

Q1 FY2019 Review Note

6th August 2018



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Agenda

- **Q1 FY19 Performance**
- **Business Analysis**
- **Outlook**
- **Annexures – Memorandum Financials of Three Demerged Companies**

Q1 2019: Executive summary – strong all round growth; margin improvement in Branded Apparel

INR Crs	Q1 FY2019	Remarks
Revenues	2861 (+10%)	
Textiles	1561 (+2%)	Fabric vol lower by 1M (GST base effect, Denim) Garments grew from 6.6M to 7.9M
Branded Apparel	1016 (+14%) <i>890 (unadjusted)</i>	Stated higher as IndAS adjustment + one time impact due to agreement changes
Advanced Materials	128 (+10%)	
Engineering	37 (+24 cr)	
EBITDA	246 (8.6% vs 8.1%)	
Textiles	11.9% (vs 14.3%)	Reduced drawback rates; Denim volumes; strong rupee
Branded Apparel	3.7% (vs 1.8%) <i>3.1% (vs 2%)</i>	Improved margins, marketing spend up 40 bps <i>(unadjusted)</i>
Advanced Materials	7.8% (vs 3.1%)	
Engineering	20% (-2%)	
PAT (before exception items)	75 (+13%)	
Net Debt (30th June 2018)	3446	

Application of new accounting standard

Ind AS 115 – Revenue from contracts with Customers

IndAS 115 - a new accounting standard on revenue recognition w.e.f. April 1, 2018

- Principle changed from “transfer of risk & rewards” to “transfer of control”.
- Applied the retrospective approach and hence the financial statement of Q1FY18 have also been re-instated.
- Key impact of applying new accounting standard:
 - Sales made on Sale or Return (SOR) have been recorded on gross basis and dealer margin as cost. This has resulted in increase in sales value for Q1FY18 & Q1FY19 by INR 105 crores and INR 58 crores, respectively.
- Consequent to the introduction of IndAS 115, certain customers have negotiated a change in contract terms with effect from April 1, 2018 – from SOR basis to OR basis. Resultantly, inventories lying with such customers as on March 31, 2018 have now been recognized as sales on April 1, 2018 – INR 69 crores.
- As a result, there is a one time increase in EBIDTA by INR 10 crores.

Q1 FY 19: Profit and Loss summary – strong Q1 earnings

INR Crs	Q1 FY19	Q1 FY18	Change
Revenues from Operations	2,861	2,594	10%
EBIDTA	246	209	18%
Profit Before Tax	95	76	26%
Profit After Tax	75	67	13%
Less : Exceptional Item	9	7	
Net Profit	67	60	12%

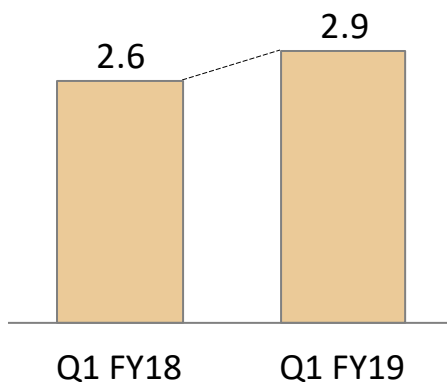
- Exceptional Item - Retrenchment compensation includes payments under Voluntary Retirement Schemes

Q1 FY 19: Performance by segments

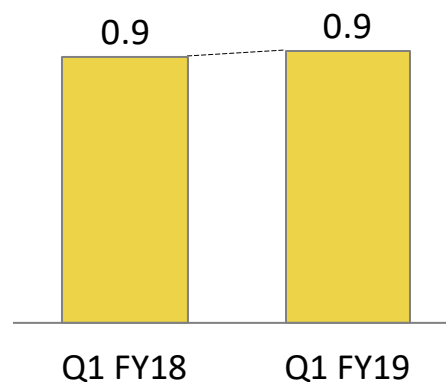
Rs Cr Business	Q1 1819			Q1 1718		
	Revenue	EBIDTA	EBIDTA%	Revenue	EBIDTA	EBIDTA%
Textiles	1561	185	11.9%	1526	218	14.3%
Advanced Material	128	10	7.8%	116	4	3.1%
Branded Apparels	1016	38	3.7%	893	16	1.8%
Engineering	37	7	19.8%	24	5	21.5%
Others	131	5	4.0%	44	-19	-47.2%
Un Allocable	0	1		0	-15	
Other Income		14			14	
Consolidated Knock Off	-12	0		-8	0	
Total	2861	260	9.1%	2594	223	8.6%

