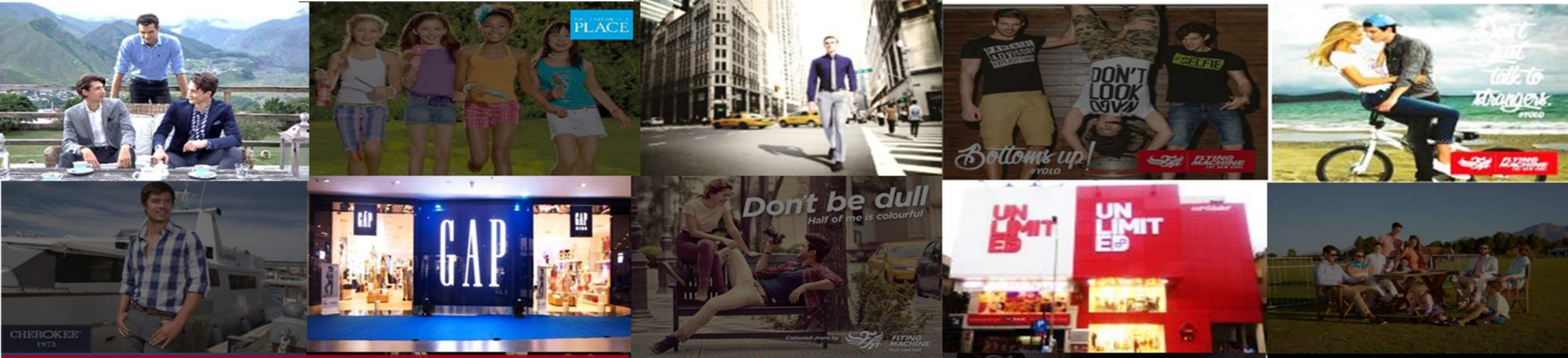

Arvind Fashions Limited

Q1 FY20 Performance Highlights

Aug 2019

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FY20 Strategic Priorities

01 Cash generation

02 Working capital reduction

03 Secondary sales focus

04 Sharper portfolio

Performance Snapshot – Q1 FY20

	Without IndAS116 Impact			IndAS116
	Q1 FY19	Q1 FY20	Growth	Q1 FY20
Sales (Rs Crs.)	1007	901	(11%)	901
EBITDA (Rs Crs.)	40	(61)	-	20
EBITDA %	4.0%	(6.8%)	-	2.2%
PBT (Rs Crs.)	(22)	(133)	-	(144)
PAT (Rs Crs.)	(16)	(90)	-	(98)

Note: Includes revenue reversal of Rs 11 Crs. and loss of Rs 68 Crs. on brands planned to be discontinued

Performance Snapshot – Q1 FY20

	Without IndAS116 Impact		
	Q1 FY19	Q1 FY20	Growth
Sales (Rs Crs.)	958	912	(5%)
EBITDA (Rs Crs.)	47	7	-
EBITDA %	4.9%	0.8%	-

Note: Excludes brands planned to be discontinued

Brand Groupwise Performance – Q1 FY20

	Sales (Rs Crs.)			EBITDA (Rs Crs.)		EBITDA %	
	Q1 FY19	Q1 FY20	Growth	Q1 FY19	Q1 FY20	Q1 FY19	Q1 FY20
Power Brands	562	518	(8%)	58	23	10.3%	4.5%
Specialty Retail	276	274	(1%)	(8)	(11)	(2.9%)	(4.0%)
Emerging Brands	120	120	-	(3)	(5)	(2.8%)	(4.0%)
Total	958	912	(5%)	47	7	4.9%	0.8%

Note: Excludes brands planned to be discontinued & Ind AS116 impact

Power Brands

1. Strong secondary sales
   - Retail LTL: 5.2%
   - Overall retail growth: 11%
   - Online secondary growth: 37%
   - USPA continues to be No. 1 brand with improved market share in department stores
2. Aligning primary sales to secondary sales in the trade channel
   - Underlying growth in non-trade channel +12%
   - Decline in trade channel (49%)

-

1. Impacted sales & profit
2. Negative growth largely driven by trade channel

+

1. Reduction in debtors
2. Increased stock freshness, 11% reduction in >1 yr. stock
3. Faster & data based replenishment of channels
4. Optimized store assortment using AI based algorithm under pilot

Specialty Retail

1. **Gap + Sephora delivered 25% growth with positive EBITDA**
2. **Multiple steps taken to restructure Unlimited business to curtail losses**
    - 11 stores closed & 8 stores on notice – One time loss in Q1 of Rs (5.1 Crs.)
    - Retained stores will have double digit store EBITDA
    - Scaling up online sales of Unlimited private brands like Newport/Ruf & Tuf/Excalibur/Ruggers
    - Targeting sharp drop in fixed cost base

Emerging Brands

Portfolio made sharper by initiating exit of 4 brands

- Exit process in progress. Will be completed in Q2
- One time exit losses including royalty settlement with Principals fully provided in Q1 – Rs (68 Crs.)

