



Arvind Fashions Limited

Q1 FY21 Performance Highlights
Sep 2020



Agenda

Q1 Performance Highlights



Q1 Results



Way Forward Strategy



Making AFL Stronger - Fit for Growth Strategy

➤ Portfolio Rationalization

Completed

➤ Cost Optimization

On Track - Accelerated during Covid

➤ Working Capital Optimization

On Track - Multiple Actions to Reduce Inventory & Debtors

➤ Debt Reduction - Equity infusion of Rs 660 Crs completed in July

In Rs Crs.	Mar	Jun	Aug
Debt	1210	1301	1019

➤ Step Change in Digital Capabilities

On Track

Making AFL Stronger & Fit for Growth - Q1 Highlights

1	Restarted operations quickly post lockdown as allowed	70% / 77% <i>Store network open by Jun/Aug</i>
2	Early investment in technology paying rich dividends - Exponential growth in digitally enabled sales	3.5X ↑
3	Cost structure brought down significantly to minimize cash loss	63% ↓
4	Drop in Gross Working Capital despite lockdown impacting operations	Rs 130 Crs. ↓
5	Expanded into new product categories in line with current consumer requirements	Masks/ Comfortwear

Rs 660 Crs of Equity Infusion

1 Flipkart investment in Flying Machine

**Rs 260
Crs.**

2 Successful Rights Issue - Oversubscribed 1.4 times

**Rs 400
Crs.**

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Opening Up With Safety as #1 Priority

Safety Measures & Guidelines at Office and Stores



- Masks & sanitizers provided to employees
- Periodic sanitization at offices and stores
- Well laid out SOP & Guidelines

Supporting our partners



- Sanitizer disposal stands provided to partners
- Supporting partners in liquidating unsold stock

Supply Chain Operations



- Smooth WHS operations post unlock with strong safety procedures in place
- Increased E-Commerce fulfilment capabilities by 4x
- 93% order fulfilment despite partial lockdown (post unlock till Aug)
- Initiated warehouse consolidation by exiting six warehouses. Potential savings 35% of warehouse cost

Innovative delivery models



- Click and collect
- Ship from store
- Kerbside delivery & drive thru options
- Home delivery by store staff

