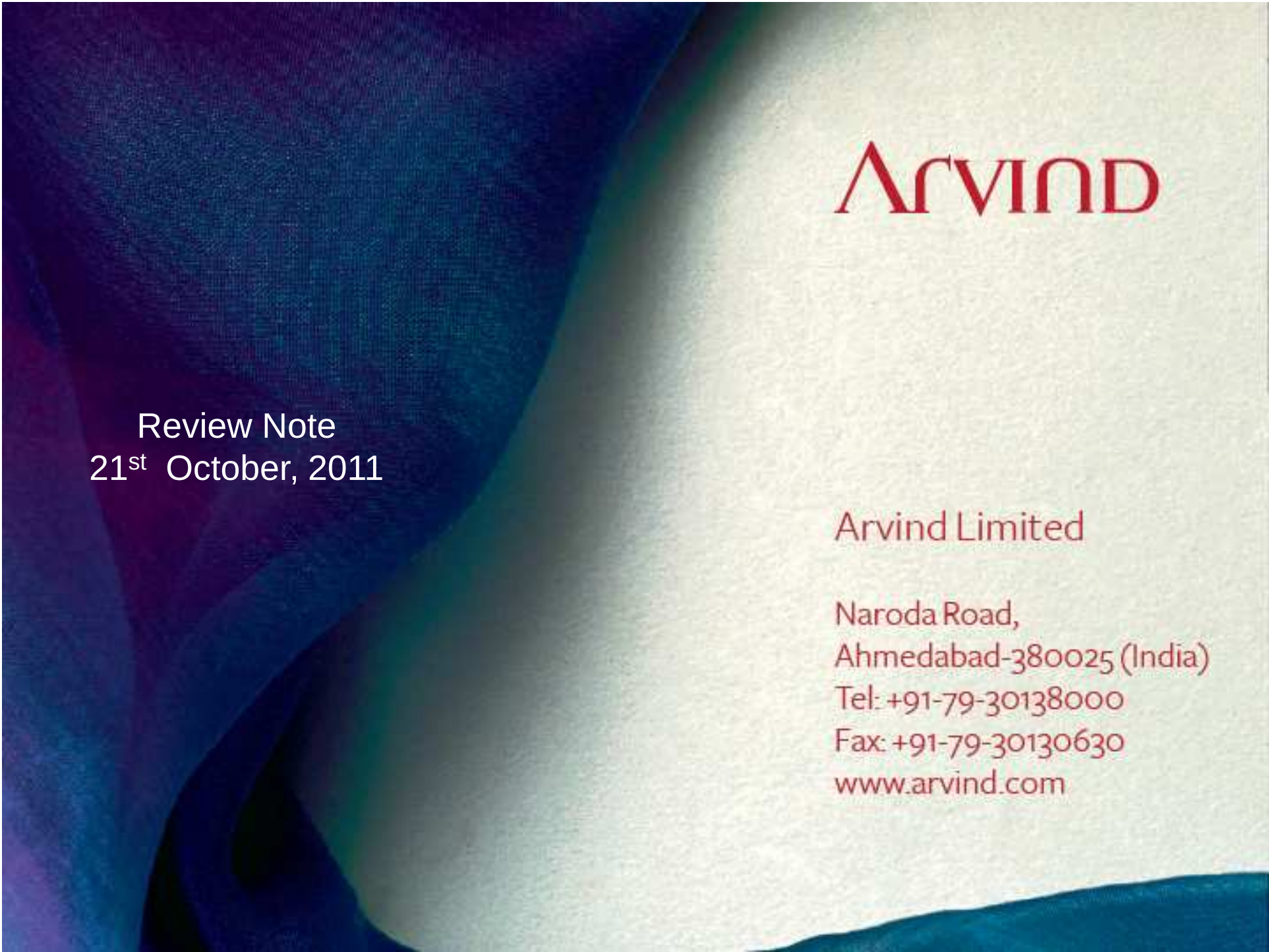


The image features a background with a large, abstract, flowing shape in shades of blue and purple on the left side, and a light beige or cream-colored area on the right. The Arvind logo is positioned in the upper right quadrant of the beige area.

