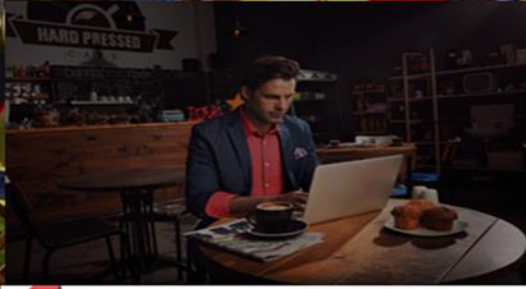


# Arvind Fashions Limited Investors Meeting Feb 2019



# Agenda

Market opportunity .....



AFL value drivers .....





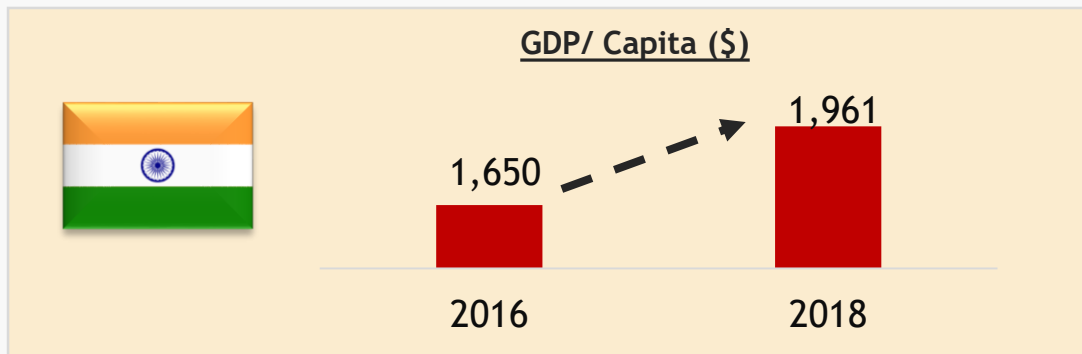
Our winning aspiration  
& roadmap to delivery .....



# Market opportunity

## Indian fashion industry at cusp of significant growth

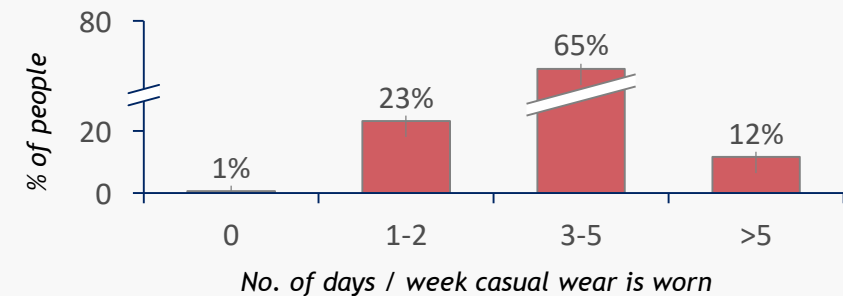
Country	Year of \$2k GDP/ capita	Disproportionate growth over \$2K GDP/capita
 China	2005	3x from 2002-2012
 Russia	2001	2x over next decade



Source: CLSA, World Bank, FICCI, IMF, RBI, India GDP/Capita converted to USD using exchange rate 1 USD = INR 65

## Market displaying increasing casualization trend

- Men's casual wear market expected to grow at 18% and reach \$12 Bn by 2022
- Age and urbanization in favor of casualization
- Dress code of India is becoming more casuals



