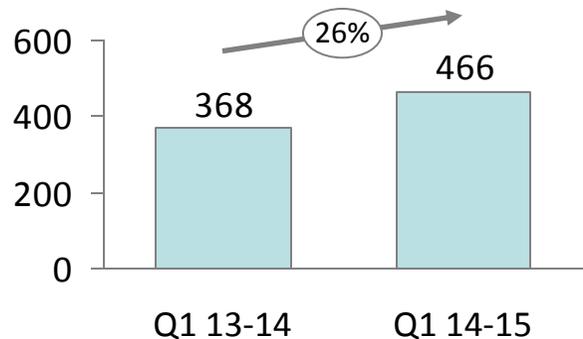
	Denim		Woven	
	Q1 '14-15	Q1 '13-14	Q1 '14-15	Q1 '13-14
Exports(Mn Mtrs)	12	13	4	4
Domestic (Mn Mtrs)	16	13	23	21
Avg Prices	177	171	168	159

Major Components	Cotton	
	Q1 '14-15	Q1 '13-14
Cost in Rs / Kg	116	104

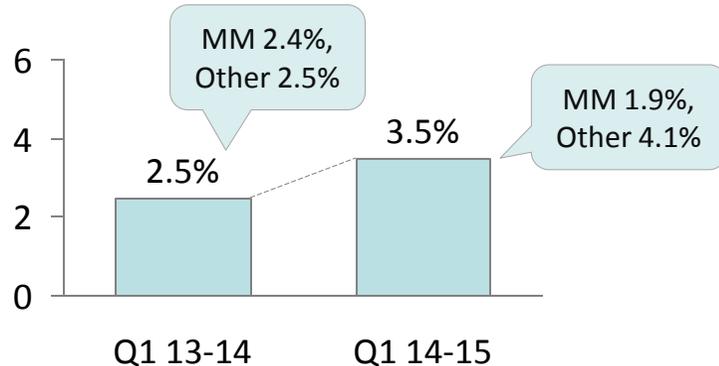
Brands & Retail Business grew topline by 26% in Q1 2014-15

Strong revenue growth & margin expansion

Revenue, Rs Cr



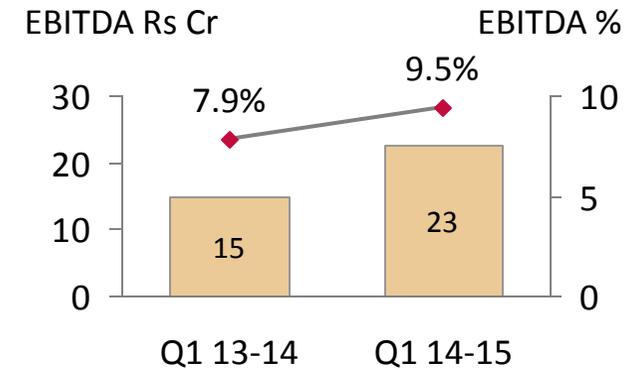
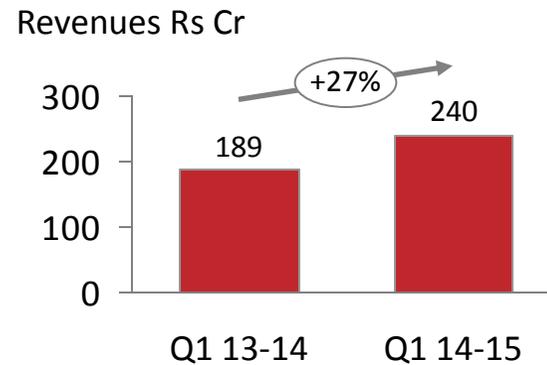
EBITDA %



Key highlights

- Revenue growth of 26% achieved due to
 - 37% revenue growth in Brands /other formats
 - 6% revenue growth in MegaMart Retail, despite several old format stores being marked for closure
- Like to Like growth
 - 9.3% LTL growth in Brands
 - (-3.4)% LTL de-growth in MegaMart Retail, explained partly by planned store closures and partly by slowness in value retail
- Margin expansion
 - Led by brands margin expansion from 2.5% in Q1 FY14 to 4.1% in Q1 FY15

