

PRESS RELEASE

Arvind Fashions continues to focus on profitable growth & cash flow

Bengaluru, Oct 23, 2019: Arvind Fashions Limited (AFL), India's leading casual and denim player, has declared its financial results for the second quarter and half year ended September 30, 2019.

Arvind Fashions Limited continues to make progress in Q2 FY20 on its stated goal of exiting non-strategic emerging brands, reducing exposure to long payment-cycle customers and aligning primary sales more closely with secondary sales. While these measures are helping the inherent strength of the business, they continue to adversely impact the reported Q2 FY20 revenues and EBITDA for the continuing brands. Financial results were also impacted by the ongoing consumption slowdown in the country.

Commenting on the financial performance of the company, **Mr. J Suresh, Managing Director and Chief Executive Officer** said "We are on track on our strategic decision to exit non-strategic brands and alignment between primary and secondary sales. Brand exits will be completed in Q3. While this had a short-term impact on our performance, but it augurs extremely well for long-term health of our business. The external environment continues to remain volatile, but we remain optimistic about our future given our inherent strengths."

Financial performance for Q2 FY20

- **Total revenues for continuing brands was INR 1,119 Crore. Net of brands that are planned to be discontinued, reported revenue was INR 1,114 Crore**
- **EBITDA was INR 112 Crore including benefit of INR 101 Crore in EBITDA towards lease expenses**

Figures in INR Crore		Q2 FY20 (excl. IndAS 116 impact)	Q2 FY19	Q2 FY20 (incl. IndAS 116 impact)*	
Continuing Brands	Revenue	1,114	1,153		
	EBITDA	11	82		
Brands planned to be Discontinued	Revenue	6	57		
	EBITDA	-	(2)		
Total	Revenue	1,119	1,210		1,119
	EBITDA	11	80		112

* The Ministry of Corporate Affairs (MCA) has mandated a new Accounting Standard IndAS 116 for accounting of lease contracts

Business Group Highlights (for continuing brands)

- **Power Brands** (comprising of US Polo, Arrow, Flying Machine and Tommy Hilfiger) revenues de-grew by 4% in Q2 FY20 to INR 734 Crore. Three out of four brands posted growth with improved sequential profitability while one of the brands continues to be impacted on account of exit of institutional channel and conscious measure to reduce our exposure to long credit cycle customers. Q2 FY20 EBITDA (excluding IndAS 116 impact) for the power brands was INR 43 Crore vs INR 98 Crore in LY Q2.
- **Specialty Retail** (consisting of Unlimited, GAP and Sephora) registered flat revenue in Q2 FY20 to INR 248 Crore. GAP and Sephora continue to post robust growth and remain profitable. Unlimited losses were contained at similar levels in Q2 FY20 compared to LY Q2, despite accounting for store closure costs.
- **Emerging brands** (comprising of brands like Calvin Klein, Aeropostale, Ed Hardy, etc.) reported revenue de-grew by 5% in Q2 FY20 to INR 132 Crore. EBITDA loss was higher than estimate at INR 12 Crore, on account of channel correction, store closure & royalty settlement costs. The process of exiting non-strategic brands is likely to be completed in Q3 FY20.

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.

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.

Rights Issue

Board has approved issue of equity shares up to Rs. 300 crores on rights issue basis to meet the general corporate purposes including capital expenditure and working capital requirements of the Company, and to reduce the levels of borrowing for the company.

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.

For more information, please contact:

Ankit Arora
Head – Investor Relations
Arvind Fashions Limited
Ankit.arora@arvindbrands.co.in
Direct: +91 80 4048 8814
Mobile: +91 99206 64475

Nirali Thanawala
Corporate Communication
Arvind Fashions Limited
nirali.n.thanawala@arvindbrands.co.in
Mobile: +91 99015 66655

ARVIND FASHIONS

Disclaimer:

This document by Arvind Fashions Limited ('the Company') contains forward-looking statements that represent our beliefs, projections and predictions about future events or our future performance. These forward-looking statements are necessarily subjective and involve known and unknown risks, uncertainties and other important factors that could cause our actual results performance to differ materially from any future results or performance described in or implied by such statements. The forward-looking statements contained herein include statements about the Company's business prospects, its ability to attract customers, its expectation for revenue generation and its outlook. These statements are subject to the general risks inherent in the Company's business. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, the Company's business and operations involve numerous risks and uncertainties, many of which are beyond the control of the Company, which could result in the Company's expectations not being realized or otherwise materially affect the financial condition, results of operations and cash flows of the Company. The forward-looking statements are made only as of the date hereof, and the Company does not undertake any obligation to (and expressly disclaims any obligation to) update any forward-looking statements to reflect events or circumstances after the date such statements were made, or to reflect the occurrence of unanticipated events.