Q2 FY2021 Earnings Call Transcript – Nov 12, 2020

CORPORATE PARTICIPANTS

- Kulin Lalbhai – Non-Executive Director
- Suresh J – Managing Director & CEO
- Pramod Gupta – Chief Financial Officer
- Ankit Arora – Head, Investor Relations and Treasury

Moderator: Ladies and gentlemen, good day, and welcome to Arvind Fashions Limited Q2 FY21 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankit Arora – Head, Investor Relations & Treasury at Arvind Fashions Limited. Thank you, and over to you, sir.

Ankit Arora: Thanks, Aman. Hello, welcome everyone and thank you for joining us on Arvind Fashions Limited earnings conference call for the second quarter and half year ended September 30th, 2020. I am joined here today by Kulin Lalbhai – Non-Executive Director, J. Suresh – Managing Director & CEO, Pramod Gupta – Chief Financial Officer and we also have with us today Shailesh Chaturvedi who is currently our MD & CEO for 3 brands. Please note that results, press release and earnings presentation had been mailed across to you earlier and these shall also be available on our website www.arvindfashions.com. I hope you had opportunity to browse through the highlights of our performance. We will commence the call with Kulin providing his key thoughts about strategy and our financial performance for the second quarter and half year ended 30th September 2020. At the end of the management discussion, we will have a Q&A session.

Before we start, I would like to remind you that some of the statements made or discussed on this call today maybe forward-looking in nature and must be viewed in conjunction with risks and uncertainties we face. A detailed statement of these risks is available in this quarter's earnings presentation. The company does not undertake to update these forward-looking statements publicly. With that said, I would now turn the call over to Kulin to share his views. Thank you and over to you, Kulin.

Kulin Lalbhai: Thanks, Ankit. A very good evening to you all. I am happy to be here with you to take you through our quarter 2 results. As you are aware, quarter 1 was an extremely challenging quarter as most of it coincided with the national lockdown. I am happy to report that all channels and operations have opened up in quarter 2 leading to a consistent month-on-month recovery in the business. As we move ahead, our focus is on pushing the brands towards pre-COVID levels of sales, maintaining cost efficiency that we have achieved through the cost restructuring exercise, significantly improving our working capital levels as well as the inventory health and getting the organization ready for a post COVID world where we intend to invest behind our 6 high conviction brands and scale them up over the next 5 years.

Let me take each one of these topics one by one. The quarter began with the recovery of just around 40% of last year's levels. With the recovery being soft in certain channels like department stores and malls, as the quarter progressed, we saw consistent recovery each month. In the month of September, we were able to reach an overall recovery of 55%. Each one of our channels has improved during this period. Standalone stores reached a recovery close to 65%, while small stores and department stores were closer to 50. Our online channel has been performing extremely well with an overall growth in quarter 2 of 20% over the last year. What is heartening to see is that the recovery continues to strengthen as we moved into quarter 3.

Our Diwali sales are tracking at 70-80% of last year's level. This improving momentum is being seen across each channel. Categories like T-Shirts &

Polos which were already performing well in the early part of the year continue to do so, but categories like wovens and denims which were slower are now picking up. We are also seeing a good opportunity in Winterwear this season because it looks like it is going to be a protracted winter.

We remain committed to our cost restructuring initiatives. Quarter 1 saw 68% reduction in costs due to deep cuts across the board in rentals, headcount and all the other costs. Our cost focus remains strong in quarter 2 as well. Our overall costs were lower by 38% in quarter 2 versus last year. This has been achieved by continuing to remain tight on all operating costs and also negotiating rentals in-line with the market recovery. We remain confident of achieving our target of an overall 40% reduction in the annual costs for this year and a permanent cost reduction of 120 crores plus.

