

## PRESS RELEASE

### **Arvind Fashions sharpens focus on key brands and cash flow**

**Bengaluru, Aug 9, 2019:** Arvind Fashions Limited (AFL), India's leading casual and denim player, has declared its financial results for the first quarter ended June 30, 2019.

Arvind Fashions Limited has made progress in Q1 FY20 on its stated intention of exiting non-strategic emerging brands and improving cash flow by reducing exposure to long payment-cycle customers and aligning its primary sales more closely with secondary sales. This will set the stage for a more focused business and better capital efficiency, though this has resulted in one time exit costs during the quarter, and a drop in the reported Q1 FY20 revenue and EBITDA for the continuing brands. Financial results were also impacted by the general consumption slowdown in the country.

Commenting on the financial performance of the company, **Mr. J Suresh, Managing Director and Chief Executive Officer** said "We have taken few strategic decisions during the quarter that had a negative impact on the reported quarterly financial results, but it will set us up for consistent growth going forward. There is indeed a slowdown in consumption that is impacting the economy. Our business is inherently strong and we remain optimistic towards our future."

#### **Financial performance for Q1 FY20:**

- **Total revenues for continuing brands was INR 912 Crore. Net of brands that are planned to be discontinued, reported revenue was INR 901 Crore**
- **EBITDA was INR 20 Crore, after providing for INR 68 Crore towards brands planned to be discontinued and a benefit of INR 81 Crore in EBITDA towards lease expenses**

Figures in INR Crore		Q1 FY20 (excl. IndAS 116 impact)	Q1 FY19	Q1 FY20 (incl. IndAS 116 impact)*
Continuing Brands	Revenue	912	958	
	EBITDA	7	47	
Brands planned to be Discontinued	Revenue	(11)	49	
	EBITDA	(68)	(7)	
Total	Revenue	901	1,007	901
	EBITDA	(61)	40	20

\* The Ministry of Corporate Affairs (MCA) has mandated a new Accounting Standard IndAS 116 for accounting of lease contracts. A detailed working has been included in our quarterly performance presentation in our corporate website

## **Business Group Highlights (for continuing brands)**

- **Power Brands** (comprising of US Polo, Arrow, Flying Machine and Tommy Hilfiger) revenues de-grew by 8% in Q1 FY20 to INR 518 Crore, on account of conscious measures to reduce our exposure to long credit cycle customers as well as aligning our primary sales more closely with our secondary sales, especially for Arrow. Resulting from the measures taken, Q1 FY20 EBITDA (excluding IndAS 116 impact) for the power brands declined to INR 23 Crore vs INR 58 Crore LY Q1. While there was de-growth on primary sales basis, inherent secondary sales continued to be strong with retail LTL growth at 5% and overall retail growth at 11%. Also, we added 30 stores during the quarter.
- **Specialty Retail** (consisting of Unlimited, GAP and Sephora) registered flat revenue in Q1 FY20 to INR 274 Crore. EBITDA margins were lower by 110 bps in Q1 FY20 vs LY Q1. GAP and Sephora continue to post robust growth with improved profitability. Unlimited improved its profitability during Q1 FY20, through multiple cost rationalization initiatives and closure of unviable stores, after a significant dip in its performance in Q4 FY19.
- **Emerging brands** (comprising of brands like Calvin Klein, Aeropostale, Ed Hardy, etc.) reported flat revenue in Q1 FY20 to INR 120 Crore. EBITDA margins were lower by 120 bps vs LY Q1. We expect to complete the exit process of brands planned to be discontinued in Q2 FY20. With focused portfolio, emerging brands are set up for profitable growth.

## **Outlook:**

During FY20, Company will continue to focus on working capital efficiency through disciplined efforts around debtors' control, secondary sales alignment, reduction in inventory and closure of unviable brands & retail stores. This is in-line with our strategy of having a more focused business with better capital efficiency, which will set us up for accelerated growth and profitability in FY21 and beyond.

We believe that especially given the broader consumption slowdown in the economy and liquidity pressure, a greater focus on credit control and alignment of primary sales with secondary sales will lay the foundation for a healthier business.

Operationally, we continue to focus on taking the required in-market actions to improve secondary sales, add to our retail presence, expand online sales and continue accelerated growth in our leadership categories across Premium Casual and Denimwear, Kidswear, Innerwear and Prestige Beauty. Our capability build-up in Analytics for demand planning and fulfilment as well as Omni-channel is continuing and will contribute to growth, profitability and capital efficiency in future.

We continue to remain optimistic about the future of our business as we take necessary actions to make the company future ready with right capabilities and fit for profitable growth.

## **About AFL**

Arvind Fashions Ltd is India's no. 1 casual and denim player, a lifestyle powerhouse with a strong portfolio of fashion brands catering to consumers across the sub-categories and price points. With a host of renowned brands, both international and indigenous, like US Polo Assn., Arrow, GAP, Tommy Hilfiger, Calvin Klein, Flying Machine and Sephora, it has presence across lifestyle brands, value fashion and prestige beauty.

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