



# Arvind Fashions Limited Investors Meeting June 2019





# Agenda

Why AFL Is An Exciting  
Opportunity



Value Creation Roadmap



Financials



# Significant market opportunity - AFL best placed to create value

## Market displaying increasing casualization trend



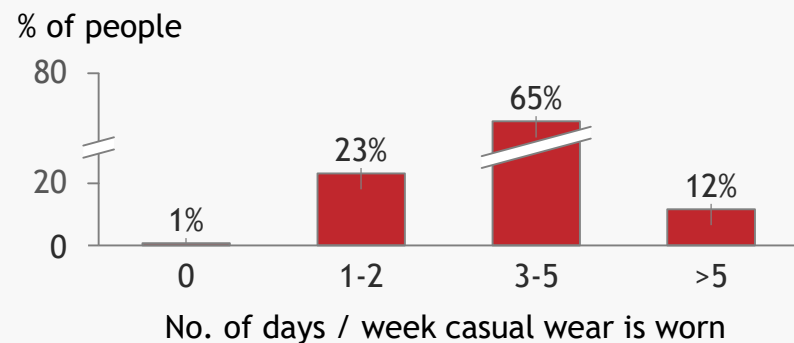
Men's casual wear market expected to grow at 18% and reach \$12 Bn by 2022



Age and urbanization in favor of casualization



Dress code of India is becoming more casuals



Source: BCG Customer research 2016, Bottom up market model

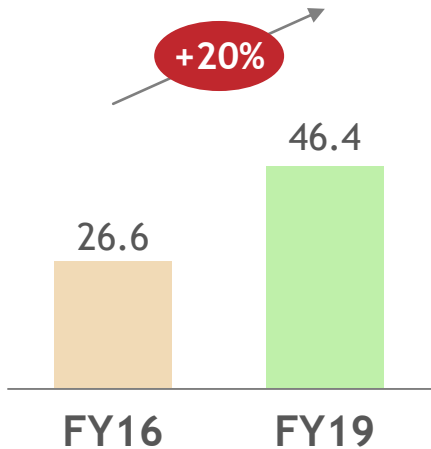
**AFL as Dominant #1 player in Casuals/Denim**

**Best placed to create value in the fashion market**

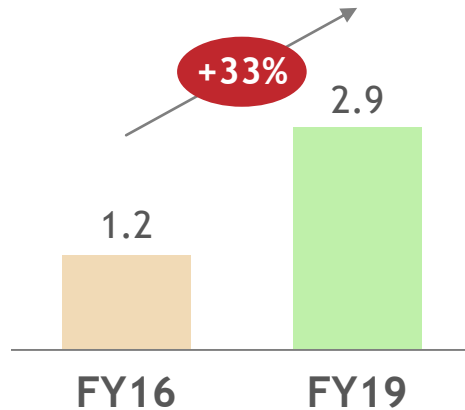
## Strong Track Record Of Robust Performance

### Strong Revenue And Profit Growth

Revenue (Rs Bn)



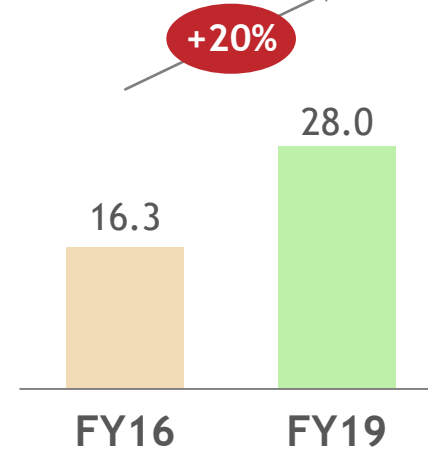
EBITDA (Rs Bn.)



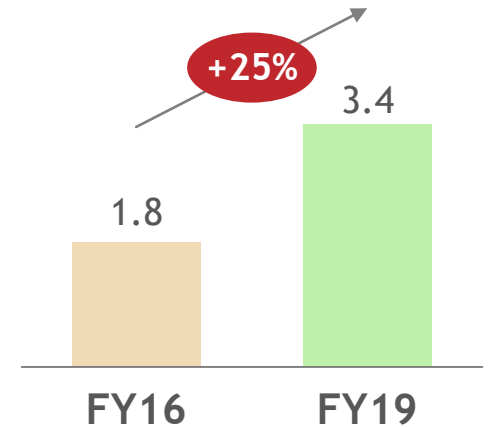
EBITDA more than **doubled** in 3 years

### Powered By Power Brands

Revenue (Rs Bn)



EBITDA (Rs Bn.)



EBITDA: 12.3%, **130 bps improvement** over 3 years

ROCE: 26%



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## Powerful Portfolio



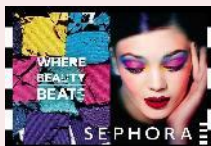
**Power Brands**



ARROW  
USA 1851



**Specialty Retail**



**Emerging Brands**



AÉROPOSTALE

Present Multiple Growth Opportunities through..