Key indicators – Q1 FY19 Vs Q1 FY18

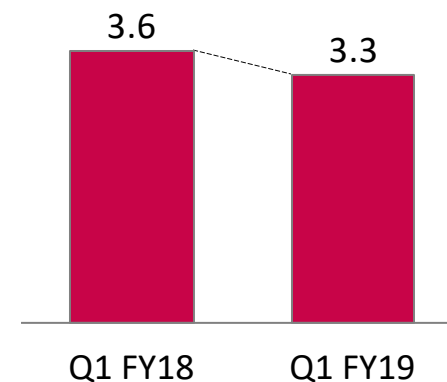
EPS



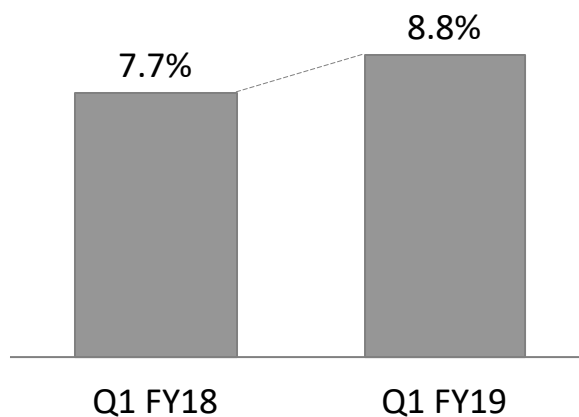
Debt / Equity



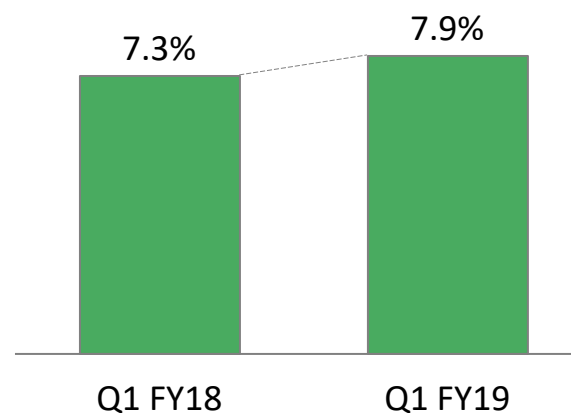
Debt / EBITDA



ROCE



ROE



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- **Q4 & FY18 Performance**
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Branded Apparel

Indian fashion brand and retail space marked by interesting trends

1. Sluggishness of demand continues – even after a full year since demonetization and introduction of GST
2. Value fashion has clearly bucked the trend – all players have been posting very healthy growth
3. E-commerce which accounts for ~4% of overall apparel and accessories market is likely to cross 10% mark by 2020;
 - a) Omni-channel experience is becoming a table-stake
 - b) Tier 2/3 and semi-urban customers already account for over half the online demand

Performance Highlights – Q1 FY2019

Strong growth led by Power Brands and Unlimited validates our market traction; revenues up 13% (18% adjusted for GST)

Higher profitability reflected in 75%* increase in EBITDA resulting from operational excellence

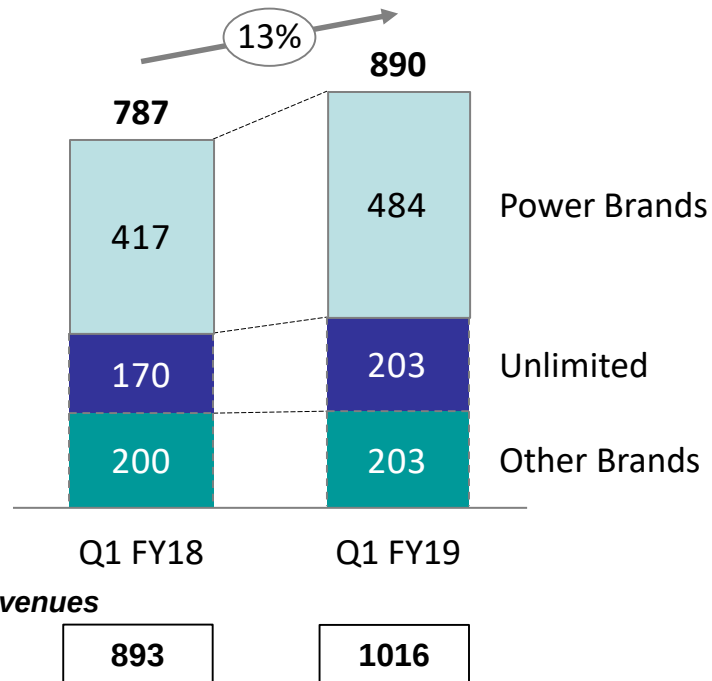
Innerwear business consisting of USPA, Hanes & CK saw 33% growth during the Quarter, expect growth to accelerate to over 50% during the year