Digital push

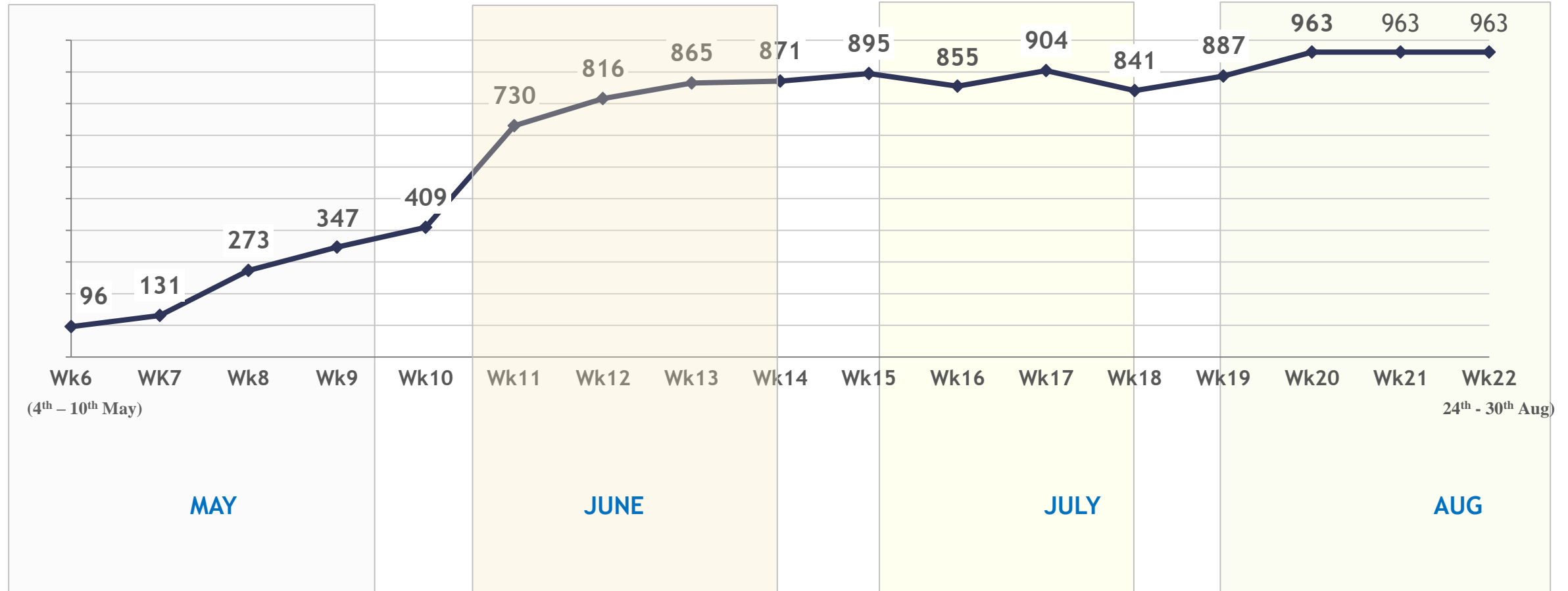


- Marketplaces integration with stores and warehouses
- Conversational commerce
- Digital store front with hyperlocal fulfilment
- One view of customer

