



# Arvind Fashions Limited

## Q2 FY20 Performance Highlights

Oct 2019

UNLIMITED

FAMILY FASHION STORE

"I WANT UNLIMITED BONDING"

Half of you is jeans

FLYING MACHINE

SEPHORA

AÉROPOSTALE

TOMMY HILFIGER

Calvin Klein Jeans

THE ART OF CULT  
"BETTER"  
Ed Hardy



## 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.*

## FY20 Strategic Priorities

01 Cash generation

02 Working capital reduction

03 Secondary sales focus

04 Sharper portfolio

## Q2 FY20 Business Highlights - Power Brands



### Improved Power Brands Performance

- **3 out of 4** power brands back to growth with overall double digit EBITDA
- Exiting from institutional channel and continued correction of long payment cycle customers continue to impact Arrow performance



### High Growth in Focus New Categories

- Kids wear: **29%**
- Innerwear: **45%**
- Footwear: **41%**

## Q2 FY20 Business Highlights - Specialty Retail & Emerging Brands



### Unlimited

- EBITDA loss contained at Q2 FY19 levels, after accounting for store closure costs



### GAP & Sephora

- GAP & Sephora continued their robust growth trajectory
- Remains profitable



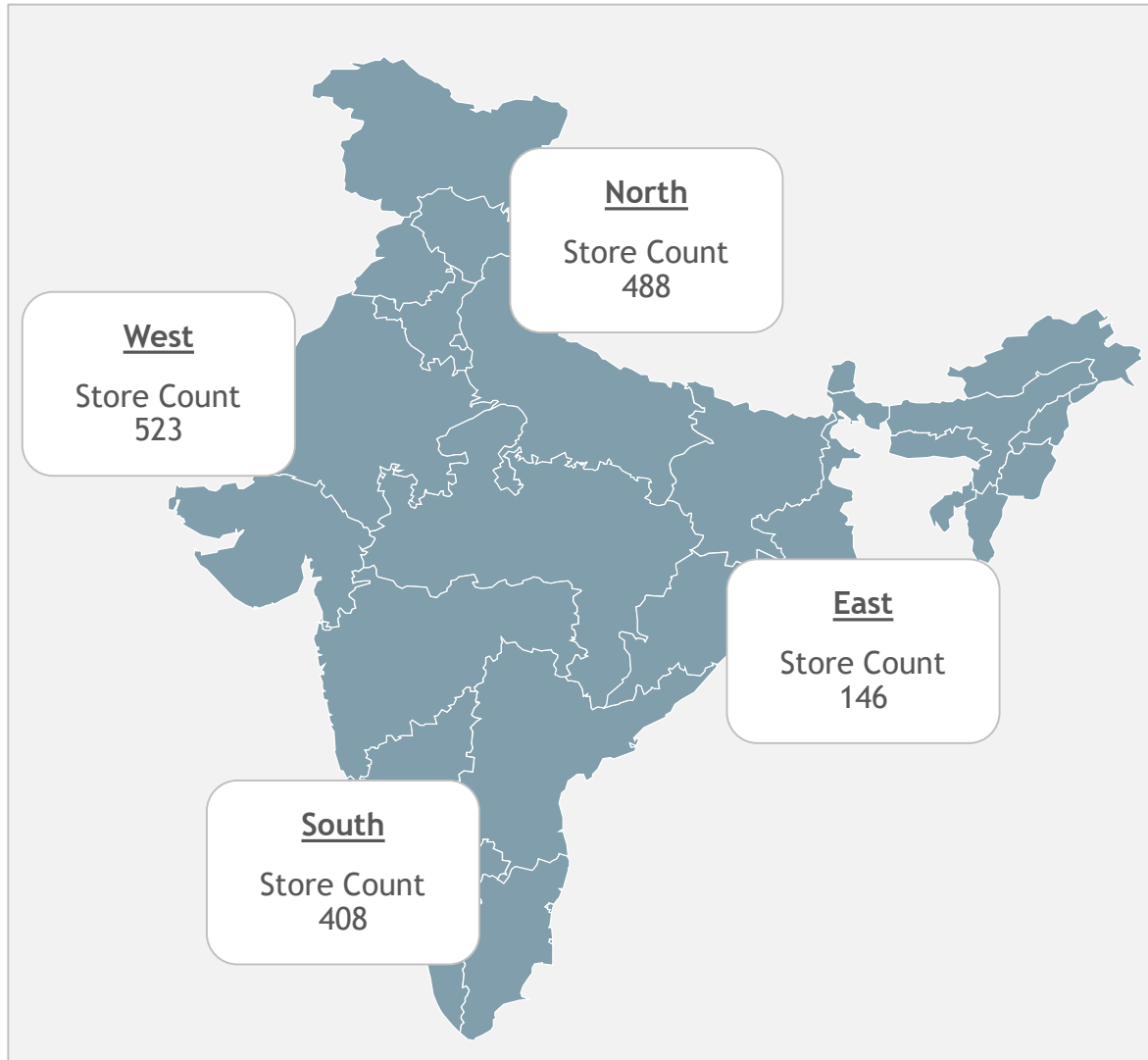
### Retained Emerging Brands

- Calvin Klein continues high growth with improved profitability
- EBITDA loss higher than estimate at Rs (12) Crs, largely on account of
  - Retail focused strategy changed to profitable wholesale/online focused strategy
  - Losses due to channel correction, store closure & royalty settlement costs

## Performance update in leadership categories - Getting back to growth in Premium Casuals/Denim



## Distribution Footprint - Added 40 Stores during the quarter



	Q2 FY20 Exit	