Arvind

Review Note
21st October, 2011

Arvind Limited

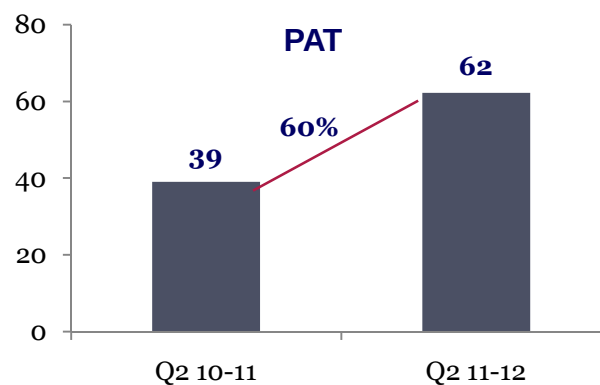
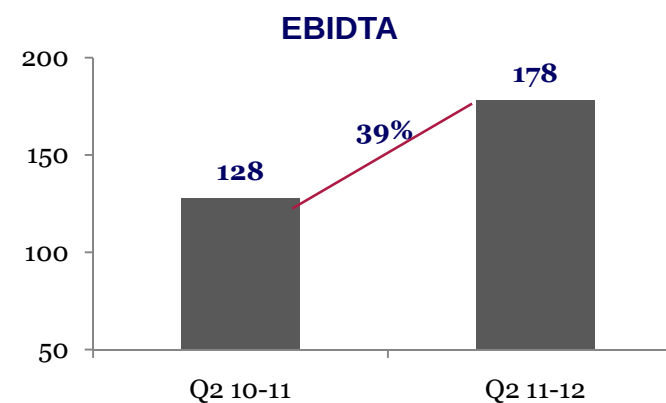
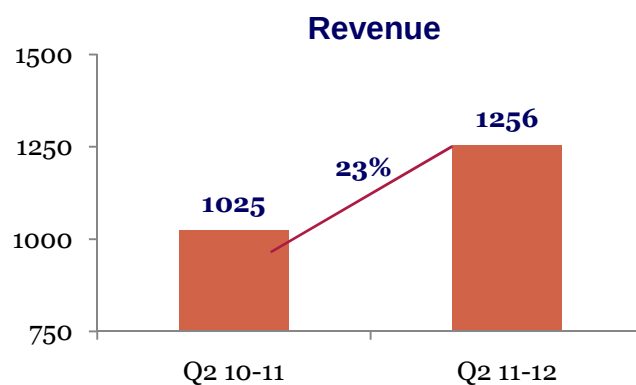
Naroda Road,
Ahmedabad-380025 (India)
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www.arvind.com



Financial Performance- Consolidated

Highlights Q2 - 2011-12

Rs crores



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Financial Performance Q2 – 2011-12

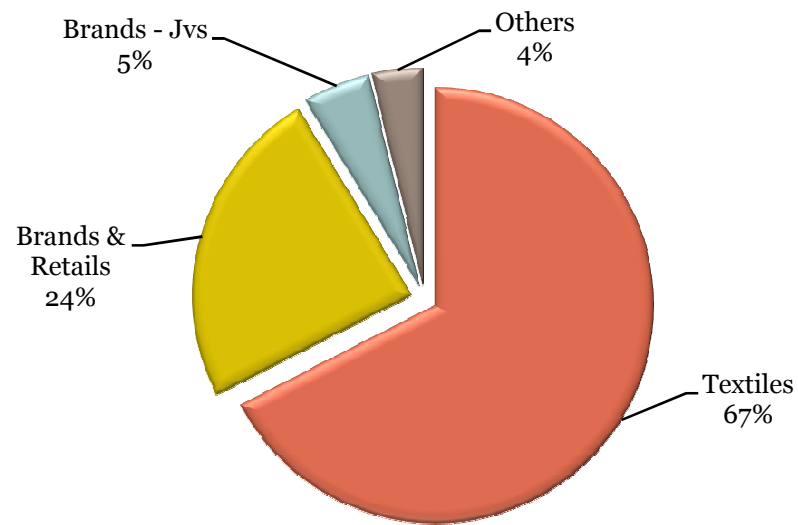
Rs crores

	Q2		
	2011-12	2010-11	Change
Revenues	1256	1025	23%
Raw Materials	601	493	
Employees' Emoluments	112	95	
Others	355	311	
Change in Inventories	10	-2	
EBIDTA	178	128	40%
Margin	14.2%	12.5%	
Other Income	20	15	
Interest & Finance Cost	96	58	
Cash Accruals	103	85	20%
Depreciation	41	45	
Profit Before Taxes	61	40	
Minority interest	-1	1	
Net Profit	62	39	58%