Post Lockdown Store Opening

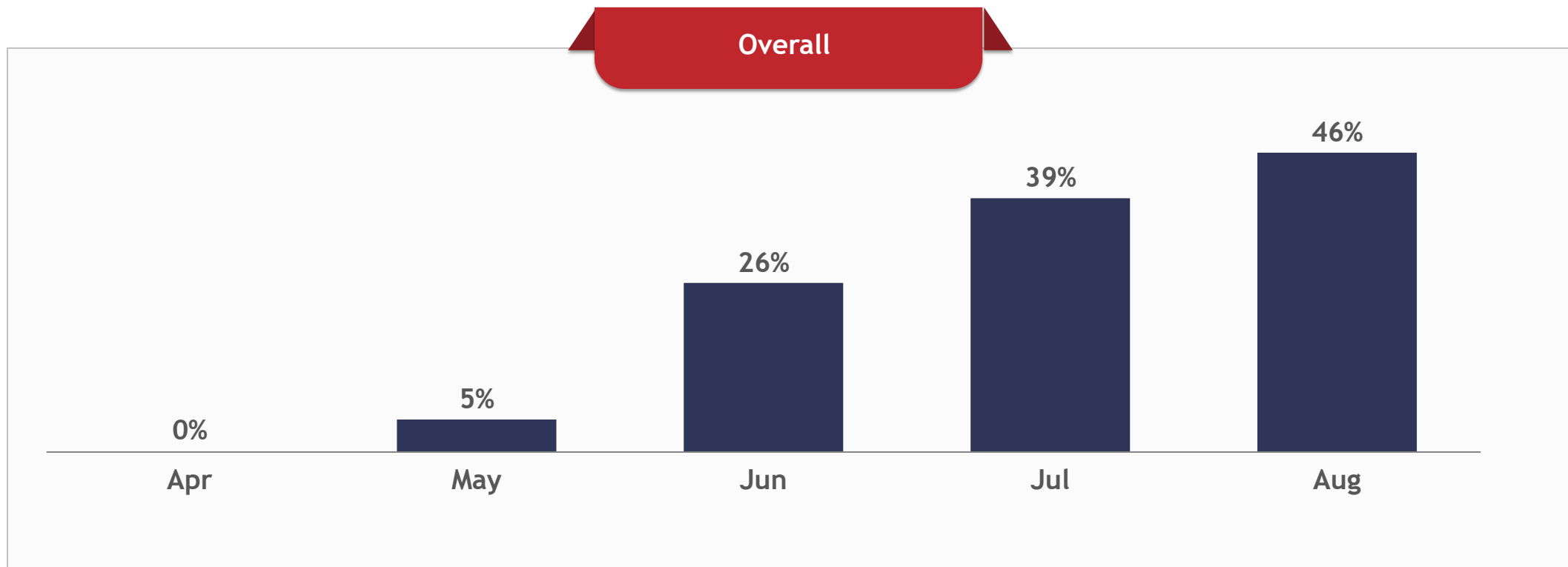
Stores Open

Store Universe
1250



Post Lockdown Sales Trend - Overall

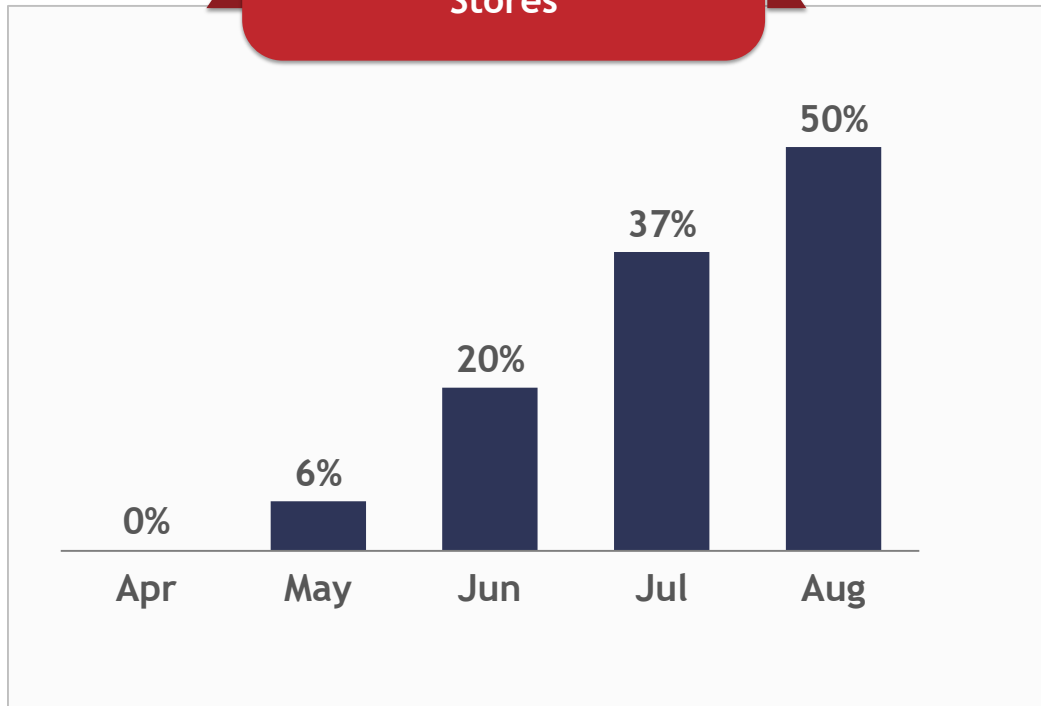
This year sales as % of last year same month sales