Distribution Footprint

	FY19 Exit		Store Changes		Q1 FY20	
	Store Count	Sq Ft (Lacs)	Additions	Closure	Store Count	Sq Ft (Lacs)
Power Brands	1018	8.9	30	21	1027	9.0
Unlimited	107	10.8	0	11	96	10.0
Speciality Retail	35	1.5	2	0	37	1.5
Total*	1390	23.7	36	72	1354	22.6

* Including Emerging Brands

Present in 3500+ SIS counters, 10,000+ Multi brand outlets and on all major e-commerce platforms

Progress on Key Focus Areas

Channels

1 Small Town Distribution Expansion - 75 Towns

22 towns added in Q1

2 Online

37% sec. sales growth

Scaling up of own omni NNNOW, GMV to cross Rs 150 Crs.

Category Leadership

1 Premium Casual/Denim Leadership

Continued dominance - dept. stores mkt. share at 27%

2 Premium Kidswear Leadership

28% sales growth

3 Innerwear Accelerated Growth

20% sales growth

4 Prestige Beauty Leadership

26% sales growth

Financials – P&L

	Comparable P&L		IndAS116
All Figures in Rs Cr.	**Q1 FY20**	**Q1 FY19**	**Q1 FY20**
Revenue from Operations	**900.9**	**1,006.8**	**900.9**
Cost of Goods Sold	489.3	493.3	489.3
Employees' Emoluments	101.3	101.5	101.3
Others	371.3	371.7	290.5
EBIDTA	**(60.9)**	**40.3**	**19.8**
Margin	(6.8%)	4.0%	2.2%
Other Income	0.9	1.1	0.9
Interest & Finance Cost	39.6	26.3	68.4
Cash Accruals	**(99.7)**	**15.1**	**(47.7)**
Depreciation	32.9	37.3	96.3
Profit Before Taxes	**(132.5)**	**(22.2)**	**(144.0)**
Tax / DTA	(45.1)	(6.9)	(48.6)
Minority Interest	2.7	0.6	2.2
Profit After Tax	**(90.2)**	**(15.9)**	**(97.6)**

IndAS116 Impact Summary

Impact on Income Statement

(INR Crs)

Particulars	FY20	Q1
Lease Rent (Other Exp grouping)	(331)	(81)
EBIDTA	**331**	**81**
Depreciation - ROU Assets	241	60
Accelerated Depreciation on Lease Assets	9	4
EBIT	**81**	**17**
Interest on Lease Liability	109	29
PBT	**(28)**	**(11)**

Impact on Transition Balance Sheet

ROU Assets	1,067
Lease Liability	(1,283)
Net Difference	(216)
Deferred Tax	(69)
Balance to be adjusted to Opening Retained Earnings	(146)
Net Worth on 31st Mar 2019	1,221
Net Worth post IND AS 116 adjustment	1,074

- IND AS 116 applicable from 1st Apr 2019 and replaced existing Ind AS17
- No distinction between Financial and Operating Lease.
- All leases to be recognised in the Balance Sheet as an Asset and Liability
  - The **Lease Liability** is measured at present value of minimum lease payments to be made over the primary lease term.
  - The **Right To Use Asset** is initially measured at lease liability, adjusted for prepayment, if any.
  - Interest is added to the Lease Liability and actual lease rentals are reduced from lease liability
  - Right to Use Asset is depreciated over the lease term on straight line method.
  - Exemption is available for short term leases (lease period < 12 months) and assets having low values.
  - In effect, lease expenses will be replaced with Depreciation and Interest cost.
- There are 3 approaches 1) Retrospective 2) Modified Retrospective 3) Prospective.
- Applied Modified Retrospective Method. This means:
  - Lease Liability has been recognised at present value of lease **for the remaining lease period** as on April 1, 2019
  - Right to Use Asset has been recognised at present value of lease **on the start date of lease less accumulate depreciation** until March 31, 2019.
- Previous Year financials have not been impacted
- Life of Leasehold assets have been realigned to Lease period and an additional impact of depreciation considered for the same.
- All long Term leases where company has given minimum commitments have been considered.
- The company has assumed Rate of Interest @ 9.5%

Outlook - Q2 FY20

01 Impact of corrections on growth & EBITDA to continue in Q2 - June & July EOSS sales drop necessitates that we correct primary sales to avoid overstocking in the channel and consequent returns

02 Complete exit of identified emerging brands and closure of loss making stores

03 Positive impact of corrections – reduction in capital employed and cash release

04 Sales fully aligned to consumer offtake

Revert to growth in H2 FY20 with improved capital efficiency and free cash flow

Thank You!