- Category Expansion
- Distribution Expansion

+

## Powerful Platforms



Product/  
Design



Go-to-  
market



Sourcing



Digital

Strong Management Team



**Drive Growth with Improved  
Operational Efficiency**

## Strategy In Action

### Leveraging Powerful Portfolio To Sustain Growth Momentum

#### Denim/Casuals

Build On Dominant Market Leadership

#### Premium Kidswear

Improve Market Leadership Position, Targeting 25%+ Growth

#### Premium Innerwear

Accelerate Growth Building On USPA Innerwear Momentum

#### Prestige Beauty

Expand Stores & Online To Sustain High Growth

#### Focus Channels

Target Small Town Expansion & Online For High Growth

### Enabled By Powerful Platforms



Go-To-Market



Strategic Sourcing



Product/Design Innovation



Digital/Analytics

Management Team

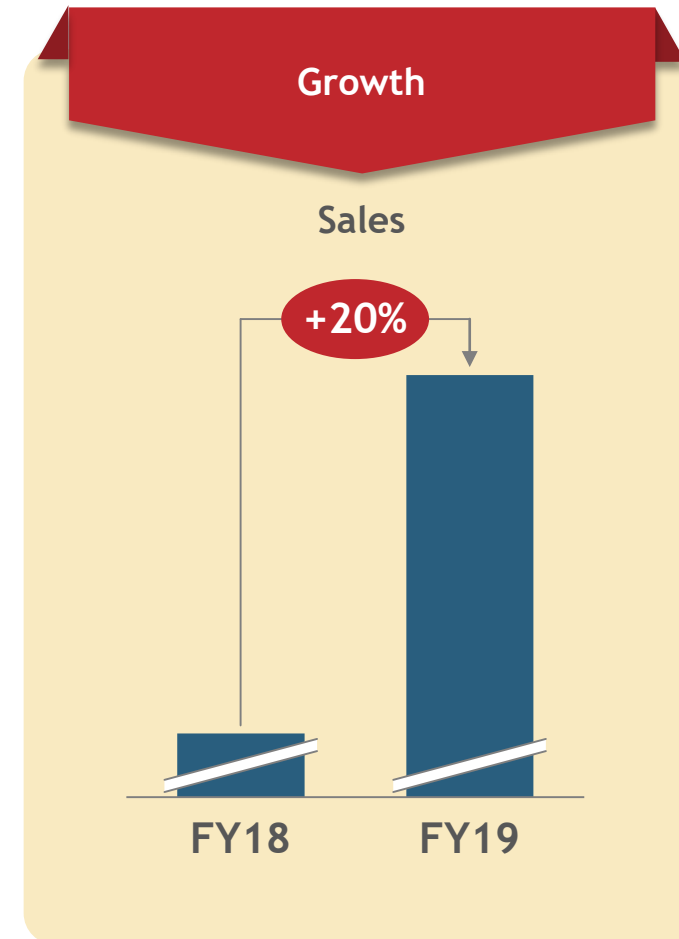
# Leveraging Powerful Portfolio to Sustain Growth Momentum

## 1 Premium Casuals/Denim Leadership

**Arvind's Portfolio**



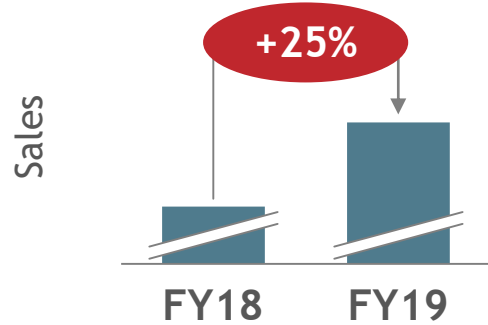
One out of every five casual wear bought in branded premium men's casual/denim market is from Arvind's portfolio





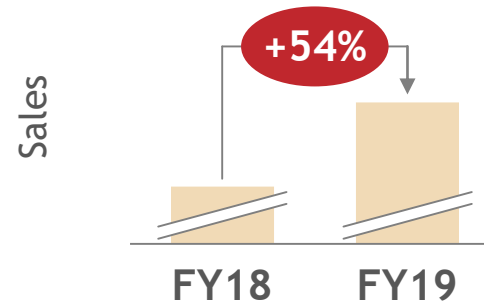
# Leveraging Powerful Portfolio to Sustain Growth Momentum

## 2 Premium Kidswear Leadership



Market Position #1

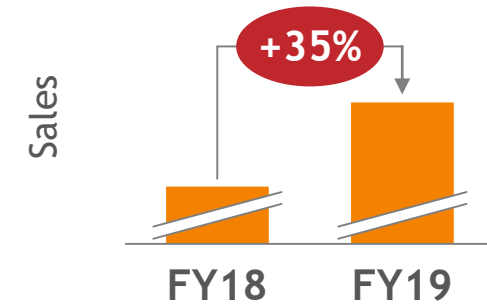
## 3 Innerwear Accelerated Growth



US Polo innerwear sales doubled

Market Position - Making Significant Strides in Mid-Price to Premium Market

## 4 Prestige Beauty Leadership



Market Position #1 / Significant Online Opportunity

# Leveraging Powerful Portfolio to Sustain Growth Momentum - Channels

## Small Town Distribution Expansion

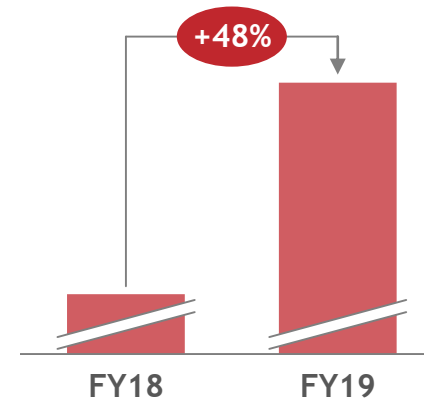


Power brands				
		FY19		Gr%
Cities Univ.		Cities	Sales Contr. (Stores)	
Tier II/III	363	156	25.3%	23%