I would now like to talk about our gross working capital. Compared to the beginning of the year, we were able to reduce our gross working capital by 360 crores. This comprise of 220 crore reduction in inventory and 140 crore reduction in debtors. Reduction in gross working capital adjusted for our one-time COVID provision is 200 crores. Inventory health improvement has been our focus area for us. Due to the uncertainties around COVID, we had corrected our buys for autumn wear by rolling over our spring-summer inventory and cutting buys of the current autumn-winter by 60%. By doing so, we have ensured that we do not have a buildup of inventory. Now as the markets are recovery quickly, we want to invest behind growth and hence want to maximize our inventory freshness.

The last 4 months have given us a clear trend on inventory movement across categories. We also have a sense of how tertiary sales will progress in our offline channel. Since sales were significantly impacted in the first half of the year, our inventory has aged more than it would have under normal circumstances. With this in mind, the company is taking onetime COVID provision of 158 crores. This includes provisioning for additional inventory ageing and extra inventory provision for slow-moving categories like suits and blazers and additional pullback of goods from certain offline channel and some potential doubtful debtors in the trade channel. Over the next 6 months, we plan to pull out all of the slow-moving inventory from the offline channel and liquidate it in accelerated manner in other channels. The cash made available through this liquidation will be used to buy fresh stocks which will aid our recovery further in quarter 4. We expect that this will allow us to significantly improve our inventory freshness as we exit the year and thereby gain in terms of productivity and sell through in SS'21.

With the quarter-on-quarter recovery in sales, we expect a sharp improvement in the bottom-line of the business as we progress through the year. Our EBITDA loss post-rentals in quarter 2 is close to half of our loss in quarter 1. With the recovery strengthening in the festive period, we expect a positive EBITDA post-rental in quarter 3. Looking at the overall trends, unless there is a big flare up in COVID, we hope to exit the year at pre-COVID levels. Stronger performance in the second half of the year and a reduction in gross working capital of more than 300 crores will allow us to reduce our debt level by more than 200 crores compared to the beginning of the year.

I would now like to share an important organizational update. Arvind Fashions Limited has appointed Mr. Shailesh Chaturvedi as the Managing Director and Chief Executive Officer of the company with effect from February 1st, 2021. Shailesh is currently the Managing Director & CEO of PVH-Arvind brands, a joint venture that houses our eminent brands Tommy

Hilfiger and Calvin Klein, and also led the Arrow brand for Arvind Fashions. J Suresh, the current MD and CEO, who will be retiring later this year, will work closely with Shailesh to ensure a smooth transition. After stepping down from his active role, he will continue on the AFL board and also advise the board on key strategic issues. We would like to thank Suresh for his contribution and dedication in creating a great platform for us to build on. Under his leadership over the last 15 years, Arvind Fashions has built some of India's most aspirational brands, which are poised to grow rapidly in the years to come. We would like to wish Shailesh the best in his new role at the company. Shailesh is one of our strongest leaders who has successfully grown several of our brands over the last 15 years. He joined Arvind in 2006 to lead Tommy Hilfiger and has been instrumental in establishing it as one of the most admired and aspirational brands in the country. Over this period, he has also taken over the leadership of Calvin Klein and Arrow. He has deep expertise in working with international brands and that gives him a unique insight into global best practices and trends, which will be very valuable to AFL going forward. With his proven strength in building aspirational brands, Shailesh is well-equipped to take over this mantle and help us drive value for our stakeholders.

We now believe that the worst of COVID is behind us. After the reset that we have carried out over the last year with the exit of unprofitable channels and brands, we now have a focus portfolio with 6 powerful brands that are leaders in the respective market segments. Moving forward, all our focus and resources will be targeted towards scaling up these brands. Each one of them has a huge potential and multiple growth opportunities including channel expansion, category expansion and rapid scale up in the online channel. As the brands scale, we will see operating leverage coming into play, which will significantly improve our bottom-line and return ratios.

Tight inventory control and flexibility supply chain will help us to drive up our working capital turns and cash generation. Our investments on the digital side along with our strategic partnership with Flipkart will allow us to take full advantage of the omni-channel opportunity. The large equity infusion has ensured that the cash losses that we would make during the year are completely funded by capital and it would help us deleverage the company so that we can invest behind growth. We expect to exit the year at pre-COVID levels, with a clear and focused growth strategy, we look forward to a much-improved performance in the years to come.