Performance of Power Brands : Continues to grow and expand margins



◆ EBITDA % ■ EBITDA Rs Cr ■ Revenue Rs Cr

Revenue Growth – 27% and EBIDTA Margin grew from 7.9% to 9.5%

1. Note: Tommy Hilfiger numbers reflect 50% Arvind share of the JV company

Brands & Retail Business – Distribution

Particulars	2012-13		Q3 2013-14		Q4 2013-14		Q1 2014-15**	
	# Stores	Sq ft	# Stores	Sq ft	# Stores	Sq ft	# Stores	Sq ft
Brands	570	630248	684	709,543	698	717,236	741	7,54,529
MM	197	710133	189	762,081	166	744,785	158	7,96,467
Total	767	1340381	873	1471624	864	1462021	858	15,50,995
No of KA Exclusive Counters	532		685		692		810	

- Sales Increase in Key Account Counters: Growth of 32% in Q1 14-15
- ** Q1 2014-15 figures include Calvin Klein

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Context: Arvind Infrastructure Limited (AIL) has evolved into a successful and independent real estate development company

Setup Objectives

- AIL was set up in 2009, primarily with the objective of monetizing Arvind's surplus land assets by:
 1. Undertaking sale of land
 2. Entering into partnership for development the land, and
 3. Development of land on its own

Evolution

- Over the years, the company has successfully undertaken development activities and achieved excellent market reputation as a quality developer

Current Status

- As of now, AIL is managing 11 projects in Ahmedabad and Bangalore with total potential sale value of Rs 2600 Cr and construction of 5.3 Million sqft over 360 acres of land
 - 9 projects on its own/JDs
 - 2 projects in JV
- Of this, construction of 2.3 Million sqft over 164 acre of land being developed in a JV/JD arrangement with land owners other than Arvind

AIL's Financial Performance

P&L Performance

Rs Cr	31-Mar-13	31-Mar-14	30-Jun-14
Revenue	34.6	91.9	14.0
EBIDTA	9.4	20.6	1.1
Interest	4.9	4.3	2.2
Depreciation	0.3	0.5	0.1
PBT	4.2	15.7	-1.2
Tax	-0.9	-5.5	-0.1
PAT	3.2	10.2	-1.3

Balance Sheet Position

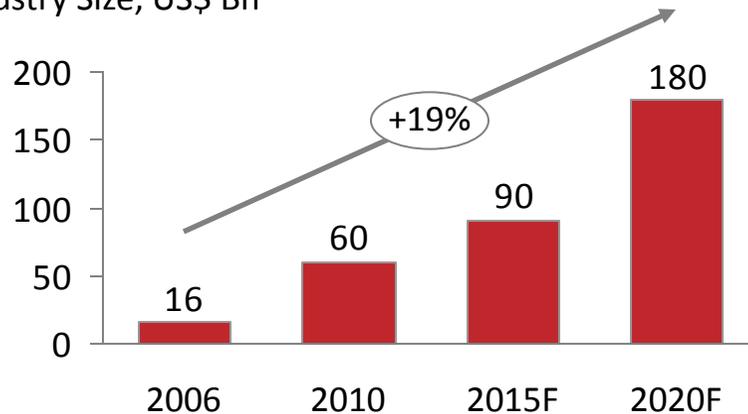
Rs Cr	30-Jun-14
Capital	10.1
Reserves	105.2
Net Worth	115.2
Borrowings	79.8
Total	195.0
Fixed Assets	2.8
Loans & Advances	87.3
Net Current Assets	100.0
Investments	4.9
Total	195.0

AIL is expected to achieve Rs 150 Cr Revenue and Rs 20 Cr PAT in FY2014-15

Arvind Infra sees an attractive opportunity and strategic fit in real estate development

Indian real estate market large and continues to grow fast

Industry Size, US\$ Bn



Key drivers of growth:

- Growing Urban population
- Decreasing size of Urban households
- Rising Income Levels

Arvind Infrastructure Limited well positioned to play in some market segments

- Built a land bank of 360 acres, through strong network of land owners in JD and JV participation mode
- Built a strong management team
- Demonstrated scalable execution capability, currently managing 11 projects
- Trusted and reliable Arvind brand and corporate reputation
- Ability to create value for its shareholders, with its pipeline of excellent real estate projects