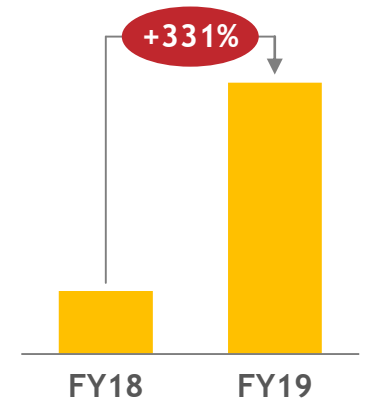
## Online



### 3<sup>rd</sup> Party Online



### Own Online Incl. Omni





## Enabled by Powerful Existing Platforms



### Product/Design Capabilities

- 250+ designers & merchants
- Deep understanding of Indian consumer requirements
- Innovation leader



### Go To Market Capabilities

- Distribution strength: 1300+ stores across 180 cities, 1800+ mom-n-pop stores, 1400+ dept. store counters
- Strong brand building capabilities. Scaled up some of the 10 Lifestyle Brands in India
- Building strong Omnichannel Capabilities



### Sourcing Capabilities

- Scaled up business without any manufacturing investments
- Sourcing 33 Mn+ pcs/annum, across 51+ categories

# Building New Capabilities Leveraging Technology To Dramatically Improve Operating Efficiency

## Sourcing Turnaround Time Reduction



1

Sourcing Digitization

2

Segmented Supply Chain Pipes

Current

100 Days

Target

75 Days

## Sell Through Optimization

1

AI Based Design Optimization

2

Customer Centric Store Assortment

3

In-season Discount Management

5%  
Improvement  
in Pre-EOSS  
Sell Through



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Financials



# Power Brands

## Delivering Growth through Category & Distribution Expansion

### 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>    </div> <p>Innerwear   Kidswear   Footwear</p> <p>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>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>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>1.6x revenue growth</p>



## Specialty Retail Improving Profitability & Capital Efficiency



### Consolidation

- Expand on reaching **Break Even EBITDA**



### High Growth with Improved Profitability

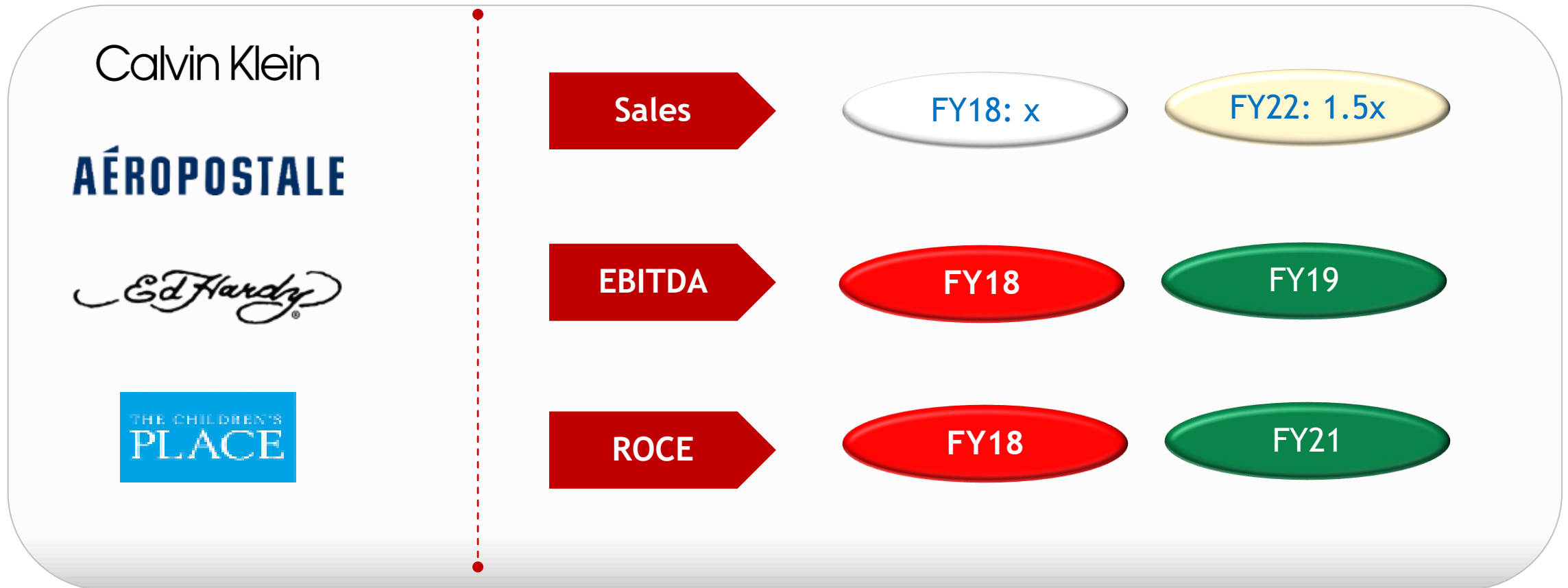
- Domestic Production
- Expansion in **Profitable Sales Channels & Online**