With this, let me end my opening comments and open it up for questions. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Rohit Dokania from DAM Capital. Please go ahead.

Rohit Dokania: I had a few questions. The first one would be it is now becoming clear that Arvind is sort of focusing only on the core six brands which would be Arrow, U.S. Polo, Flying Machine, Tommy, Calvin, Sephora and also obviously apart from that, Unlimited. So, if I am not wrong, all these brands have been making profit in the past. So how do you see your business shaping up in the medium term? I think those comments will be very helpful and also a related question to that, what will be the key things that you think you could change over the next maybe 6 to 8 quarters?

Kulin Lalbhai: Sure. Thanks for the question. See, these are as you said, large established brands and outside of the COVID impact, they are brands that can deliver strong bottom-line double-digit EBITDAs. What is also very clear to us that if we look at these 6 platforms, there is still a lot of growth opportunities. The channel expansion on the offline side into small town India is still at its very early years. There is a huge amount of expansion we can do there. Our expansion into adjacent categories in some of our power brands has been extremely successful. So, if you look at a brand like U.S. Polo, today we are also a leading denim brand. We expanded into that category 5-6 years ago. Newer categories like innerwear and footwear are seeing incredible traction. So, I think for our power brands, some of these adjacent category growth opportunities are there and then of course, digital, we have invested ahead of the game, so we are expecting to double down on that and in a pre-COVID world, 15% was our online share and I think in a post COVID world, if not 25%, it can even move towards 30%. So, I think building digital as a channel and that too more like a direct channel rather than a wholesale channel where between our NNNow.com and the marketplace model we are taking direct control and scaling up that model. I think that is also a very exciting opportunity. So I think with these 6 platforms, once COVID is behind us and now that we have done corrections in the portfolio, we can invest all our resources behind them and we feel confident that 15% plus growth year-on-year over many years is possible with this kind of portfolio and with the focused strategy, one strong benefit is operating leverage that will kick in. And earlier, our challenge has been generating free cash flow and I think with our focused strategy, generating the free cash flow and the return on capital employed, that will be the change. So, I think the second part of your question is what do you want to do differently? I think the emphasis on the strong pivot in the bottom-line and return ratios that has to be the theme. So, we want healthy growth that gives us strong operating leverage and we have put in a lot of effort behind controls that need to be there to ensure we have full visibility, inventory management. We do expect our working capital turns to also go up with this strategy significantly. I would say those would be the focus areas after the reset that we have done in terms of strategy.

Rohit Dokania: I think that is very helpful. Just two quick ones from my side. One would be it is totally appreciated that we have made provision upfront in terms of the old inventory and we have also sort of prudently disclosed it. But just wanted to understand is it fair to say that in the future, there would be no further provision requirement that could continue with these changes?

Kulin Lalbhai: This year has been, in a sense, quite an unprecedented year where quarter one was 10% of last year and quarter 2 has been close to 50%. So, what that implies is there was a radical drop in sales and what this has ended up creating is that inventory did slowdown and choked and to an extent, it has also led to more ageing. Now whilst we did cut our autumn-winter, we still have the challenge that certain categories are slow moving, like for example suits and blazers are really slow moving in this environment. So the call that we feel and we have thought about it very hard is that now things are opening up and we do expect a brisk sort of recovery, I think the most critical thing for us is inventory freshness and we want to start spring-summer 21 with a strong freshness index. So, if we are able to liquidate inventory faster, it will allow us to generate more cash and we will be able to invest that cash behind more fresh goods and stocks. So, we are pulling back things and liquidating them what we would have liquidated over a year, year and a half, we want to do in 6 months. We have also pulled back some slower stock from offline, taken it back because there is demand for it elsewhere. So, because we are taking this call, we thought it prudent to take a special provision looking at the current context and we will use that to make the business healthier. We will free up cash and invest that behind growth.