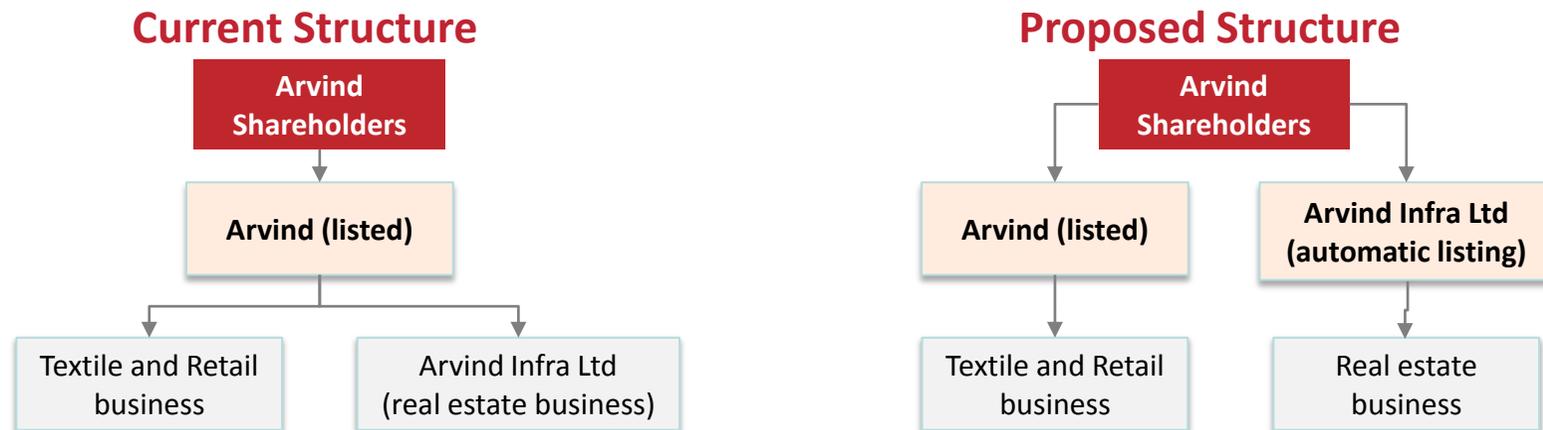
However, difficult to support its operations and growth within the parent, beyond certain boundaries

- Additional capital will allow growing the business and accelerate existing development
 - AIL is targeting revenue of Rs 1000 Cr in 5 years
- Fund infusion from Arvind may not be feasible
 - It is not a core business of Arvind
 - The real estate business has very different risk-return matrix
 - The real estate business can be quite cyclical
 - Arvind's intent is to focus on core businesses and would like to preferentially allocate capital to those businesses
 - Arvind's existing shareholders may or may not be keen to take exposure in real estate

Hence, opportunity exist for Arvind's real estate business to create an independent growth path, currently restrained by Arvind's capital allocation strategy

Proposal to demerge the Real Estate Business

- It is proposed to demerge AIL, and distribute its shares to the shareholders of the parent company
 - AIL will become an independent listed company owned by Arvind's shareholders



- The demerger will
 - Allow Arvind to deploy its resources fully in its core activities
 - Allow AIL to raise further capital and debt as required for its growth
 - Allow shareholders to choose whether to participate in real estate business

This will unlock value for all the shareholders of Arvind Ltd

Details of the Scheme

- It is proposed to transfer real estate division, of Arvind Limited to AIL
- As of 30th June 2014 the real estate division consisted of the following assets/liabilities:

	Rs Cr
Fixed Assets	6
Investments	100
Current Assets	61
Liabilities	67
Net Assets	100

- AIL will issue, to the shareholders of Arvind Limited, 1 share of Rs 10/- each for every 10 shares of Rs 10/- held by them in Arvind Limited
- It is a vertical demerger, so shareholding pattern of AIL will mirror that of Arvind Limited
- Fractions will be consolidated and sold in the market on behalf of fraction holders
- Appointed Date : 1st April 2015

Strategy of Arvind Infra going forward

- De-risked business model
 - Focus on JDAs / JVs with land owners resulting in capital efficient model
 - Also providing access to a larger project plate and the ability to leverage the skills and strengths of multiple partners
- Focus on execution
 - Focus on launch and delivery of projects to bring in cash flows and recycle for future growth

For Arvind Limited, the land monetization program will continue post the de-merger of AIL

- Arvind has monetized land worth Rs 423 Cr up to March 31, 2014
- Arvind has additional land bank which it will continue to monetize
 - 250 acres of land near Ahmedabad and 25 acres of land within the city of Ahmedabad
- Most of this land will get monetized over the next 3 years
 - Likely to realize Rs 500 Cr from this and existing monetization

Indicative Time Line: Total 250 days

Transaction advisor:  **AXIS CAPITAL**

Activity	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
Approval from Stock Exchange	90 days							
Approval from Shareholders & High Court			100 days					
Allotment of Shares to Shareholders						30 days		
Listing							30 days	



Thank You!