### High Growth with Improved Profitability

- Profitable concept from the 2<sup>nd</sup> year of operations
- High levels of customer loyalty
- Huge potential upside through **online**

## Emerging Brands Sharper Portfolio with Improved Profitability



Working on divesting non-strategic emerging brands



## Business - Way Forward

	FY16-FY19	FY20*	Next 3 Years
Strategic Intent	Rapid Expansion & Growth	Consolidation to Improve Profitability & Capital Efficiency	Growth with Improved Profitability & ROCE
Revenue & Growth	20% CAGR	Double Digit Growth	Mid Teens
EBITDA	EBITDA More Than Doubled	60-80 BPS ↑	80-100 BPS ↑ Every Year
ROCE	6.7% (FY19)	10-12%	300-400 BPS ↑ Every Year

\* One Time Brand Exit Costs





# Arvind Fashions Limited

## Q4 FY19 Performance Highlights



# Agenda

Q4 & FY19 Performance Highlights .....



FY20 Priorities & Outlook .....

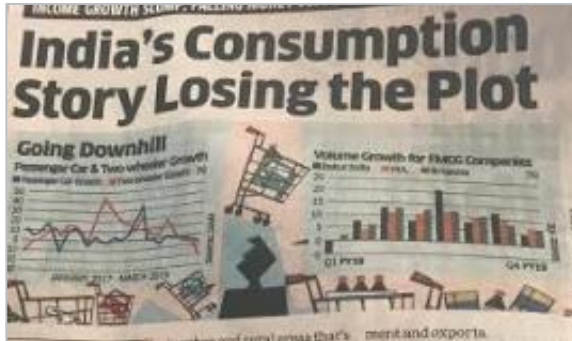




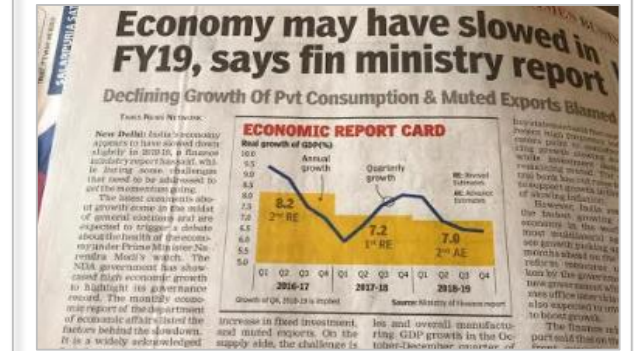
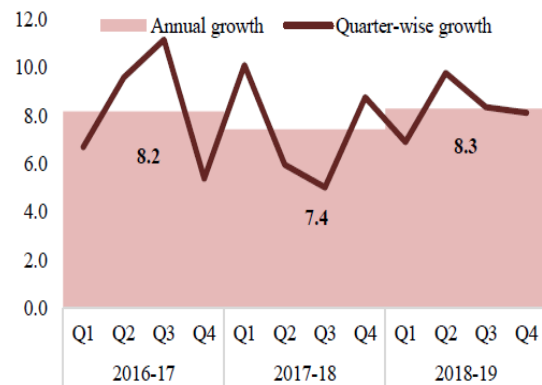
# Market Context

## Q4 Focus

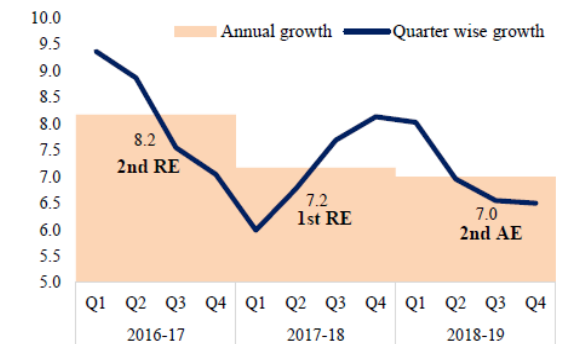
1. Cash generation
2. Working capital reduction
3. Cost efficiency



### Drop In Consumption Expenditure



### Slowing GDP Growth Rate



Note: Growth of Q4 2018-19 is implied.

# Q4 FY19 Business Highlights

Hits

Misses

Financial



Record profitability in Power Brands

**14.1% / +60 bps**

Despite flat sales, driven by discount control & cost efficiency



Strong cash generation leading to reduction in Debt of

**Rs 167 Crs.**



Higher than planned loss in Unlimited

Portfolio



USPA, emerging as India's leading lifestyle brand.  
Fastest to cross

**Rs 1,000+ Crs.**

With innerwear sales doubling



Flying Machine among

**Top 3**

denim brands in India



GAP turning

**EBITDA Positive**

in Q4 FY19



Strong Performance of Focus Categories- FY19 Growth

Casuals/Denim: **20%**

Kidswear: **25%**



Innerwear: **54%**

Prestige Beauty: **35%**

## Q4 FY19 Performance Snapshot

### Sales

Rs Crs.

Growth%

1,169

2%

### EBITDA

Rs Crs.