Rohit Dokania: Fair enough. Just a related one that so totally appreciate, the fact that you want to improve freshness and also sort of not let debtors ageing deteriorate**.** Just wanted to understand, can you elaborate what kind of discipline and controls do you have in place for the future so that this thing is taken care of by itself.

Kulin Lalbhai: Sure. So, let me take it in 2 parts. On the inventory part, I think one is we are very clear that the world is an uncertain world. So, I think you need to be disciplined on the way you buy, but more importantly you also need to have the agility and flexibility because of higher volatility. So, I think the two things we have done. Obviously, we are taking a cautious view and not getting too carried away anywhere. We are being very disciplined on the way we are looking at future buy**,** but I think the problem can only be solved once you have a supply chain that is more agile and flexible and I think that is where we have put most efforts, where we are now in a position where we keep 20% of the season buys, reasonably open. Only one month into the season do we need to place those orders, so that has removed a lot of uncertainty for us. And also, we are getting into flexible manufacturing technologies where turnaround times are much lower. So, I think we are working very hard on making the supply chain flexible and agile. I would say that is one very strong theme. The other very strong theme for us is just more visibility, more control. So, on the trade channel, for example we have put in place a much more sophisticated dealer management system. We have visibility into secondaries real time, even tertiary sales we are getting into, where we are doing a pilot to get tertiary sales real time. So, lot of visibility creation into the distribution led channels so that we have a much closer connect with customer demand. That has been one other large investment and focus area for us. And lastly, I think one big benefit of a focused portfolio is that you have larger brands which make it much easier to have predictability overall on inventory and how things are likely to scale. So, I think that will also bring more predictability on inventory. I think between all these initiatives, we fundamentally are expecting the ability to kind of grow in a very healthy way in the years to come.

Moderator: Thank you. The next question is from the line of Nishit Rathi from Chanakya Wealth Creation. Please go ahead.

Nishit Rathi: I would first like to take the opportunity to actually place our thanks and regards to for Suresh. Thank you very much for bringing Arvind Fashions and brand to the level that it is today. We really appreciate all the hard work that you put in and hope the company goes to a different level from the platform you provided. So, we are very grateful for all your efforts. Just question to the team. See, FY21 outlook the slide that has been put out has certain numbers on the right-hand side. So, I just wanted to understand are these incremental for the second half or are these numbers to be viewed on a full year basis because it says further debt reduction of 200 crores.

Kulin Lalbhai: No. Nishit, this is an annual view. It is not an incremental view from today.

Nishit Rathi: That is broadly it from my side. I would like to wish Shailesh a great journey. All the best and hope you can really build on this. Thank you so much.

Moderator: Thank you. The next question is from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: So, three questions from my side. First, you have clearly laid out what has been the recovery in the EBO channel and the department stores. Could you give the number for the MBO channel specifically, how the recovery has been in Q2 and possibly each of the 3 months of this quarter?

Kulin Lalbhai: That is a great question. See, MBO has been broadly tracking at our high street numbers. So, as we were exiting Q2, the tertiary demand has been at 50% and now in festive, it is actually again somewhere between 70 to 80%. So, I think tertiary demand is strong. One call we took as a company is to not feed the MBO channel for autumn winter other than winter wear. So, unlike every year when in quarter 2, one would be feeding the new goods in large quantities, we did not do that. So, it is not showing up in our primary numbers, but the right metric to look at is where our tertiary sales and the good news there is, we are recovering broadly in line with our high street store sales. So now that we have drained down and the tertiary sales are healthy, we expect good start to the Spring-Summer 21 when we will fill the channel back in and right now, of course in quarter 3, we have filled in winter wear which will be a good season for winter wear this time around.

Nihal Jham: Kulin, just one question on the one-off. You earlier elaborated on the inventory and that was well taken. Specifically on the debtors, I would understand that this will be related to the MBO channel, but in case these are MBOs that we have had rapport or we have dealt with them in the past, so then is it that a situation of a write-off on debtor should come in. So, if you could just throw some thoughts on that.

