

PRESS RELEASE

Arvind Fashions posts improved sequential performance

Bengaluru, Feb 11, 2020: Arvind Fashions Limited (AFL), India's leading casual and denim player, has declared its financial results for the third quarter and nine months ended December 31, 2019.

Arvind Fashions Limited delivered a significant sequential performance improvement, while making further progress in the steps already underway towards its stated intention of exiting non-strategic emerging brands, reducing exposure to long payment-cycle customers and aligning primary sales with secondary sales. This continued correction, coupled with ongoing consumption slowdown, adversely impacted the reported Q3 FY20 revenues and profitability on a year on year basis.

Commenting on the financial performance of the company, **Mr. J Suresh, Managing Director and Chief Executive Officer** said "We have completed the exit of non-strategic brands and have aligned primary and secondary sales. While external environment continues to stay challenging, we are confident that the steps undertaken during this year will have positive effect on sales growth & profitability going forward and shall further strengthen the fundamentals of our business."

Financial performance for Q3 FY20

- **Total revenues for continuing brands was INR 1,124 Crore. Net of brands that are divested, reported revenue was INR 1,135 Crore**
- **EBITDA was INR 109 Crore including benefit of INR 84 Crore in EBITDA towards lease expenses**

Figures in INR Crore		Q3 FY20 (excl. IndAS 116 impact)	Q3 FY19	Q3 FY20 (incl. IndAS 116 impact)*
Continuing Brands	Revenue	1,124	1,213	
	EBITDA	25	87	
Brands planned to be Discontinued	Revenue	12	46	
	EBITDA	-	(4)	
Total	Revenue	1,135	1,259	1,135
	EBITDA	25	83	109

* 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 9% in Q3 FY20 to INR 655 Crore. Three out of four brands posted growth with

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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. Q3 FY20 EBITDA (excluding IndAS 116 impact) for the power brands was INR 41 Crore vs INR 81 Crore in LY Q3.

- **Specialty Retail** (consisting of Unlimited, GAP and Sephora) registered marginal de-growth in Q3 FY20 to INR 349 Crore. GAP and Sephora posted robust growth of 25%+ and significantly improved its profitability. Unlimited losses in Q3 FY20 compared to LY Q3 were largely on account of planned store closures costs, partially offset by favorable festive.
- **Emerging brands** (comprising of brands like Calvin Klein, Aeropostale, Ed Hardy, etc.) reported revenues de-grew by 11% in Q3 FY20 to INR 119 Crore. EBITDA loss was higher at INR 16 Crore, on account of channel correction & royalty settlement costs. The process of exiting non-strategic brands was completed during the quarter.

Outlook

During Q4, Company will continue to focus on working capital efficiency through continued disciplined efforts around reduction in debtors and inventory.

Operationally, we will continue to focus on taking the required in-market actions to improve secondary sales, add to our retail presence, expand online sales and drive 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.

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.

For more information, please contact:

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