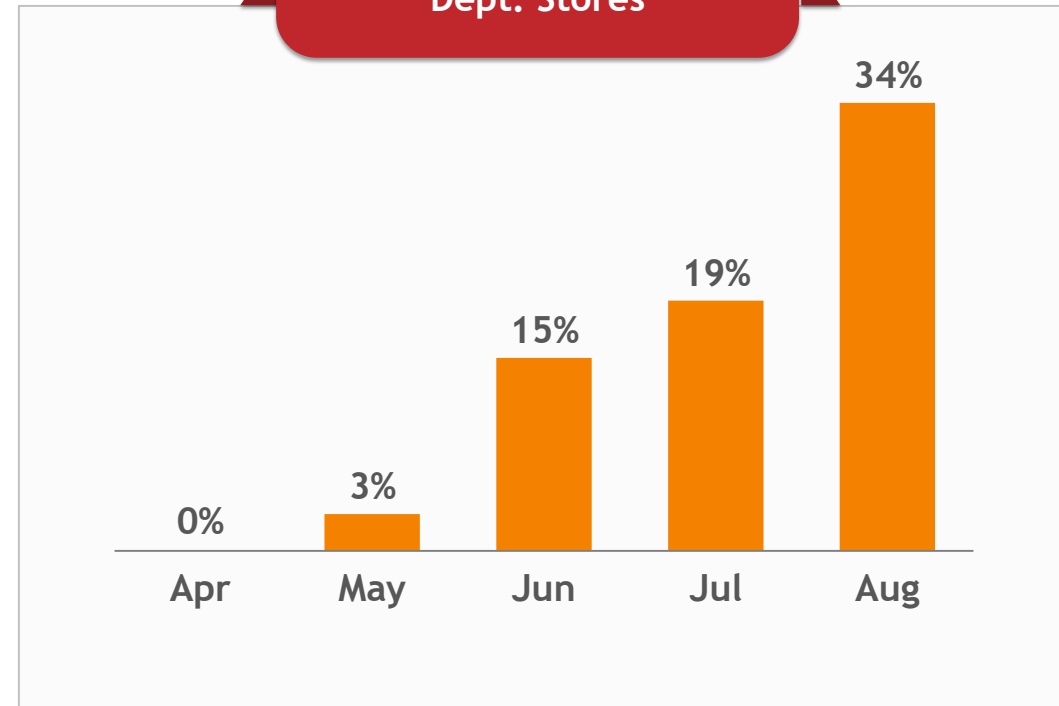
Post Lockdown Sales Trend

This year sales as % of last year same month sales

Stores



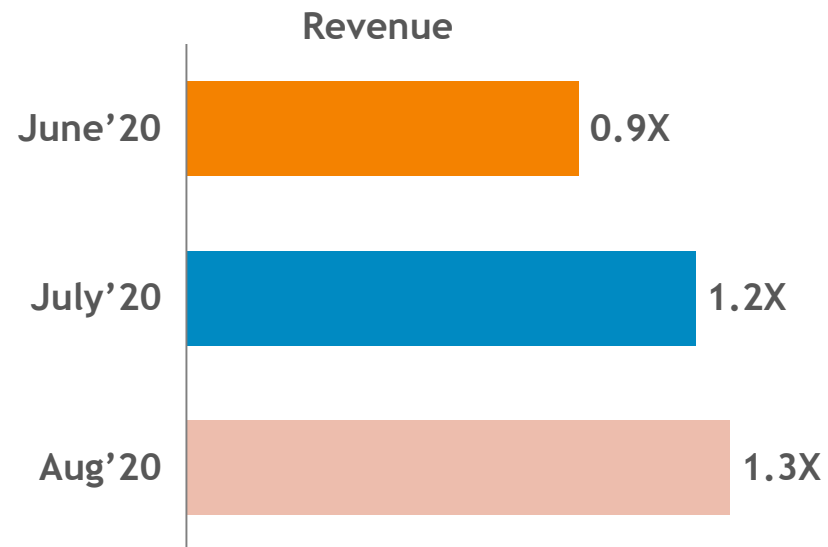
Dept. Stores



Started slow, now picking up

Post Lockdown Revenue Trend - Online Channel

Growth over last year same month



Key Drivers

➤ NNNOW.com

- Search engine optimization led to improved organic traffic growth of 3X leading to 3.5X sales post unlock
- 15-20% stores sales delivered through sales initiated through NNNOW improving store productivity despite low footfalls










➤ Marketplaces

- 'One view of inventory' through integration of stores and warehouse to online platforms - Myntra, Flipkart, Amazon, Tata Cliq and Ajio

➤ Fulfilment capacity

- Scaled up to service 25K B2C orders/day
- Setting up of e-commerce only warehouses in Bangalore, Mumbai and Delhi

Channel Focus

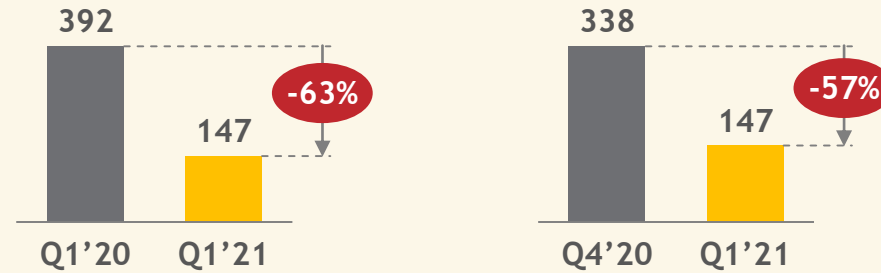
<p>Online</p> 	<div data-bbox="583 351 1016 486">   </div> <div data-bbox="1098 365 1460 472">  </div> <div data-bbox="1531 372 1791 465">  </div> <div data-bbox="1905 379 2283 458">  </div> <p>Focus channel for the year - Target double digit growth</p>
<p>Exclusive Brand Stores</p> 	<div data-bbox="486 758 825 1001">  </div> <div data-bbox="843 701 1383 1079"> <ul style="list-style-type: none"> ➤ Focus on high street stores ➤ Small town expansion </div> <div data-bbox="1421 758 1755 1001">  </div> <div data-bbox="1798 701 2333 1079"> <ul style="list-style-type: none"> ➤ Malls currently underperforming ➤ Improve sales through Omni & Hyperlocal fulfilment ➤ Parallely work on additional cost efficiency </div>
<p>Department Stores & MBOs</p>	<ul style="list-style-type: none"> ➤ Leverage strong category play ➤ Reduce operation cost