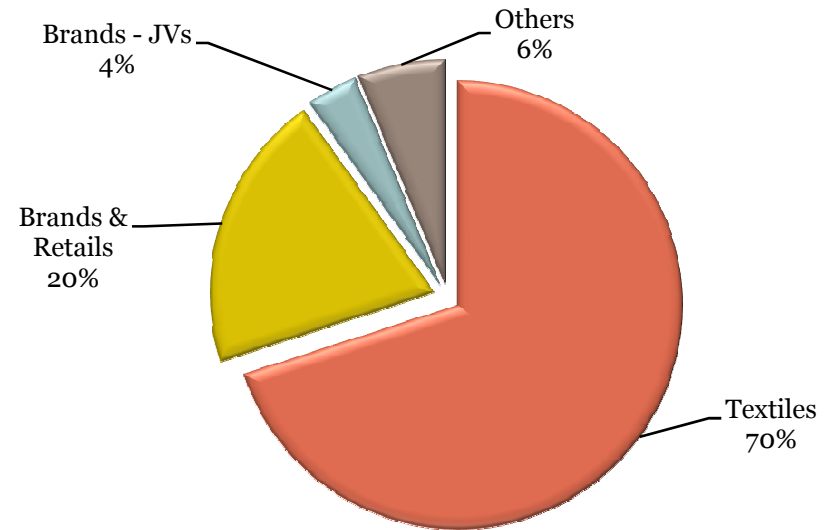
- Textiles and brands & retail segments witnessed strong growth leading to impressive 23% growth in revenue for Q2
- EBIDTA margin improved 174 basis points to 14.2% from 12.5%
- Interest & Finance cost includes Rs 18.98 Cr loss on account of Revaluation of FX liabilities(Rs 1.39 Cr Profit in Q2 10-11)
- **Profit after tax sharply moved up to Rs. 62 cr despite MTM FX loss of nearly 19 cr.**

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Q2 2011-12- Revenue



Q2 2011-12



Q2 2010-11

Compared Q2 2010-11

Textile Business grew by 18%

Brands & Retail Business grew by 46%

Share of apparel & fabric retailing grew to 39% from 36%

Share of domestic revenue remained at 70%.

2011-12 –Q2-Earnings

- EBIDTA grew by 40% to Rs.178 cr.

EBIDTA margin improved 174 basis points to 14.2% as compared to 12.5% on account of:

- Textile margin growth from 15.9% to 17.6%
 - Brands & Retail margin reduced from 9.1% to 7% due to increase in COGS due to imposition of excise duty
-
- Profit After Tax grew to Rs. 62 crores up 58% compared to Q2 2010-11 despite writing off FX MTM loss of Rs. 18.98 cr



Financial Performance-Standalone

Financial Performance Q2

Rs crores

- Revenue growth due to sharp increase in price caused by cotton cost increase as well as due to increase in volumes
- Despite sharp increase in raw material cost, the margin improved

	2011-12	2010-11	
Particulars	Q2		Change
Revenue	765	655	17%
Raw Materials	325	310	
Employee Cost	75	66	
Power & Fuel	68	65	
Stores Consumption	46	47	
Others	82	81	
(Increase) / Decrease in Stock	31	-5	
Sub Total	950	874	
EBIDTA	140	91	54%
Margin %	18.3%	13.9%	
Other Income	18	14	
EBIDTA	158	105	50%
Interest & Finance Cost	77	47	
Cash Accruals	80	58	39%
Depreciation	28	30	
Profit before tax	52	28	
Exceptional Items/Prior Period Adj.(net)	0	0	
Profit before tax	52	28	
Profit After Tax	52	28	86%

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Ratios

	2010-11	2011-12	2011-12	2011-12
	Actual	Q1	Q2	H1
EPS	6.5	2.4	2.4	4.8
ROCE	10.6%	13.5%	14.5%	14.0%
ROE	8%	14%	14%	14%
Revenue Growth	25%	39%	23%	30%