	Store Count	Sq Ft (Lacs)
Stores	1295	21.8
Dept. Stores	3685	-
MBO	10000+	-
Innerwear MBO	13000+	-

## Q2 FY20 Business Highlights - Others



### NNNOW.com

- Scaling up of NNNOW.com progressing well
- Contributing ~10% of total online sales



### Reduction in Debtors

- Twin actions of exiting long payment cycle customers and aligning primary sales to secondary sales has started yielding results. Q2 Y-o-Y reduction in trade receivables by Rs 46 Crs



### Inventory

- Marginal increase in inventory Y-o-Y due to
  - Lower sales
  - Channel correction







## Performance Snapshot - Q2 FY20



	Without IndAS116 Impact			IndAS116
	Q2 FY19	Q2 FY20	Growth	Q2 FY20
Sales (Rs Crs.)	1209	1119	(7%)	1119
EBITDA (Rs Crs.)	80	11	-	112
EBITDA %	6.6%	1.0%	-	10%
PBT (Rs Crs.)	14	-68	-	-68
PAT (Rs Crs.)	6	-47	-	-47

## Brand Groupwise Performance - Q2 FY20

		Sales (Rs Crs.)			EBITDA (Rs Crs.)		EBITDA %	
		Q2 FY19	Q2 FY20	Growth	Q2 FY19	Q2 FY20	Q2 FY19	Q2 FY20
	Power Brands	766	734	(4%)	98	43	12.8%	5.9%
	Specialty Retail	248	248	-	(21)	(20)	(8.5%)	(8.0%)
	Emerging Brands	139	132	(5%)	5	(12)	3.4%	(9.5%)
	Discontinued Brands	57	6	-	(2)	-		
Total		1209	1119	(7%)	80	11	6.6%	1.0%

## H1 FY20 - Performance Snapshot (Continuing Business)



	H1 FY19	H1 FY20	Growth
Sales (Rs Crs.)	2111	2025	(4%)
EBITDA (Rs Crs.)	129	18	-
EBITDA %	6.1%	1.0%	-

Note: Excludes discontinued brands & Ind AS116 impact




# H1 FY20 - Performance Snapshot (Including Discontinued Brands)



	Without IndAS116 Impact			IndAS116
	H1 FY19	H1 FY20	Growth	H1 FY20
Sales (Rs Crs.)	2216	2020	(9%)	2020
EBITDA (Rs Crs.)	120	(50)	-	132
EBITDA %	5.4%	(2.5%)	-	6.5%
PBT (Rs Crs.)	-8	-200	-	-211
PAT (Rs Crs.)	-10	-137	-	-144