Source: BCG Customer research 2016, Bottom up market model

# Agenda

Market opportunity



AFL value drivers

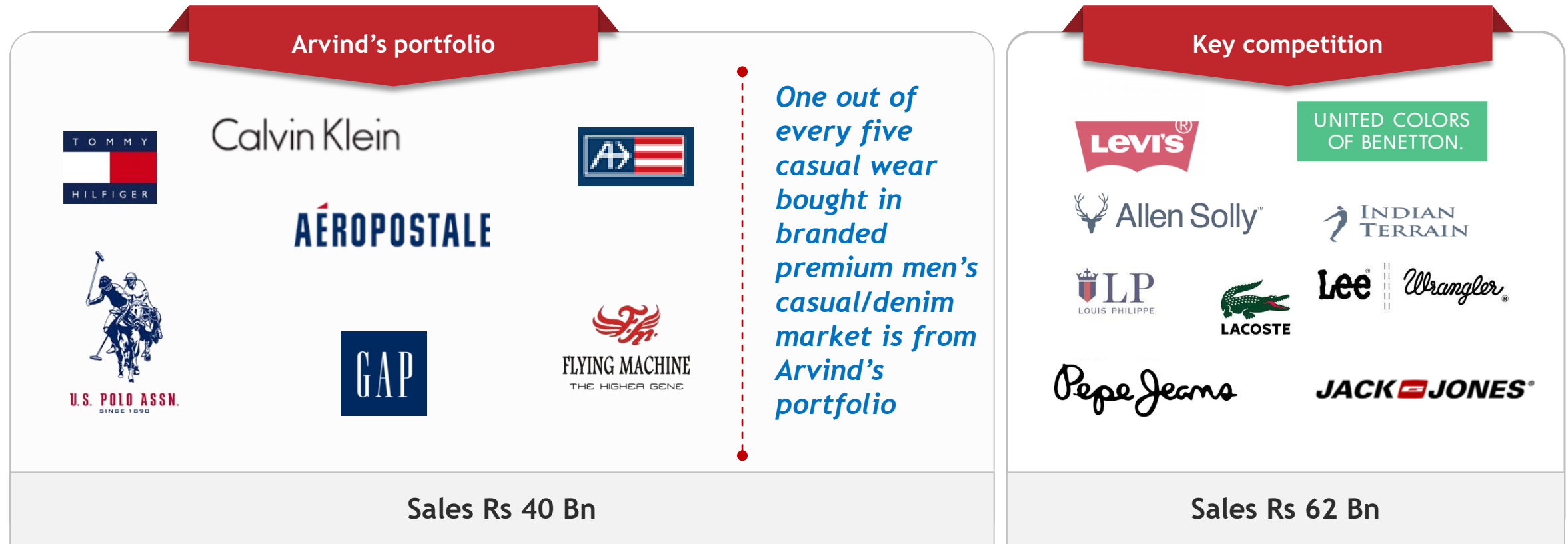


Our winning aspiration  
& roadmap to delivery



1. AFL as dominant #1 player in Casuals/Denim, best placed to create value in the fashion market

# AFL portfolio of casual/denim brands unmatched in the market



Note: Gross sales est. from net sales as Net sales/0.6. For competition sales are Arvind's estimates

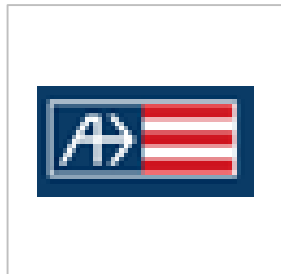
## Strong portfolio delivering significant growth over years



- India's **largest** casual wear brand growing @ CAGR of 33%



- **Fastest** growing denim brand, growing @ CAGR of 35%



- Arrow sport brand extension now contributing to **34%** of the business
- Arrow Denim in online



- **#1 and #2** brands in super-premium denim/casuals



- Strengthens **dominant** position in premium men's casuals/denim





**2. Gaining momentum in the fast growing value market with “Unlimited”**

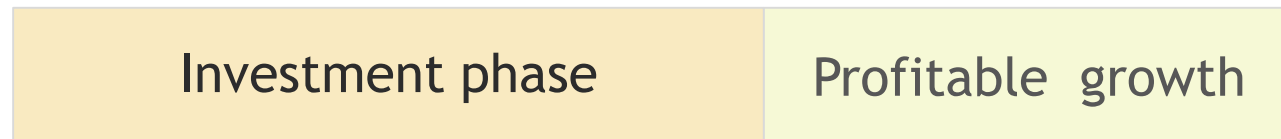
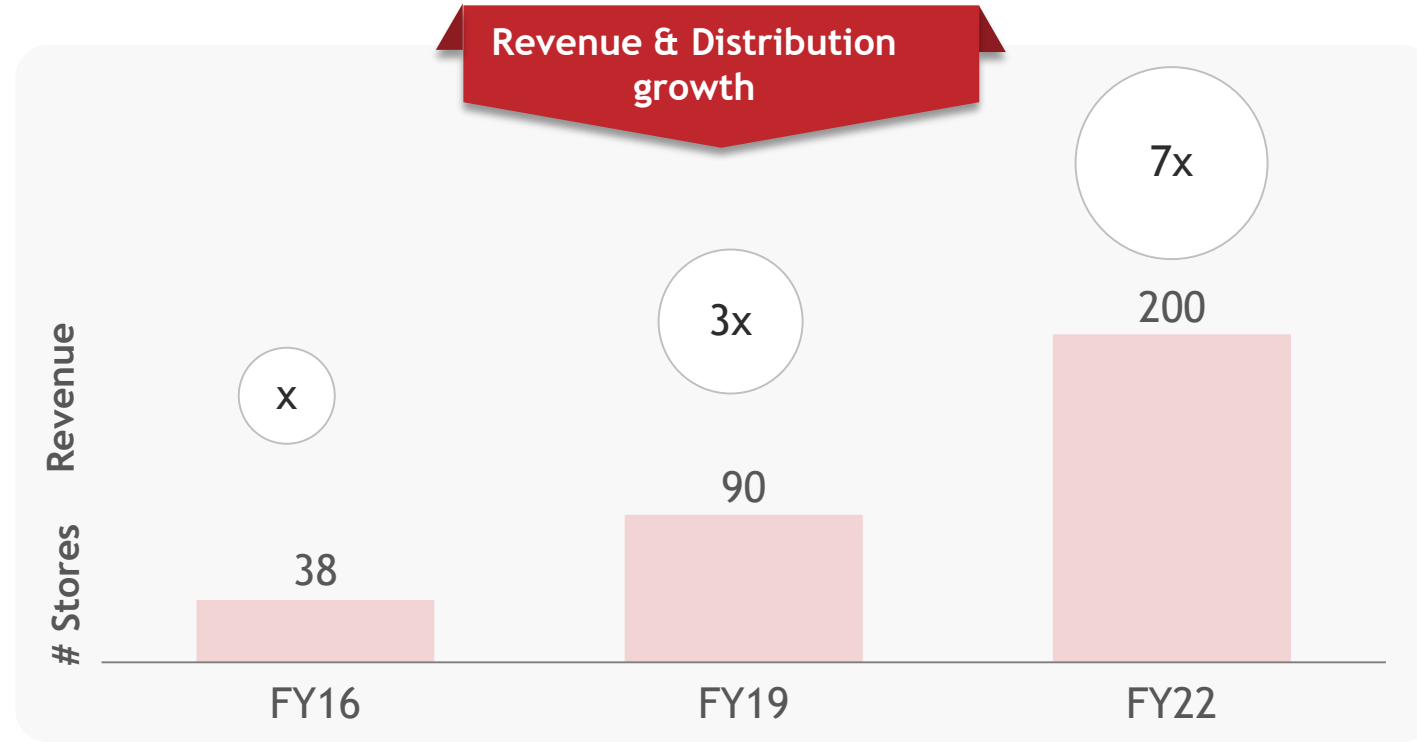
Branded value fashion market is growing at 24% and est. to become \$12 Bn by 2020