% Sales

Growth%

85

7.3%

13%

+80 BPS

### Impact Of Key Actions

Revenue growth impact of ~8% on account of

1. Exit of long credit cycle customers in Power Brands
2. Starting the exit of select emerging brands

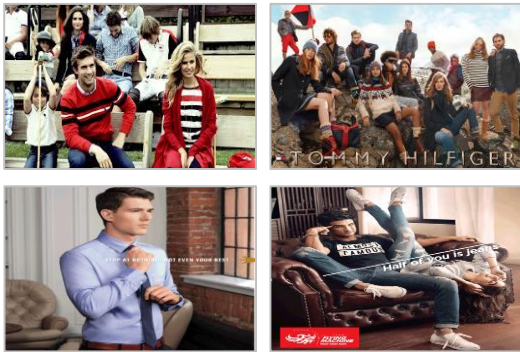
### ...Helping

- Deliver strong FOCF & reduction in debt
- Control of discount to improve gross margin by 180 BPS



# Q4 FY19 Brand Groupwise Performance

## Power Brands



Sales (Rs Crs.)

746

EBITDA (Rs Crs.)

105 / 14.1%  
+64 BPS

## Specialty Retail



Sales (Rs Crs.)

231

EBITDA (Rs Crs.)

(19)

## Emerging Brands



Sales (Rs Crs.)

192

EBITDA (Rs Crs.)

(1)

## FY19 Performance Snapshot

### Sales

Rs Crs.	Growth%
4,644	10%*

\*Underlying growth 15%

### EBITDA

Rs Crs.	% Sales	Growth%
288	6.2%	26%

+80 BPS

### ROCE

6.7%

+170 BPS

Strong underlying **growth of 15% overall** & **16% in Power Brands** delivered with **80 BPS improvement in EBITDA** despite

- Additional marketing investment of Rs 24 Crs.
- Sales and profit impact of key actions of Q4

# FY19 Brand Groupwise Performance

## Power Brands



Sales (Rs Crs.)

**2,797**  
9% / **16%**

Underlying

EBITDA (Rs Crs.)

**344 / 12.3%**  
+130 BPS

## Specialty Retail



Sales (Rs Crs.)

**1,110**

EBITDA (Rs Crs.)

**(43)**

## Emerging Brands



Sales (Rs Crs.)




**737**

EBITDA (Rs Crs.)

**(13)**



## Store Distribution Footprint

		FY18 Exit		Store Changes		FY19 Exit	
		Store Count	Sq Ft (Lacs)	Additions	Closure	Store Count	Sq Ft (Lacs)
	Power Brands	940	8.1	148	70	1018	8.9
	Unlimited	101	9.7	20	14	107	10.8
	Speciality Retail	29	1.3	6	0	35	1.5
Total*		1297	21.5	218	125	1390	23.7

\* Including Emerging Brands

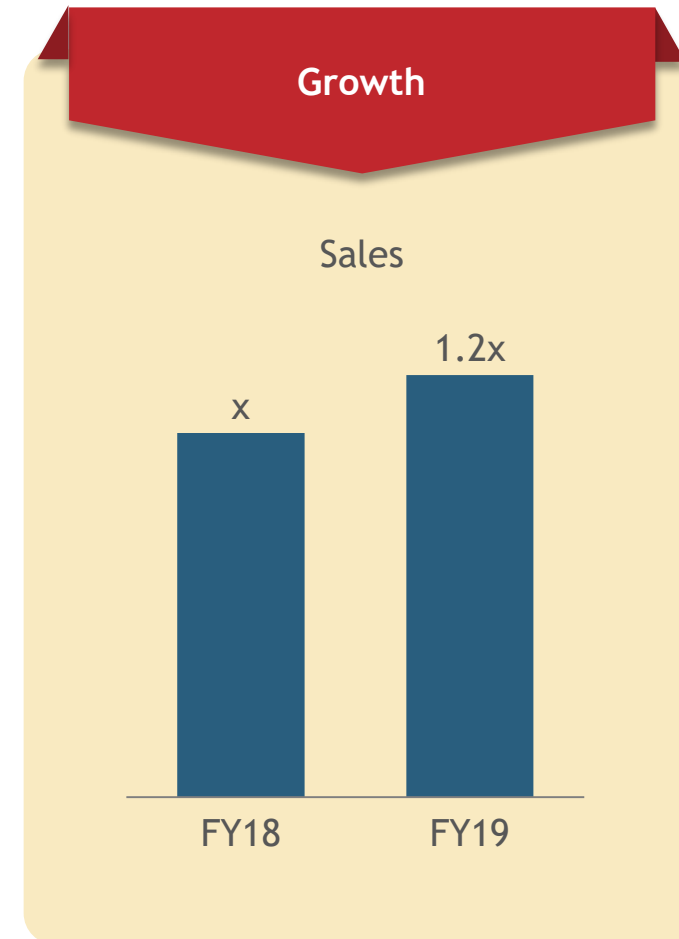
# Robust Performance Of All Focus Categories

## Premium Casuals/Denim Leadership

**Arvind's Portfolio**



One out of every five casual wear bought in branded premium men's casual/denim market is from Arvind's portfolio