Making AFL Stronger & Fit for Growth - Q1 Highlights

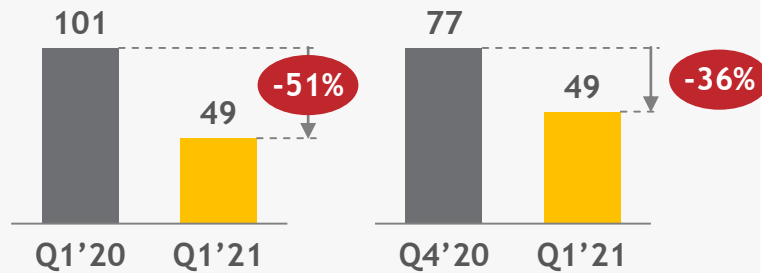
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Substantial Reduction in Costs

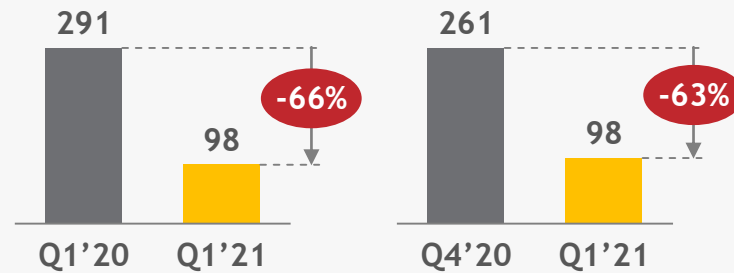
Total (Rs Crs.)



Employee Emoluments (Rs Crs.)



Other Expenses (Rs Crs.)



Rent Savings (Rs Crs.)

Total: 70

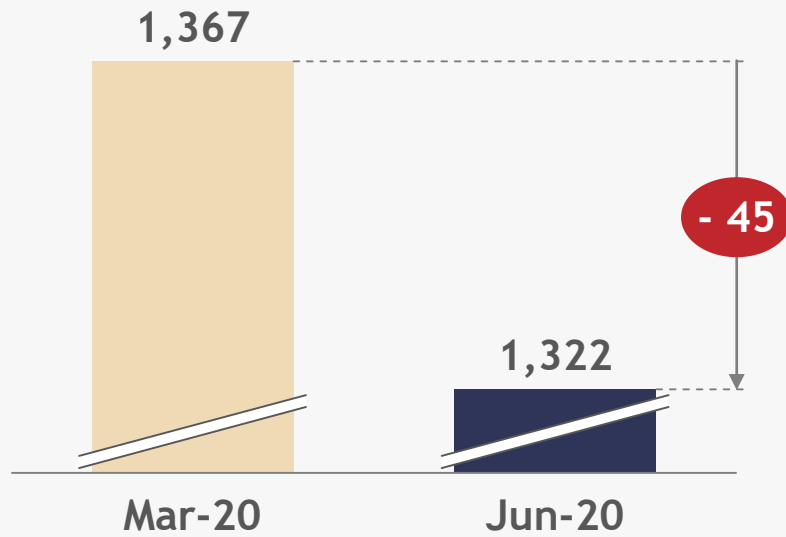
Q1	Q2	Q3	Q4
41.3	18.0	8.5	2.5

Making AFL Stronger & Fit for Growth - Q1 Highlights

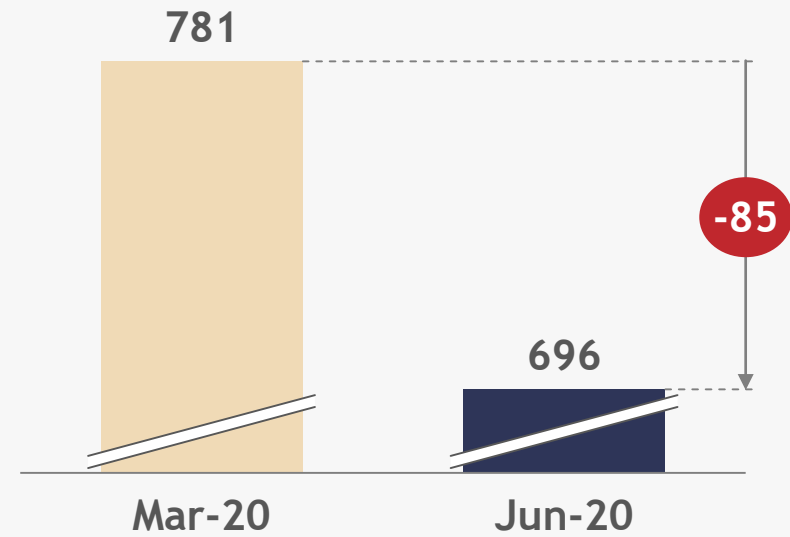
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Working Capital Reduction of Rs 130 Crs.