Kulin Lalbhai: This is honestly a little bit of an extraordinary black swan that would kind of need to something like this. So, I think whilst you can always keep banking on the hope that as things normalize, people can recover etc. We wanted to take a prudent view that there are some genuine risks and there are some recoveries which will not or may not happen. So, it is prudent to be a little conservative and cautious on that which is why we took the call to kind of take a provision for it.

Nihal Jham: And the third question from my side was if I look at our cash flow situation, so the 600 crores that have come in have helped us in terms of taking care of the operating losses and also reduce the debt & creditors**.** Now when you look for the second half of the year, when do we expect that we will start becoming cash flow positive, ideally from which month and is there an incremental possibility of working capital reduction happening and further debt repayment or as you laid out in your outlook that debt reduction is done for this year?

Kulin Lalbhai: I think what we are seeing now is that there is going to be a steep scale up in the business between Q3, Q4 and Q1. I think we are expecting this recovery. So, our expectation is for debt to be broadly close to that 1000 crores kind of number that we had indicated last quarter and that whilst we might have incremental cash come in, we are investing that behind the growth. So, we will grow without needing capital from outside the business is the way currently we see it.

Nihal Jham: Just thought of one last question if I may. For Flying Machine now, I think it has already been 3-4 months since the deal has been executed. I just wanted to understand, maybe if not reflect in terms of numbers, but post the investment from Flipkart, how to say that visibility or a salience on both Myntra and Flipkart would have increased, is it possible to share a few examples?

Kulin Lalbhai: Sure. I will give a few examples. For example, during the event, we have had very less time to operationalize, it has been a few months which is short period of time. But even in this period, one great outcome is in the event that happens this year, we doubled the volumes of Flying Machine. So that is a large 100% growth in volume for the brand in both quarters and other good callout is women's wear which is a growth opportunity got a lot more visibility this year and large number, I believe close to 60,000 pieces of women jeans were sold. So, this is the power of access and visibility. And

Flying Machine has historically been very strong with Flipkart. And on Myntra, historically our ranking has been lower and this time around our ranking has dramatically jumped on Myntra as well. So, I think in a very short period of time, the two teams have been able to show outcomes. And now of course, the more strategic way of looking at data and working on way forward and new categories, exciting categories to go after, that would play out over a season or so.

Moderator: Thank you. The next question is from the line of Prerna Jhunjhunwala from B&K Securities. Please go ahead.

Prerna: Just wanted to know your strategic view, you have exited GAP, Children's Place where we were seeing lot of opportunities in the past and Arvind Fashions is viewed as a portfolio of brands kind of a company. Wanted to know what is the thought process over a 5-year point of view where you will be restricted to six brands or you are looking for more brands or how are you going to play in the brands space, in the new categories etc.? So, a little bit of strategic view would be helpful to understand the company's future going forward.

Kulin Lalbhai: As I kind of mentioned, I think when I was answering the first question, I do not think it is fair to equate number of brands with growth opportunities. I think we are very clear now that in the next 5-6 years, one can easily more than double our sales with the portfolio and the focus area we have. So, these 6 platforms are not monolithic. There is a lot of ways in which they will be growing and expanding, not only organic expansion of distribution, but as I kind of explained, a step change in the way these brands will be selling digitally and also a lot of new categories that are coming in because if you look at the lifestyle space, the whole sector is moving away from category specialist to lifestyle play and we have seen that these expansions which we have done, like today U.S. Polo is a full end-to-end lifestyle play where not only do you have a Polo and the shirt, but you have a denim, you have a shoe, you have comfort wear, it has become a holistic lifestyle proposition. And I think there is very large kind of scaling opportunities. If we look at a market like China, single brands are billion dollars. So, I think as we look into the demographic dividend playing out in India, I think we are very clear that over the last 5-6 years, we have been able to identify the sure shot winners now in the portfolio. And by doubling down and investing behind the winners, not only can we get strong growing business, we would be kind of going through the S-Curve of growth but more importantly, a lot of they will come to the bottom-line as well. So, I think in short, the 5-years strategy is to scale up are high conviction bets.