Online sales up 140%+; **Omnichannel** sales up 70%+ riding on industry leading technology platform

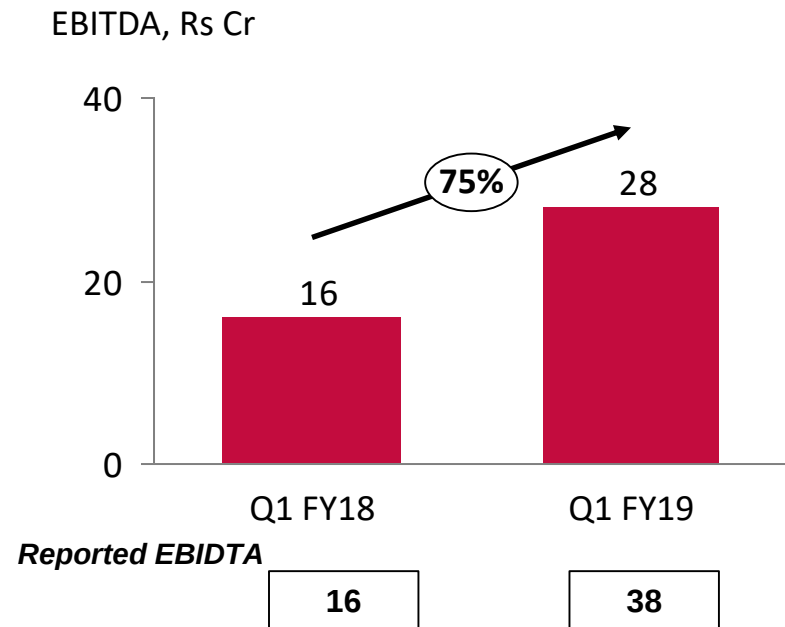
Brand building push marketing spend up 25% further building equity among customers

Q1 FY2019: Strong Revenue Growth & Sharp improvement in profitability in a tepid market

Revenues grew ~13%*



EBIDTA improved 75% (excl one time income)



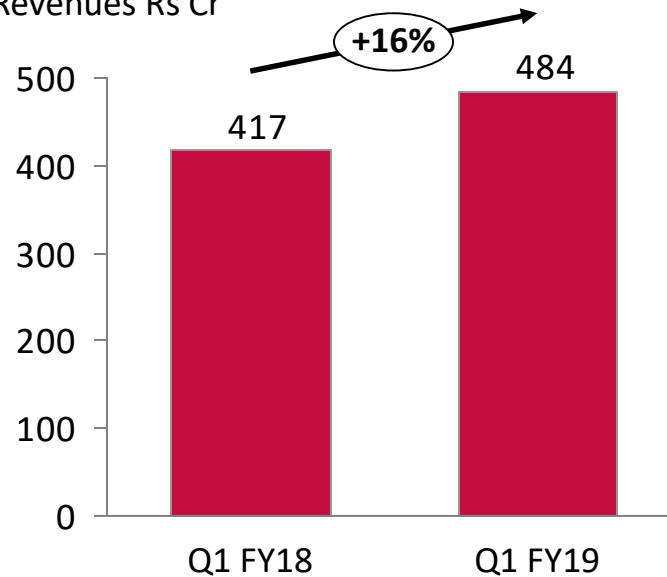
- Adjusting for GST, Rev Growth ~18%
- Negative 5.8% LTLs as EOSS had been advanced during previous year
- July LTL +10%
- Power Brands margin continued to expand