# Unlimited built on unique differentiators

<p>1</p>	<p>Strong portfolio of private brands</p>	
<p>2</p>	<p>Product superiority leveraging fiber to fashion strengths of Arvind</p>	<p>Example: Boomerang jeans, premium product at value price</p> 
<p>3</p>	<p>Agile supply chain leveraging strong internal capabilities</p>	<ul style="list-style-type: none"> <li>• Segmented supply chain pipes</li> <li>• Automated replenishment system</li> </ul>
<p>4</p>	<p>Analytics driven assortment &amp; design</p>	<ul style="list-style-type: none"> <li>• AI driven design optimization</li> <li>• Customer centric store assortment</li> </ul>

## Unlimited scaling towards profitability



6-7% EBITDA FY22

### 3. Three category opportunities to be #1 or #2

- Premium innerwear
- Premium kidswear
- Prestige beauty

## Three categories #1 or #2 roadmap

### Premium innerwear



Calvin Klein



- Fast growing premium innerwear market, est. to be **\$2.8 Bn** by 2022
- Portfolio covering all price segments in the premium market

**# 2 in premium innerwear**

### Premium kidswear



TOMMY HILFIGER CHILDRENSWEAR



- Premium kidswear market est. to be **\$5.1 Bn** by 2022
- Kidswear offerings from established renowned international brands

**# 1 in premium kidswear**

### Prestige beauty



- Prestige beauty market est. to be **\$1.5 Bn** by 2022
- Huge opportunity to scale up using online