# H1 FY20 Groupwise Performance

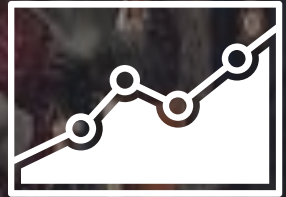
		Sales (Rs Crs.)			EBITDA (Rs Crs.)		EBITDA %	
		H1 FY19	H1 FY20	Growth	H1 FY19	H1 FY20	H1 FY19	H1 FY20
	Power Brands	1327	1252	(6%)	156	66	11.7%	5.3%
	Specialty Retail	525	522	-	(29)	(31)	(5.6%)	(5.9%)
	Emerging Brands	259	252	(3)	1	(17)	0.5%	(6.9%)
	Discontinued Brands	105	(6)	-	(8)	(68)	(7.5%)	
Total		2216	2020	(9%)	120	(50)	5.4%	(2.5%)

Note: Excludes Ind AS116 impact



# Financials - P&L

	Comparable P&L		IndAS116
All Figures in Rs Cr.	Q2 FY20	Q2 FY19	Q2 FY20
Revenue from Operations	1,119.4	1,209.1	1119.4
Cost of Goods Sold	629.6	608.5	629.6
Employees' Emoluments	85.5	103.0	85.5
Others	393.6	417.6	292.4
EBIDTA	10.7	79.9	111.8
Margin	1.0%	6.6%	10.0%
Other Income	0.6	1.9	6.5
Interest & Finance Cost	41.4	30.3	70.7
Cash Accruals	(30.1)	51.5	47.6
Depreciation	37.7	37.6	115.1
Profit Before Taxes	(67.8)	13.9	(67.5)
Tax / DTA	(22.2)	6.9	(22.2)
Minority Interest	1.6	1.0	1.6
Profit After Tax	(47.2)	6.0	(46.9)



# Financials - P&L

	Comparable P&L		IndAS116
All Figures in Rs Cr.	H1 FY20	H1 FY19	H1 FY20
Revenue from Operations	2,020.4	2,215.9	2,020.4
Cost of Goods Sold	1,119.0	1,101.8	1,119.0
Employees' Emoluments	186.8	204.5	186.8
Others	764.8	789.3	583.0
EBIDTA	(50.2)	120.2	131.7
Margin	(2.5%)	5.4%	6.5%
Other Income	1.5	3.1	7.3
Interest & Finance Cost	81.0	56.6	139.1
Cash Accruals	(129.7)	66.7	(0.1)
Depreciation	70.6	74.9	211.4
Profit Before Taxes	(200.3)	(8.2)	(211.5)
Tax / DTA	(67.3)	0.0	(70.8)
Minority Interest	4.3	1.7	3.8
Profit After Tax	(137.3)	(9.9)	(144.5)

# Balance Sheet As On 30.09.2019

Particulars (in Rs Cr.)	30.09.19	31.03.19	30.09.18
Net Worth	939	1221	1138
Borrowings	1083	791	867
<b>Capital Employed</b>	<b>2022</b>	<b>2011</b>	<b>2005</b>
Net Working Capital	967	856	922
Net Fixed Assets	530	549	518
Deferred Tax Asset	412	269	255
IndAS116 Impact (Net)*	(218)		
Other Current/non-current Assets/ Liabilities	331	338	310
<b>Capital Employed</b>	<b>2022</b>	<b>2011</b>	<b>2005</b>

\* ROU assets Rs 955 Crs.; Lease liabilities Rs 1174 Crs.



## Outlook - Q3 FY20

- 01** Power brands (except Arrow) to continue profitable growth path  
Institutional sales exit & trade channel correction to impact Arrow's performance; return to normalcy in Q4
- 02** Exit of identified emerging brands will be completed  
Emerging brands profitability to be impacted on account of one-time settlement to achieve very significant long-term royalty reduction and movement from retail-oriented distribution to focus on key accounts & online
- 03** Reduction in inventory & further improvement in debtors position
- 04** Sales fully aligned to consumer offtake



Thank You!