Q1FY19: Power Brands delivered another quarter of robust performance

Q1 18'19 performance



Revenues Rs Cr

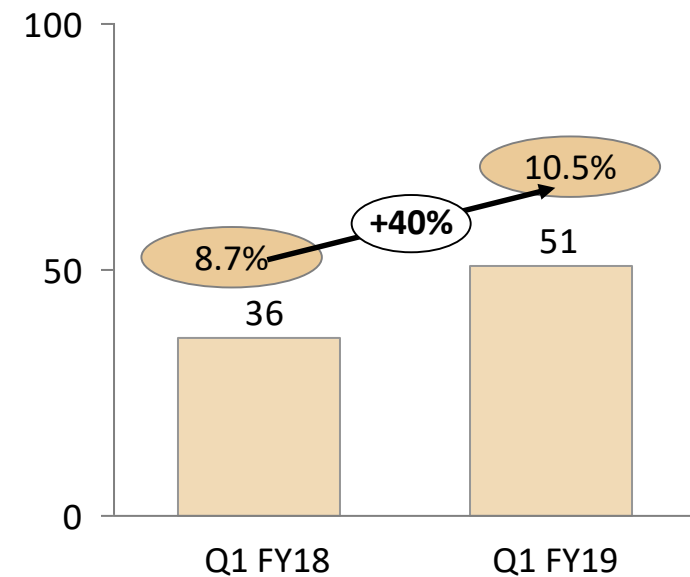


Reported Revenues

489

561

EBIDTA Rs Cr



Reported EBIDTA

36

58

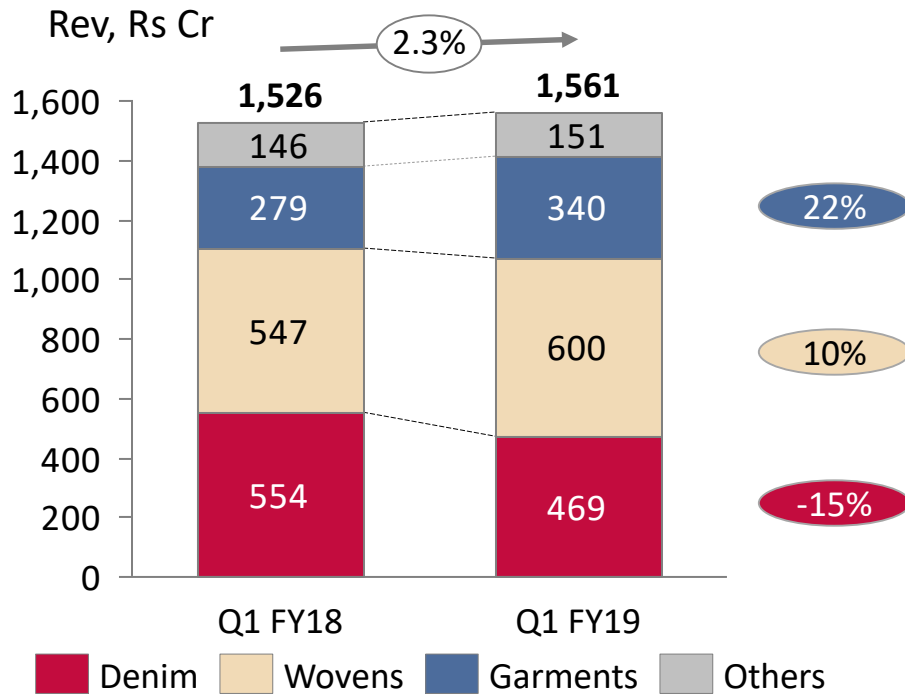
Distribution Footprint (as of 30th June 2018)

Particulars	June 2018	
	# Stores	Sq ft (Lacs)
Unlimited	99	9.8
Others	1237	12.1
Total	1336	21.9