**# 1 in prestige beauty**

## Summary of AFL value drivers

1



**Dominant leadership in premium men's casuals/ denim**

2



**Unlimited gaining scale and progressing towards profitability**

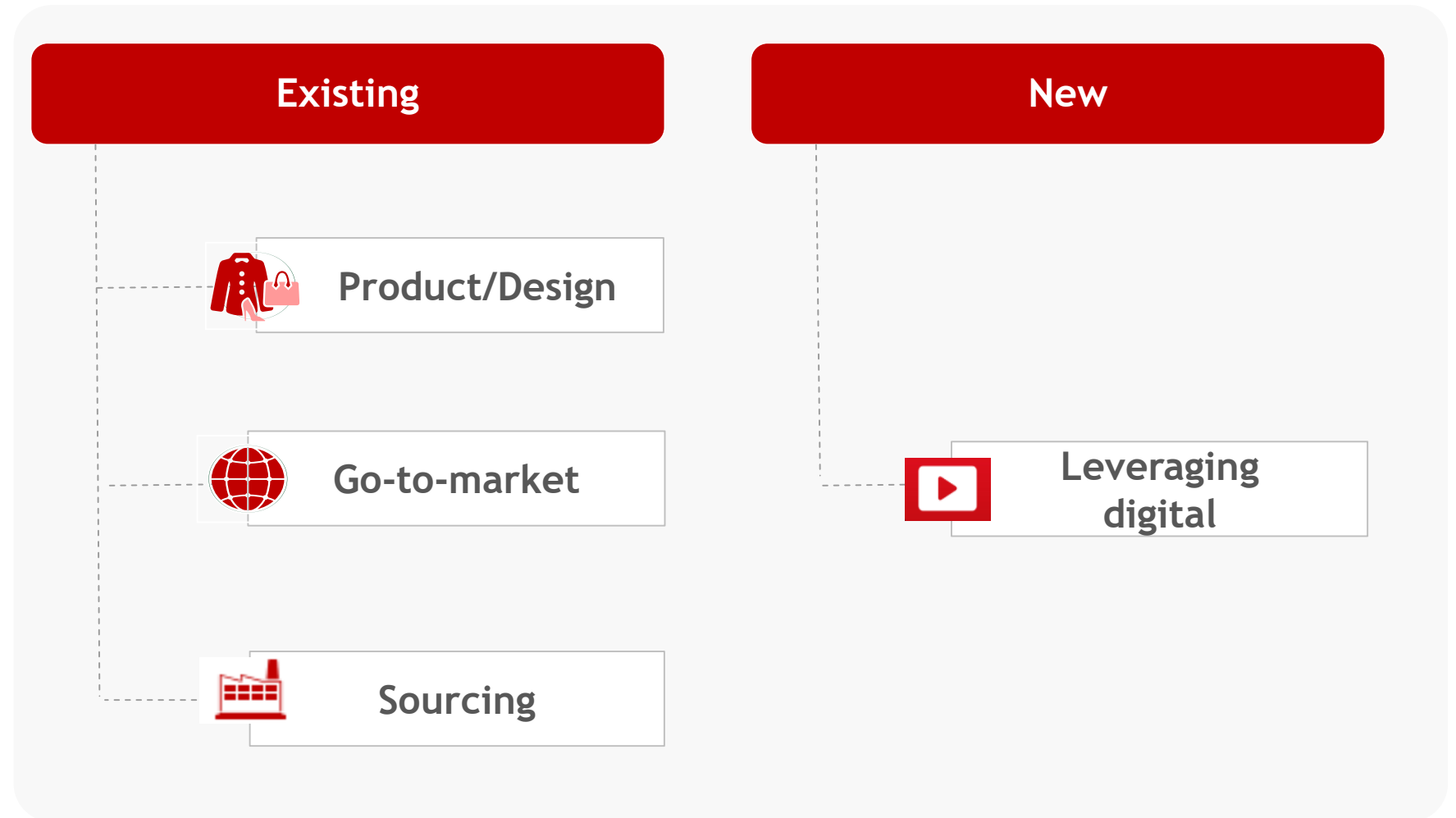
3



**3 significant category leadership opportunities**

- Premium innerwear
- Premium kidswear
- Prestige beauty

## Value drivers supported with powerful platforms



## Strong Product/Design capabilities



- Strong Product/Design team



- Deep understanding of Indian consumer requirements - Track record of creating India specific designs for international brands



- Innovation leader - Elevated brand offerings through numerous innovations



- Multi-category design expertise

250+ designers & merchants

ARROW  
USA-1851

U.S. POLO ASSN.  
SINCE 1890

GAP

AÉROPOSTALE

Ed Hardy

Stitch less shirts  
ARROW



Responsible  
denims - USPA



Mens'



Womens'