## Brand Performance Milestones

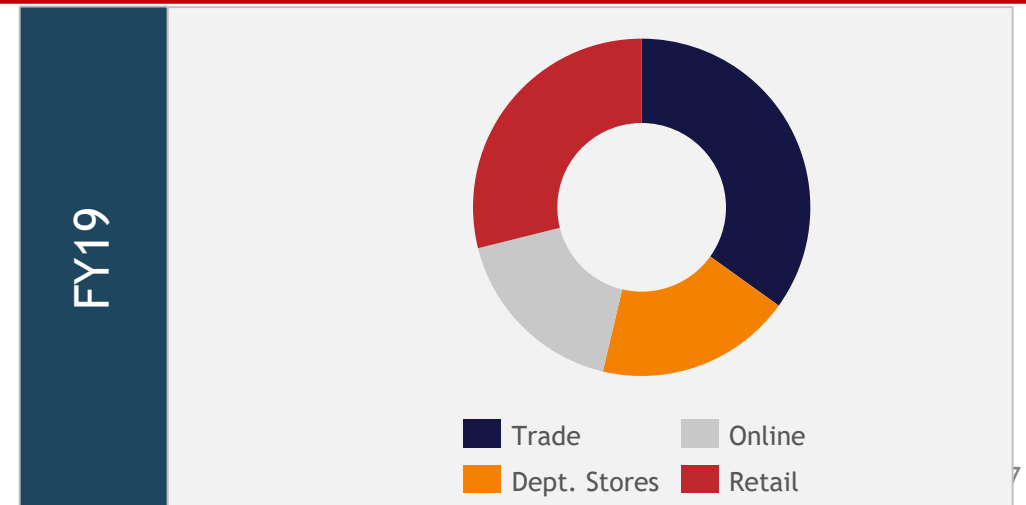
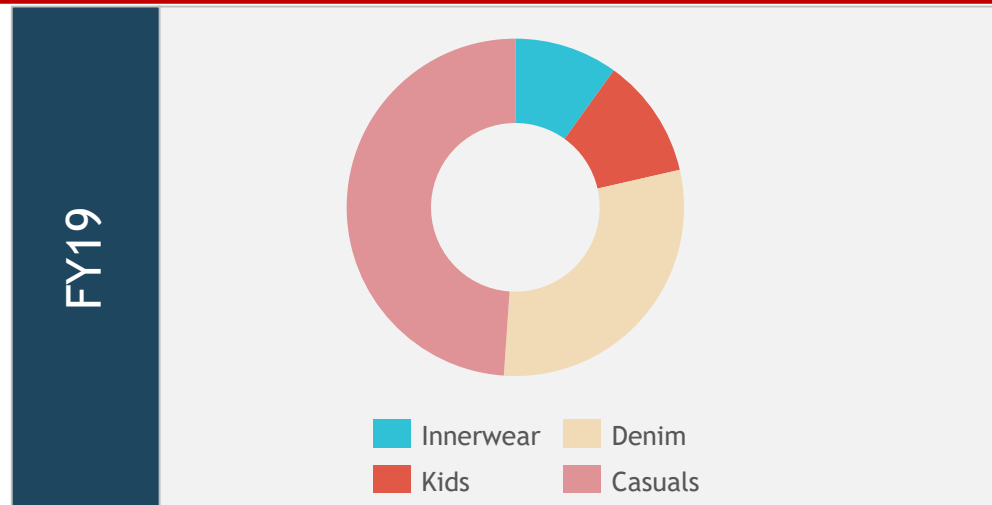
USPA Emerging As India's Leading Lifestyle Brand - Fastest to Cross Rs 1,000+ Crs. With Strong Multi-Category & Multi-Channel Play