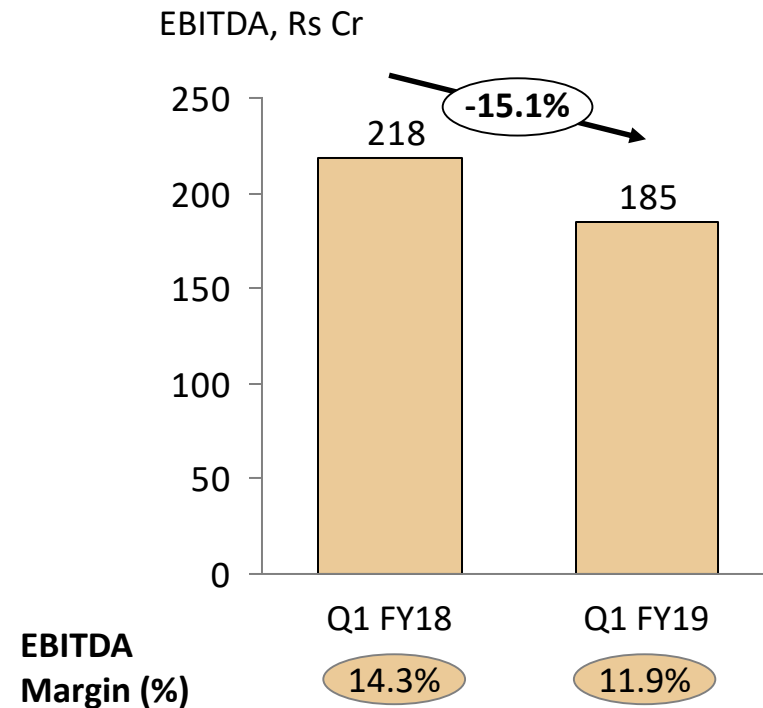
Textiles and Advanced Materials

Q1 FY19: Garment volumes grew, Denim volumes subdued; stronger rupee and drawbacks impacted margins

Revenues growth led by garments



Margins declined slightly



- Fabric volumes lower to 57M meters (from 58M)
 - Denim domestic volumes declined resulting from pre-GST buying/ higher base last year
- Garment volumes grew by 20% to 7.9M from 6.6M last year

Key Textile business parameters for Q4 & FY2018

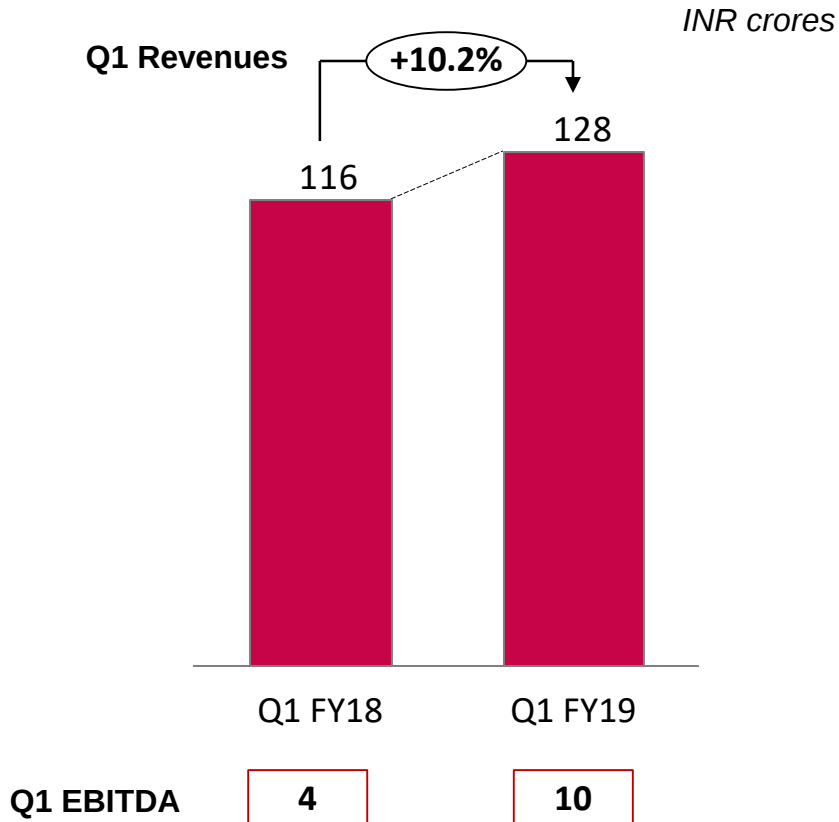
	Denim		Woven	
	Q1 18-19	Q1 17-18	Q1 18-19	Q1 17-18
Exports(Mn Mtrs)	12	14	8	7
Domestic (Mn Mtrs)	11	14	26	22
Avg Prices	190	185	172	181
Major Components	Cotton			
Cost in Rs / Kg	113	124		