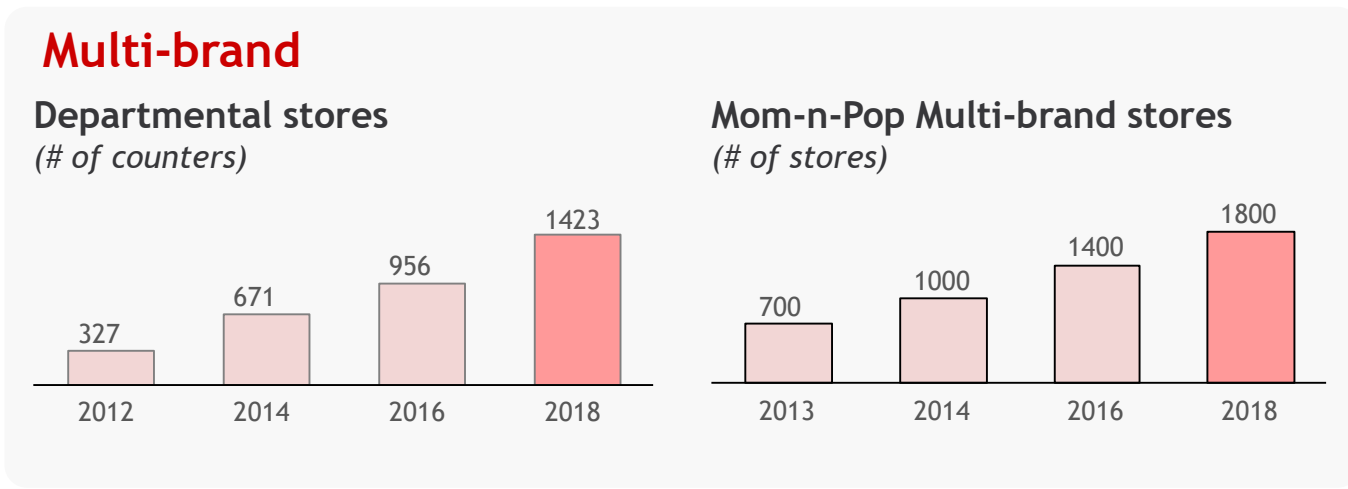
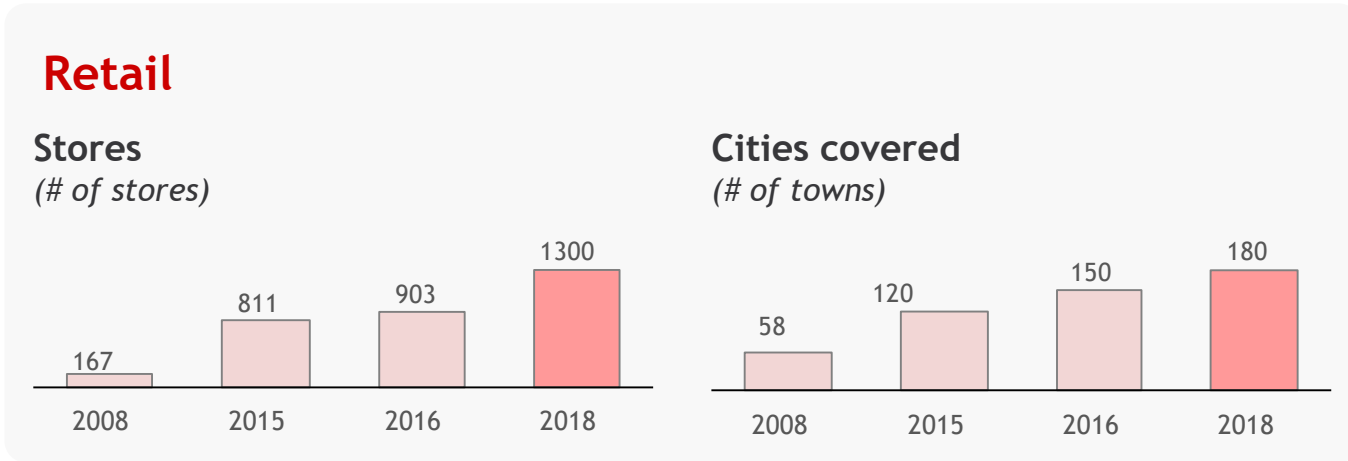
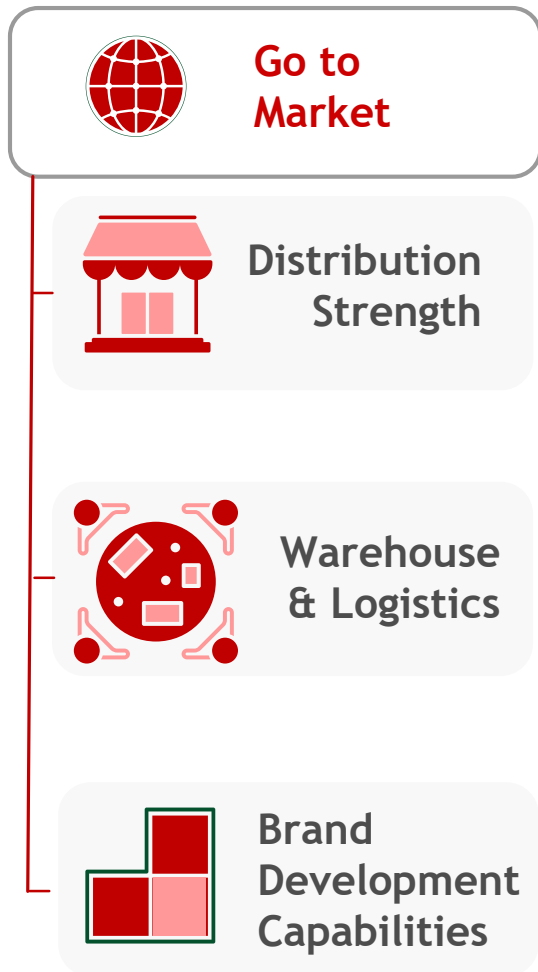


Kids



Innerwear

# Powerful go-to-market capabilities have led to rapid footprint expansion



189 stores in the top 25 malls vs 115 store for next best competitor.

**Highest for any lifestyle player in India**

Presence in 140+ Tier 2/3 towns

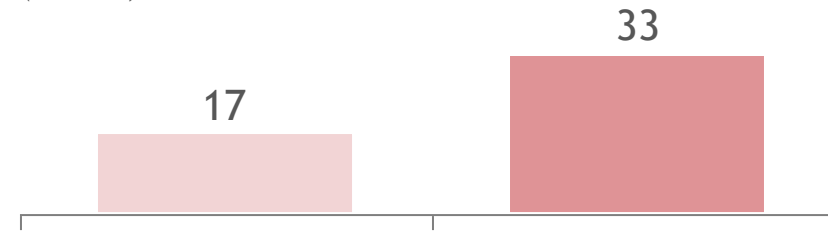


# Sourcing expertise - Scaled up business without any manufacturing investments through strategic vendor relationships



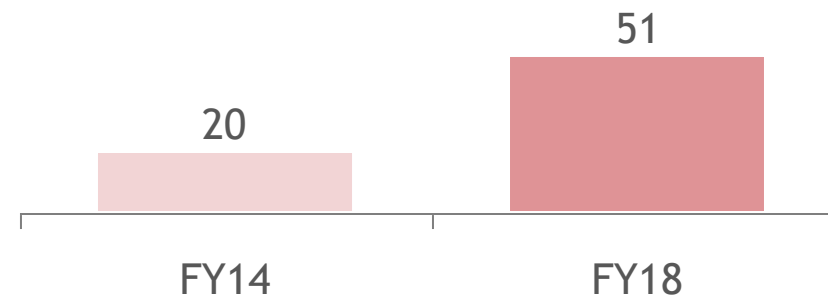
Handling large volumes

Annual sourcing volume  
(in mn)