Prerna: Sir, my second question is on initiative that you took last year that your primary sales will largely reflect your tertiary sales. How closer we are to that initiative on success and what backend initiatives we have taken that it will reflect the tertiary going forward?

Kulin Lalbhai: So that was when I was talking, I think I had answered it a few questions back that the challenge in that channel was what level of visibility you have and there are two steps, right. There is a primary sale where you sell to a distributor. Then there is a distributor which is selling to the retailer, which is called secondary sales and then, there is a retailer selling to the consumer which is called tertiary sales. So, what we have done is to get a complete visibility day-to-day on secondary sales. We have got a distributor management system, it got implemented last quarter of last year and it is fully operational now across all our brands. The second step is to see tertiary sales and there, we have also launched a pilot where we get tertiary sales real time every day. So, I think on one hand, we have got the technology stack where we have made lot of progress in the last year. And secondly, we are kind of looking at the overall situation of COVID. We have taken a cautious view. For example, there was a possibility to sell into the channel even in autumn wear in a slightly more aggressive way but looking at the uncertainty at that time, the market had not fully come back. We have been very cautious, trying to estimate secondary demand, tertiary demand carefully and kind of run this channel in a very controlled way. So I think both from a technology and an intent perspective, it has been a cautious and controlled way in which we are operating, and I believe that now we have a platform or a foundation to scale up this channel in a healthy way in the years to come.

Prerna: And sir my last question, in NNNOW.com you have invested meaningfully into that channel, I would like to understand how has this investment been beneficial to you especially in these COVID times where online became a major channel of selling as compared to offline? And what were key learnings or initiatives that would be helpful to us going forward on this channel?

Kulin Lalbhai: So, it has been a very exciting post-COVID world for us. We have tripled in our scale and on a very large business which is our digital business, this channel is now accounting for close to 15-20% of our sales. So, it is a very promising scale that we have achieved. What is also very promising is that we have got strong unit economics. In fact, we have reached a level where we are covering our costs also. In that sense also from a bottom-line perspective, now looking a lot more promising. I think strategically it plays a very important role because it is a way for directly acquiring and engaging with customers. Possibly, there will be a time where we will be able to acquire as many customers directly online as we can through our offline channel as we keep scaling this up. So, I think owning the customer and having good traction in topline, bottom-line, we are achieving that. Now we are working on how we really bring the next level of differentiation and functionality. So, for example, we have launched our omni-channel royalty. So, customers shopping both online and offline now get points with us, which is a very powerful kind of differentiator for customers. We are rolling out next day or same day delivery. Exchanging store was always there from day one**.** So, all these omni-channel features are becoming better defined. Finally, a metric which is very important to us is the company has close to 9-10 million loyal customers. We hope that a good chunk of our hyper-loyalists shop with us both on our online and offline because we have seen that anyone who is omni-channel with us, spends anywhere between 2 to 2.5 times on our brands compared to when someone is pure offline. So that kind of one of the main focus areas with now.com that our omni-channel journey need to keep maturing and hopefully, someday 30-40% of our customers are omni-channel customers rather than pure offline or pure online and that will make the overall business model exciting. So that is kind of in a nutshell where we are and how we are seeing the future.

Moderator: Thank you. The next question is from the line of Saurabh Patwa from HDFC Mutual Fund. Please go ahead.

Saurabh Patwa: Sir, just wanted to understand what is our strategy over medium term once this COVID impact started to normalize on Unlimited and direct retail or any other channel which we will be planning?