NOTE:

Sales prices and cotton prices for Q1 FY19 are excluding GST, whilst they include VAT in the previous year

Advanced Materials delivered a strong performance, and plans to step-up the growth to 20%+

Healthy top-line growth for Q1

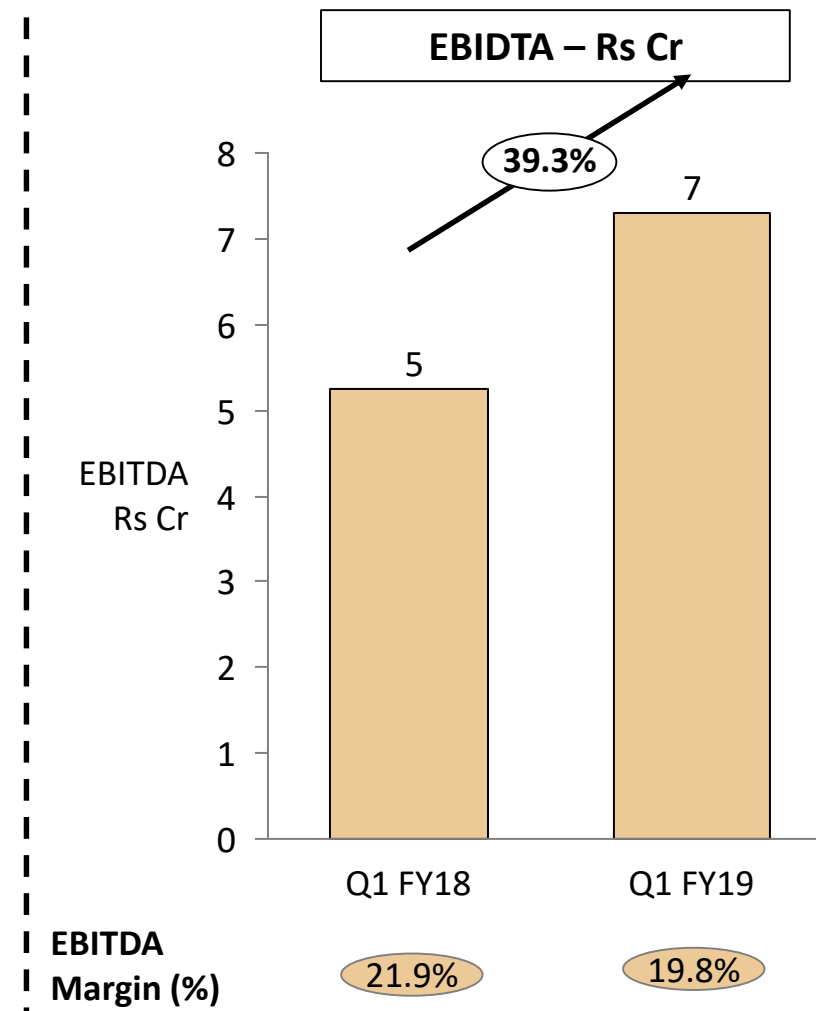
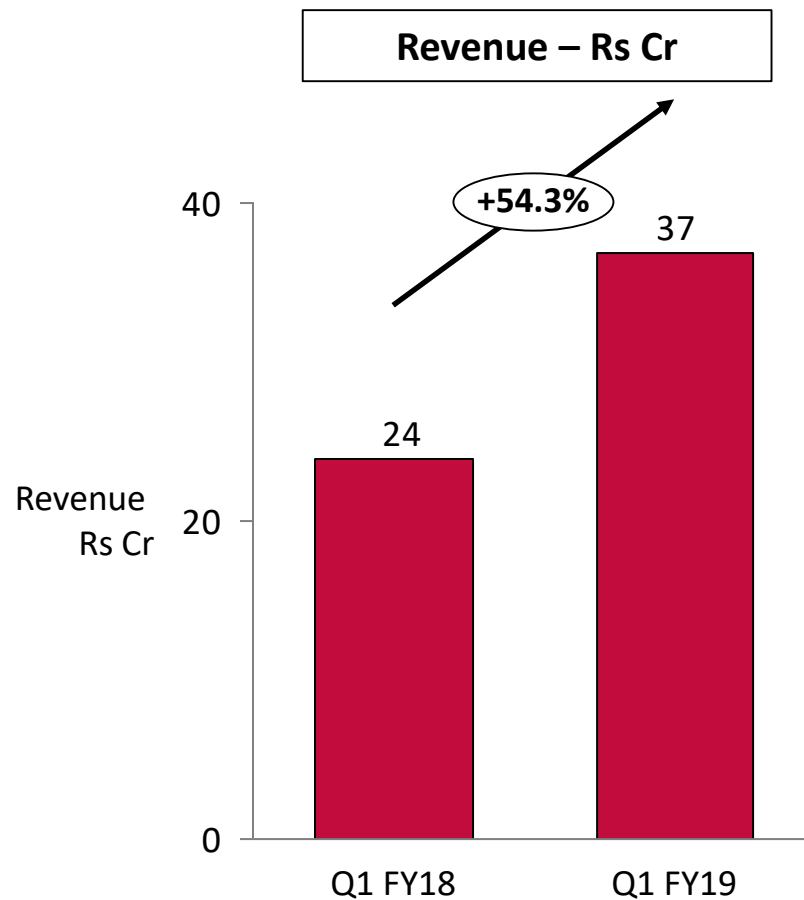