Multi category expertise

Number of product categories




- Menswear
- Womens wear


- Menswear
- Womens wear
- Kids wear
- Innerwear

# Building new capabilities leveraging digital to dramatically improve operating efficiency


Initiatives backed by Advanced Analytics/Artificial Intelligence

1  **Deepening omni-channel**


- NNNOW - Web & App with many advanced features
- In-store endless aisles & assisted clienteling
- Integration of marketplaces with our stores & WHS

2  **Analytics engine led personalized communication**

- Analytics engine to decipher consumer behavior and increase communication relevancy
- Automated and programmatic approach to consumer communication

3  **Assortment optimization**

- Analytics driven bottom up retail planning
- Image recognition/AI driven design optimization
- AI driven buying
- Intelligent auto replenishment

4  **Agile supply chain**

- Segmented supply chain as per the merchandize mix
- Automated replenishment system
- Digitized sourcing capabilities

✓ LTL improvement

✓ Inventory turns improvement

✓ GM improvement

# Agenda

Market opportunity



AFL value drivers



Our winning aspiration  
& roadmap to delivery



## Strong track record of robust and profitable growth - performance FY16-FY18

Revenue

**CAGR 26%**



EBITDA

**CAGR 37%**



ROCE

**+330 BPS**



## Our winning aspiration

Revenue

CAGR 20%

Rs. 8000 Cr

EBITDA

100 BPS  
improvement  
each year

Rs. 800+ Cr








ROCE

25%+

India's Most Valuable Company in the Consumer Lifestyle Space

# Delivering growth, 18% CAGR in power brands

## Growth driver# 1: Category expansion opportunities

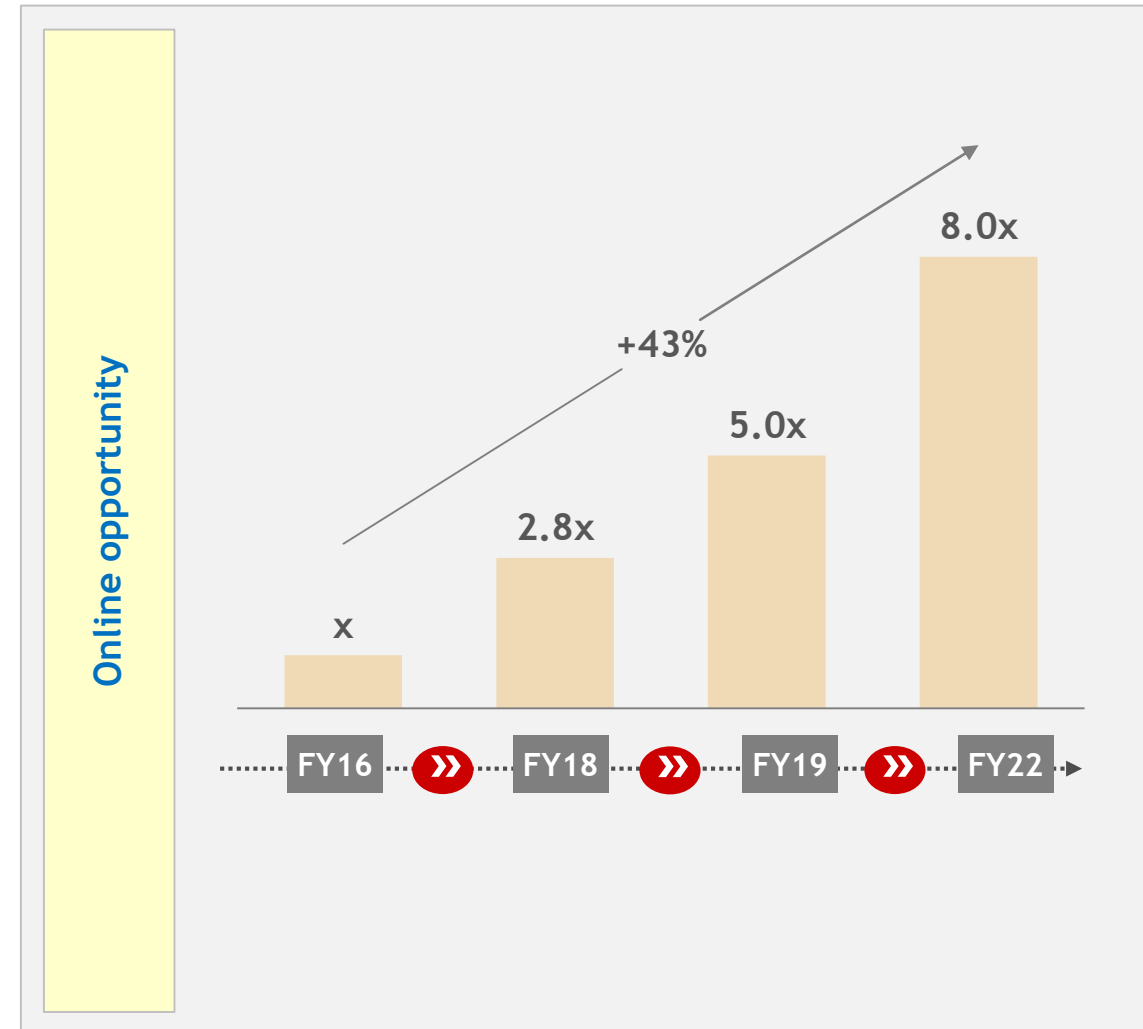
 <p>U.S. POLO ASSN. SINCE 1890</p>	<ul style="list-style-type: none"> <li>• High potential: Kids, Innerwear &amp; Footwear</li> <li>• Scaling up denim</li> <li>• Rs 20 Bn+ brand</li> </ul>	<div style="display: flex; justify-content: space-around; align-items: center;">    </div> <p style="text-align: center;">Innerwear   Kidswear   Footwear</p> <p style="text-align: right;">Three categories with combined potential to reach Rs10 Bn+ by 2022</p>
 <p>FLYING MACHINE THE HIGHER GENE</p>	<ul style="list-style-type: none"> <li>• “FM Blue Label” for departmental stores &amp; EBOs</li> <li>• “Flying Machine” for online</li> <li>• “FMX” for value channel</li> </ul>	<p style="text-align: center;">4x revenue growth in online and value channel</p>
 <p>ARROW USA-1851</p>	<ul style="list-style-type: none"> <li>• “Arrow New York” for younger consumers</li> <li>• Suits &amp; Blazers for special occasions</li> <li>• Online specific categories</li> </ul>	<p style="text-align: center;">2x revenue growth in these categories</p>
 <p>TOMMY HILFIGER</p>	<ul style="list-style-type: none"> <li>• High potential: Kids, Footwear &amp; Accessories</li> <li>• New: Tailored &amp; Jeans</li> </ul>	<p style="text-align: center;">1.6x revenue growth</p>