Inventory(Rs Crs.)



Debtors (Rs Crs.)



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Strong Presence in Categories Recovering Faster

Accelerated Casualization & Work from Home

T-Shirts



- USPA, GAP, TH - Preferred brands for T-Shirts gaining momentum
- Recovery rate **60%** in Aug

Innerwear/ Comfortwear



- Supported with comfort wear launch
- Recovery rate **95%** in Aug

Casual Footwear



- Product categories of casual footwear and open footwear being preferred post Covid benefitting USPA footwear which offers the above range
- Recovery rate **100%** in Aug

Kidswear



- Strong demand for kids clothing
- Recovery rate **60%** in Aug

DIY Beauty



- Strong omni-push for stores
- Recovery rate **66%** in Aug

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Way Forward Strategy



Q1 FY21 - Performance Snapshot






	IndAS 116		
	Q1 FY20	Q1 FY21	Growth
Revenue from Operations	901	104	(88%)
Other Income (Rent concessions)	-	65	-
Total Income	901	169	(81%)
EBITDA	20	(54)	-
PBT	(144)	(201)	-
PAT	(97)	(197)	-

All figures in Rs Crs.

Q1 FY21 - Performance Snapshot

All Figures in Rs Cr.	Q1 FY20	Q1 FY21	Q4 FY20
Revenue from Operations	901	104	710
Other Income (Rent concessions)	-	65	
Total income	901	169	710
Cost of Goods Sold	489	77	383
Employees' Emoluments	101	49	77
Other Expenses	291	98	261
EBIDTA	20	(54)	(10)

Groupwise Performance Snapshot

		Sales (Rs Crs.)			EBITDA (Rs Crs.)	
		Q1 FY20	Q1 FY21	Growth	Q1 FY20	Q1 FY21
	Power Brands	518	53	(90%)	61	(35)
	Specialty Retail	274	39	(86%)	19	0
	Emerging Brands	120	12	(90%)	8	(20)
Total		912	104	(89%)	88	(54)
Total including Discontinued Brands		901	104	(88%)	20	(54)

Agenda

Situation Update



Q1 Performance




Way Forward Strategy



FY21 Outlook - Q2/Q3/Q4

RECOVERY DRIVERS

- **Increasing trend in retail sales**
 - Estimate 8-10% improvement in recovery every month
 - **Online on growth path. Estimated to accelerate growth on the back of**
 - Increased stores integration with online platforms
 - Festival based events in online platforms
 - Flying Machine online acceleration leveraging on Flipkart strategic investment
 - **MBOs expected to start buying for winter and festival, estimated to get back to 40-50% level in the 2nd half**
 - **Portfolio/Category strength - Well placed to recover faster**
 - Market leading portfolio of casual brands
 - Strong presence in categories recovering faster - Beauty/Innerwear/Footwear/Kids
 - **Strong cost reduction initiatives to build profitability as sales grow towards 70%+**
 - **Multiple actions to control Gross Working Capital**
- 
- **Sustain FY cost reduction @ 40%**
 - **Release Rs 250 Crs. in Gross Working Capital**
 - **Reduce debt by Rs 200 Crs.**
 - **Minimize cash loss. Exit year with close to breakeven on cash**
 - **Exit the year stronger riding on post Covid trends favorable to AFL**
 - Channel shift to online
 - Casualization and Work from home theme
 - Do it Yourself beauty

Exit FY21 - Well Positioned for Value Creation in Medium and Long Term

1. 7 strong brands
2. Leader in casualwear
3. De-risked Unlimited/Emerging brands business model
4. Good momentum in high potential categories - Kidswear, Innerwear, Footwear and Beauty
5. Head start in online - strengthened with strategic investment from Flipkart
6. Structural cost reduction of ~15%
7. New ways of buying to release working capital



Thank You