Multi-Category Play



Multi-Channel Play

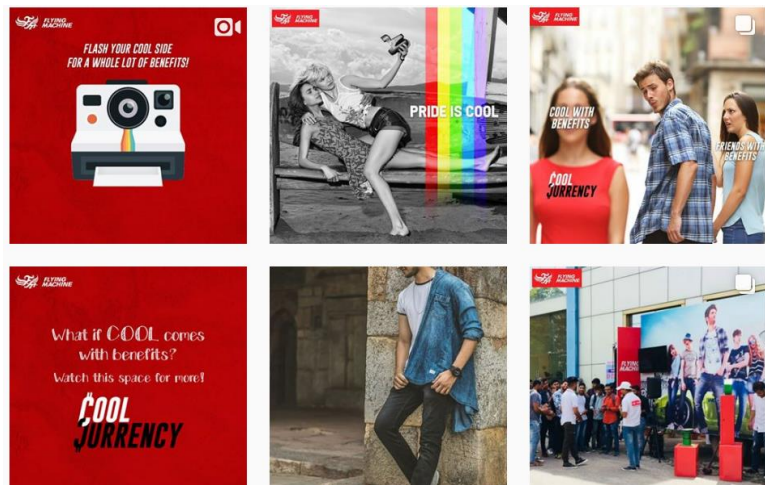




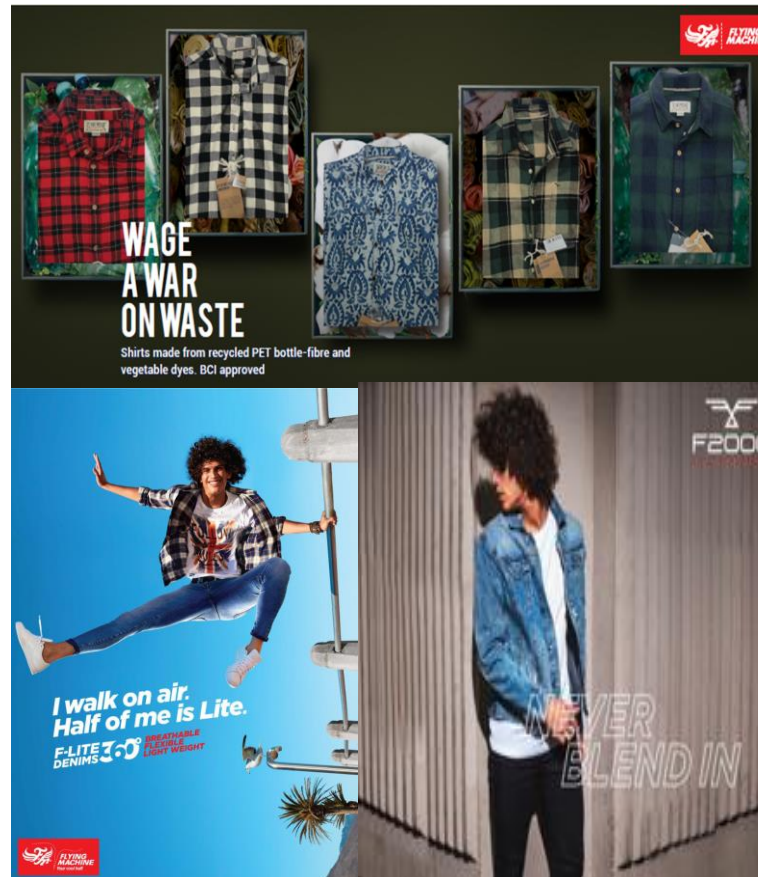
# Brand Performance Milestones

## Flying Machine Among India's Top 3 Denim Brands With Strong Youth Connect Leveraging

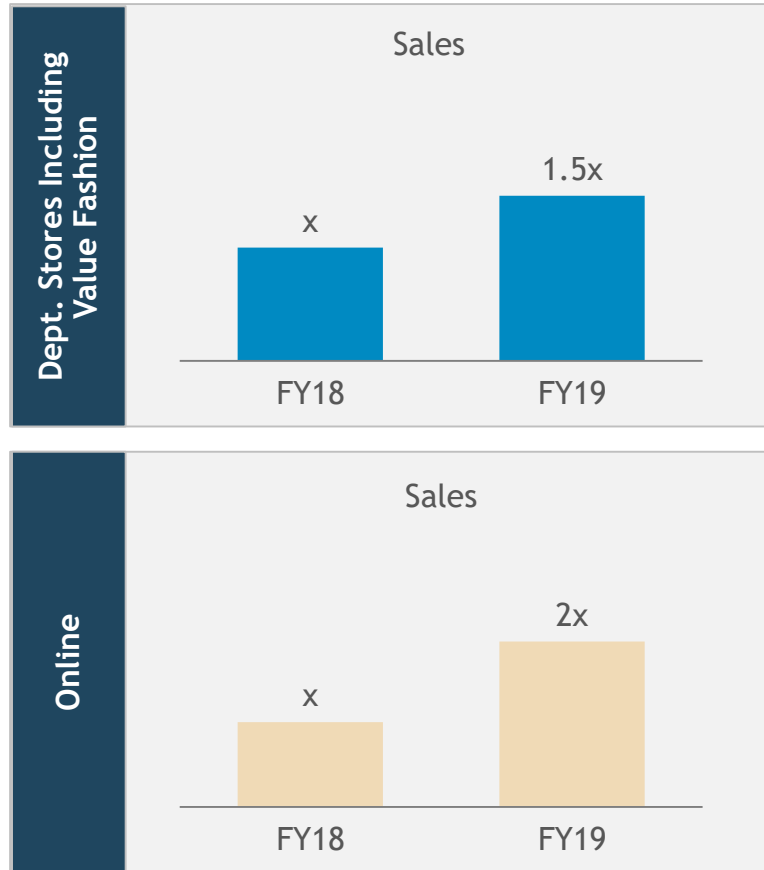
### Social Media



### Product Innovation



### Fast Growing Channels



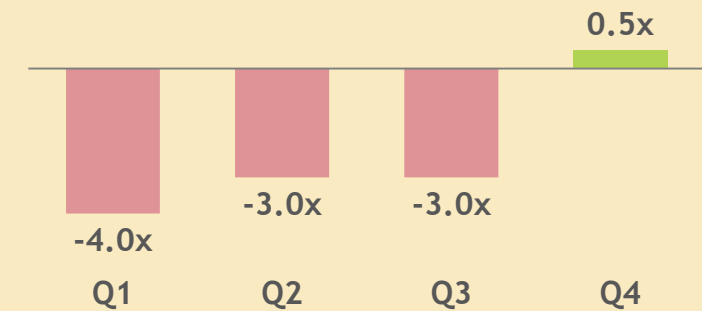
## Brand Performance Milestones

### GAP Scaling Rapidly And Turning Profitable

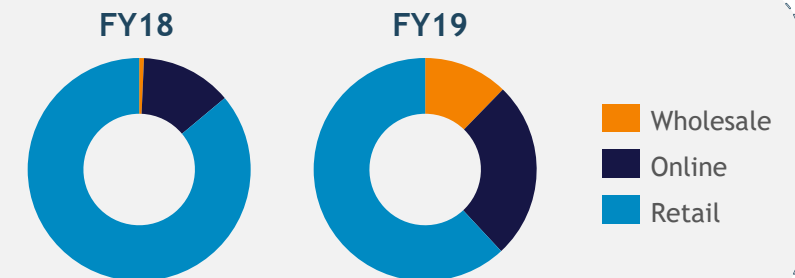


Sales growth (FY19): 50%+

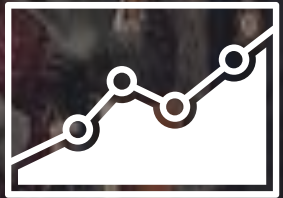
EBITDA (FY19)