## Delivering growth, 18% CAGR in power brands

### Growth driver# 2: Rapid distribution expansion across two channels

**Small town opportunity**

	Cities Univ.	FY15		FY18		CAGR
		Cities	Sales %	Cities	Sales %	
		Tier II	43	22	10%	
Tier III	320	40	9%	55	13%	35%



## Delivering growth, 25%+ CAGR in specialty retail



- Network expansion to **200 stores**
- Building on the strong foundation of the unique differentiators



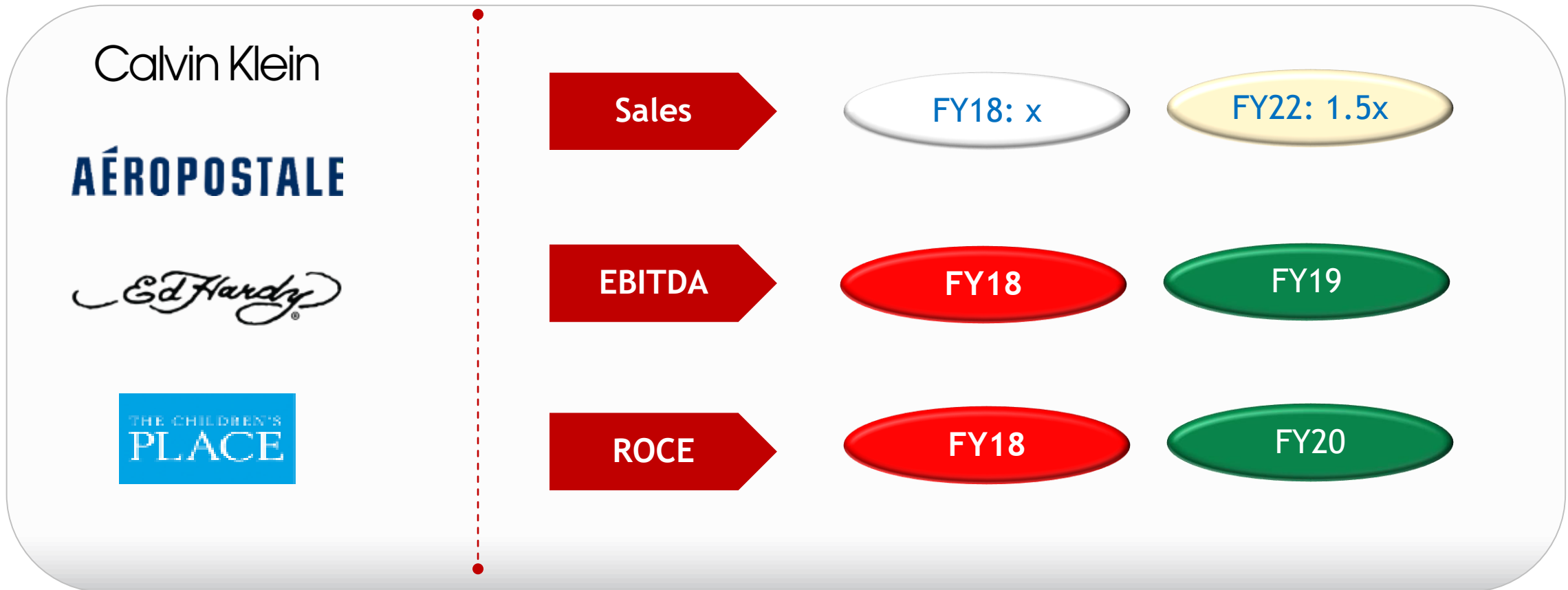
- **Gross margin on the uptrend** due to domestic production
- Opening of **new distribution channels** such as Shop in Shop, Online, Kids Franchisee Stores contributing to growth & profitability