Kulin Lalbhai: So, the only two kind of retail focus concepts we have is Unlimited and Sephora. So first of all, I do not see there is a big strategy beyond that. These are our two retail brands. Sephora is scaling very well. So, let me try and answer Unlimited. So, what we have been able to do in Unlimited as perhaps I had mentioned in the last call is that we have done a few things. 1) we have dramatically restructured the cost, so almost on a permanent basis, 70 crores of cost has gone out of the format. That happened because of shutting down stores, changing our manning norms, changing the backend supply chain costs, headcount reductions. So, it is a 360 view as part of our COVID restructuring. In Unlimited also, there is a huge cost restructuring angle that has come in. The other bit is we have changed our buying from a 6-month buying to a 2-month buying, so we have seen consistently inventory levels come down and by the end of the year, they will be significantly below last year's level and we have worked on fine tuning the value proposition. So if we add up all these, first kind of milestone we have set up is to say that we want to bring this business to a level of reasonable financial performance defined by say breakeven on the bottom-line even with the 70 stores, the restructured network we have created and we have now a line of sight. And as COVID recovery is happening, in fact in the festive season, we have done really well there. So, I think we are seeing the change in momentum. That milestone having been achieved, I think the structural question then is how do we try and create value or figure out next steps. I think that we are working on parallel and we do understand the need to have a broader strategic answer on how once an Unlimited is stable, can one make meaning out of it? So that I think the management is still working on. COVID, of course created a little bit of needing to just go and fix the basics which we have done. I think we are coming out strong from COVID, but we will work on answering the overall strategic fit and question once this milestone is achieved.

Saurabh Patwa: That was really helpful, sir. That is, I think the second part which I was about to ask you already answered it. Thanks a lot.

Moderator: Thank you. The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead.

Maulik Patel: I have just two questions. Now, we have the six brands, and can you just help me with what kind of the revenue potential and revenue these six brands did at the peak? At pre-COVID, what was the revenue of these six brands combined what we have now in Tommy, Arrow, U. S. Polo, CK, Sephora and Flying Machine and Unlimited?

Kulin Lalbhai: Maulik, we do not give brand specific.

Maulik Patel: No, I am just looking at aggregate number.

Kulin Lalbhai: See, I think we have brand like U.S. Polo which is closer to the 1000 crore plus level of scale and then we have quite a few of our formats close to the 500 crore, be it Unlimited, Arrow, Flying Machine, even Tommy is inching there. And the rest are at the 200-250ish scale. So that is how to look at it. And as I had answered another question, I think of course each would have a slightly different scaling based on the strategy and current size, but at an aggregate, we believe that the revenue potential is definitely 15% or more for the portfolio.

Maulik Patel: The context was looking at that once I think, let us say, the combined revenue of all these brands at a probably pre-COVID was in the territory of close to around 2,500 Cr or so approximately or probably more than that, around 3000 Cr approximately?

Kulin Lalbhai: It should be north of that also.

Maulik Patel: And then correspondingly the fixed cost reduction what you have, probably what we have achieved 15 to 20% fixed cost reduction on the base side, right?

Kulin Lalbhai: Yes.

Maulik Patel: So that is one thing. Second is given that you mentioned about you have the online, what percentage of the online currently is approximate?

Kulin Lalbhai: See last year, it was around 15%, but Maulik, this year it would be misleading to take it.

Maulik Patel: Sure sir, I understand that completely.

Kulin Lalbhai: If I answer that question, it was very high, 40-50% of our sales same quarter 2, but that is not a very logical way to look at it. I think the number to look at it versus last year, we grew 20% in quarter 2 in online whilst all other channels were only 50% of last year broadly, give or take.

Maulik Patel: And the last question is that we have taken some write down. Are there any more things which pending related to the inventory or receivable.

Kulin Lalbhai: No. See, Maulik, we have taken a cautious and conservative view looking at COVID, and we do not see any further kind of one-offs coming. Of course, there is a dramatic COVID deterioration, I mean that nobody can guarantee, but otherwise we do not see any further provision.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. I now hand the conference over to Mr. Ankit Arora for closing comments. Thank you and over to you, sir.

Ankit Arora: Thank you everybody for joining us on the call today. If any of you have any more questions, please feel free to reach out to me and I would be happy to answer them offline. Thank you everyone, and wish everyone a great festive season and Happy Diwali.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Arvind Fashions Limited that concludes today's call. Thank you all for joining us and you may now disconnect your lines.

Note: This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.