Channel Mix







# Audited Financials - P&L

All Figures in Rs Crs.	Q4 FY19	Q4 FY18	Change	FY19	FY18	Change
Revenue from Operations	1,169	1,151	2%	4,644	4,219	10%
Cost of Goods Sold	547	566		2,289	1,979	
Employees' Emoluments	96	90		408	367	
Others	441	420		1,659	1,644	
<b>EBIDTA</b>	<b>85</b>	<b>75</b>	<b>13%</b>	<b>288</b>	<b>229</b>	<b>26%</b>
EBITDA%	7.3%	6.5%		6.2%	5.4%	
Other Income	0	8		4	12	
Interest & Finance Cost	35	20		126	91	
<b>Cash Accruals</b>	<b>50</b>	<b>63</b>		<b>166</b>	<b>151</b>	
Depreciation	44	36		153	139	
<b>Profit Before Taxes</b>	<b>6</b>	<b>27</b>		<b>13</b>	<b>12</b>	
Tax / DTA	-15	3		-9	-1	
Minority Interest	2	2		5	-2	
<b>Profit / (Loss) After Tax</b>	<b>20</b>	<b>21</b>		<b>17</b>	<b>15</b>	



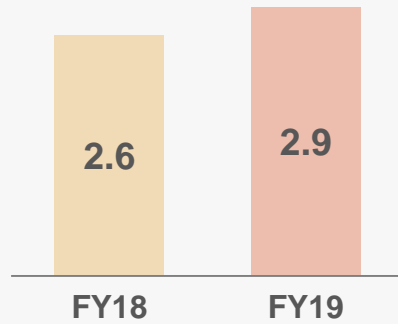
# Audited Financials – Balance Sheet As On 31.03.2019

## Particulars (in Rs Crs.)

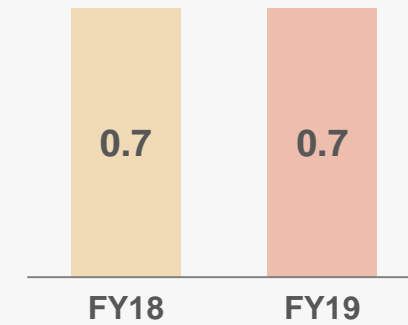
	31.03.19	31.03.18
Net Worth	1,221	1,147
Borrowings	791	671
<b>Capital Employed</b>	<b>2,011</b>	<b>1,818</b>
<b>Net Working Capital</b>	<b>866</b>	<b>810</b>
Net Fixed Assets	549	533
Deferred Tax Asset	269	238
Other Current/non-current Assets/ Liabilities	338	238
<b>Capital Employed</b>	<b>2,011</b>	<b>1,818</b>

## Key Indicators - FY19 vs FY18

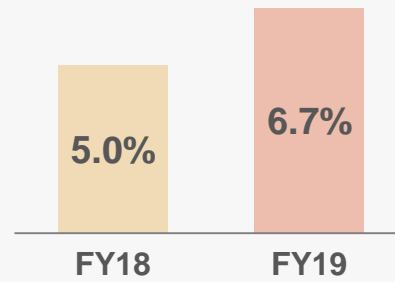
### EPS



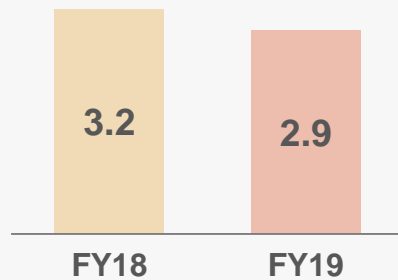
### Debt/Equity Ratio



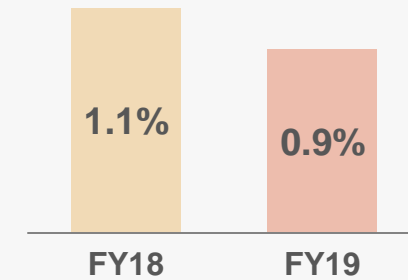
### ROCE



### Debt/EBITDA



### ROE



# Agenda

Q4 & FY19 Performance Highlights .....



FY20 Priorities & Outlook .....





## Will Continue to Deliver Double Digit Growth With Improved Profitability & ROCE

Q1 FY20

1. Revenue growth & EBITDA growth will be muted in Q1 due to shifting of trade channel sales to July to reduce credit cycle - will get corrected in Q2
2. Complete the exit of emerging brands with limited long term potential, with one time loss
3. On positive side, significant reduction in Capital Employed & Cash release

Q2 | Q3 | Q4 FY20

**Revert back to**

1. Strong revenue growth
2. Improved profitability
3. Double digit ROCE

**Leveraging market leading position in**

- Premium Casuals/Denim
- Kidswear
- Innerwear
- Prestige Beauty



Thank You