- Profitable concept from the 2<sup>nd</sup> year of operations
- High levels of customer loyalty
- Huge potential upside through **online-replicating** successful Sephora.com model in India

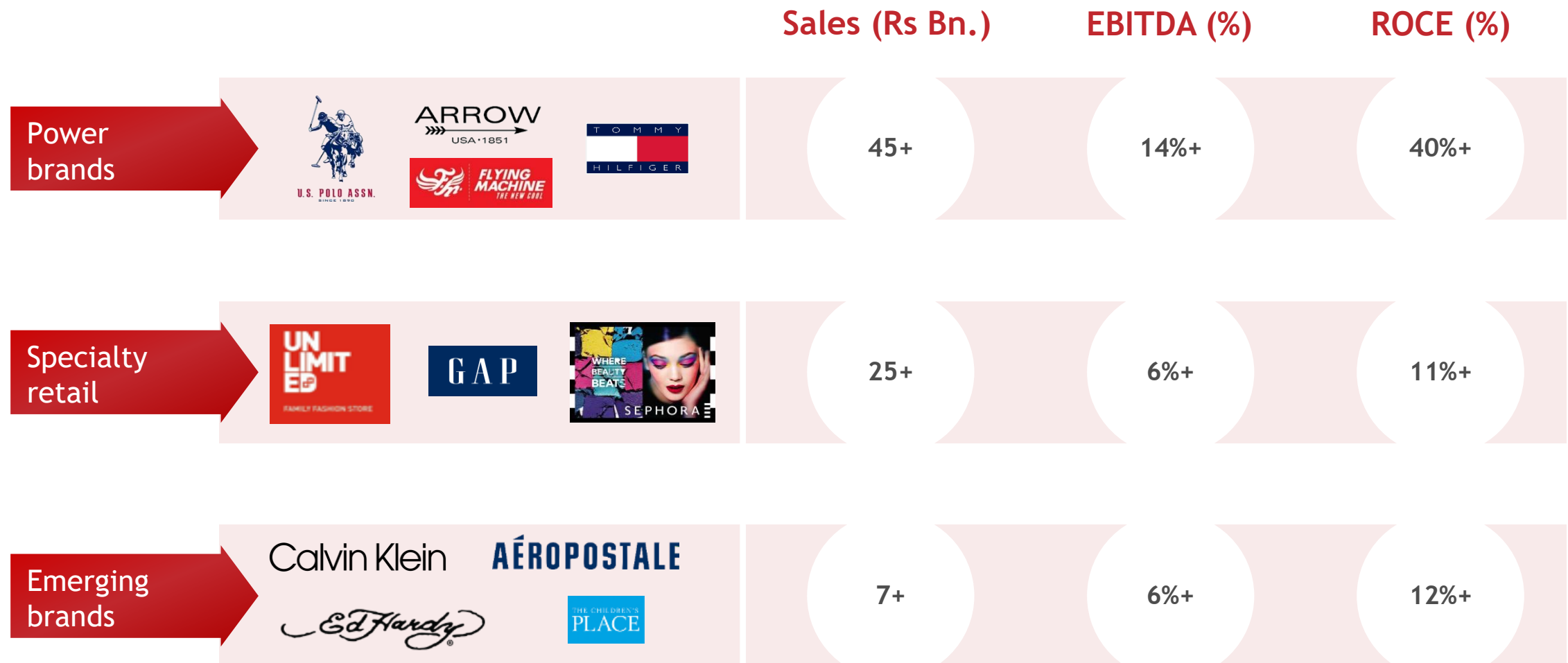


## Delivering growth, 15%+ CAGR in focused portfolio of emerging brands



Working on divesting non-strategic emerging brands

## Shape of our business - brand group wise snapshot FY22





Thank You!