Highlights

- JV with tier-1 auto supplier for seating and interior fabrics
- Co-branded personal protective equipment line with a global construction machinery major
- Equity JV with a leading player for continuous lamination
- Licensing agreement with a European composite player for technology transfer

Engineering

Engineering Business continued its strong performance



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Outlook for FY19

Revenue

- Textile revenue expected to grow by ~10% on back of more than 35% growth in garments volume
- Brands & Retail Business likely to grow between 20-24%
 - Power Brands to maintain momentum
 - Significant expansion planned for Unlimited
 - Innerwear business poised to grow at 50%+ on full year basis
- Engineering Business to grow at 10-12%

Margins

- Textile Margins to remain flat due to mix change in favour of garments
 - While currency depreciation will help the margins; lower drawback rates for full year will offset these gains partially
- Brands & Retail Margin will continue to improve
 - About 1% improvement despite increase in marketing investment by about 0.5%
- Engineering Business likely to maintain margins at similar level.

Demerger Update

- The process of demerger is proceeding as per plan. We expect demerger approvals in early Q2.

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Annexure-1 Memorandum P&L and Balance Sheet of 3 Demerged Entities as on 31st March 2018

	FY 17-18		
	Arvind Ltd (Demerged)	Branded Apparel	Engineering
<i>All figures in INR Crs</i>			
Revenue	6800	4266	224
EBIDTA Including Other Income	751	229	58
EBIDTA %	11.0%	5.4%	25.8%
EBIT Including Other Income	529	83	54
PAT (After Exceptional Item)	267	-7	43
CE	5355	1955	244
ROCE %	9.9%	4.2%	22.1%
Proforma Balance Sheet			
Shareholders' Equity	2677	1210	244
Borrowings	2678	745	0
Other Liabilities	1572	1302	57
Total Liabilities	6927	3257	302
Net Fixed Assets	3425	557	109
Other Non Current Assets	199	475	41
Current Assets	3303	2225	152
Total Assets	6927	3257	302

- Above Numbers are purely for broader understanding. The assets and liabilities as on effective date of demerger will be different than what is assumed above.

Annexure-2 Memorandum Financials of Three Demerged Entities for Q1 FY18 and Q1 FY 19

	Q1 17-18			Q1 18-19		
	Arvind Ltd (Demerged)	Branded Apparel	Engineering	Arvind Ltd (Demerged)	Branded Apparel	Engineering
<i>All figures in INR Crs</i>						
Revenue	1682	896	24	1811	1018	37
EBIDTA Including Other Income	207	17	7	216	39	9
EBIDTA %	12.3%	1.9%	27.6%	11.9%	3.8%	23.7%
EBIT Including Other Income	154	-17	6	161	0	8
PAT (After Exceptional Item)	81	-28	3	76	-19	8
CE	5547	1729	173	5523	2006	230
ROCE %	11.1%	-4.0%	13.4%	11.7%	0.0%	13.3%



Thank You