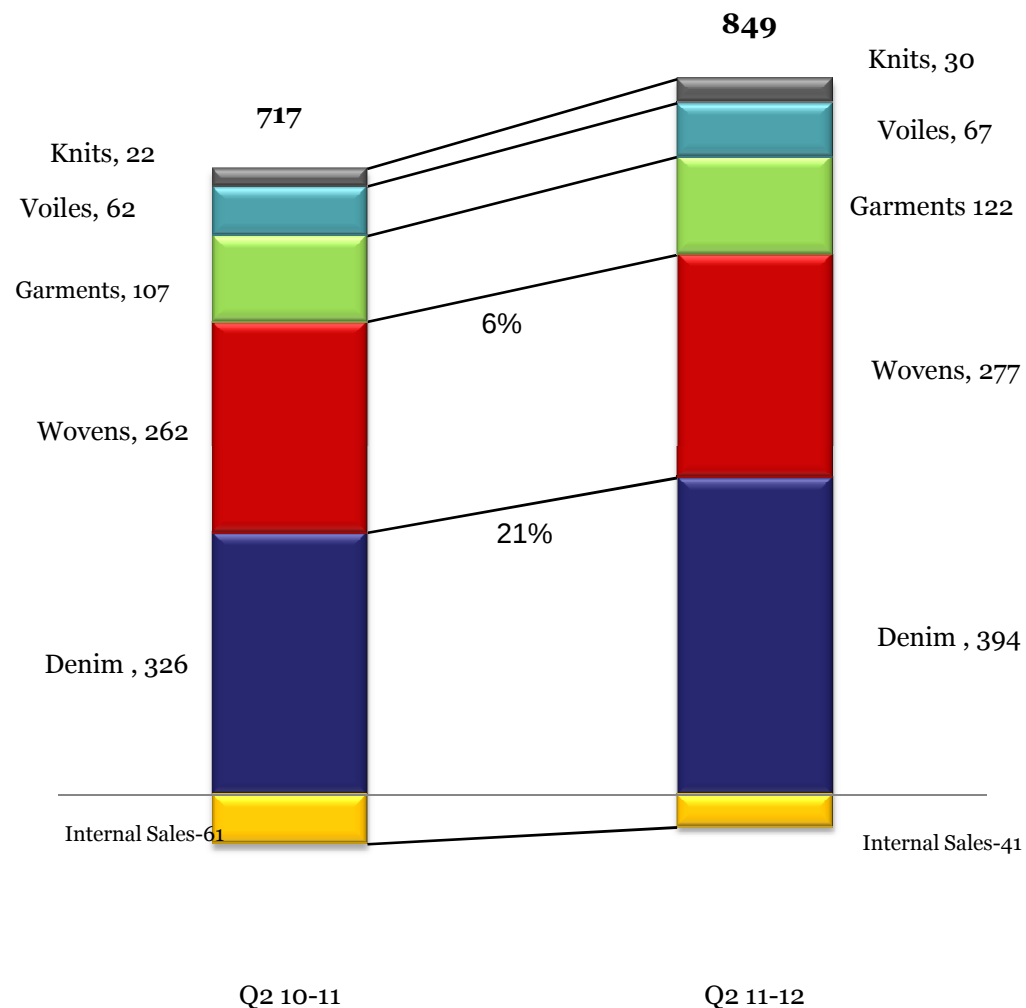


Business Analysis

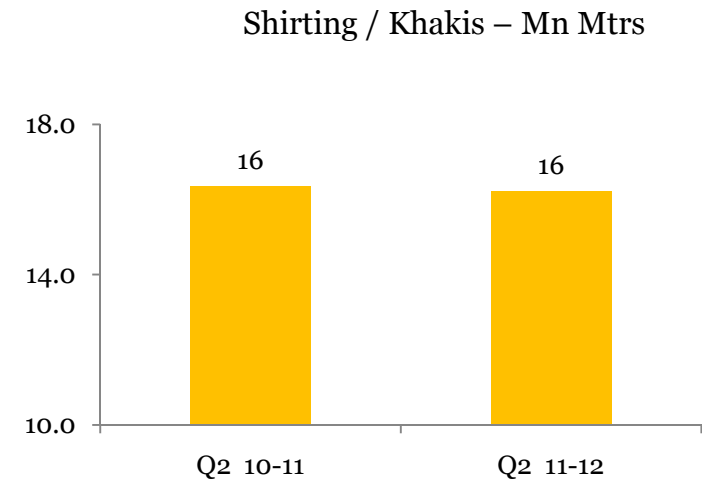
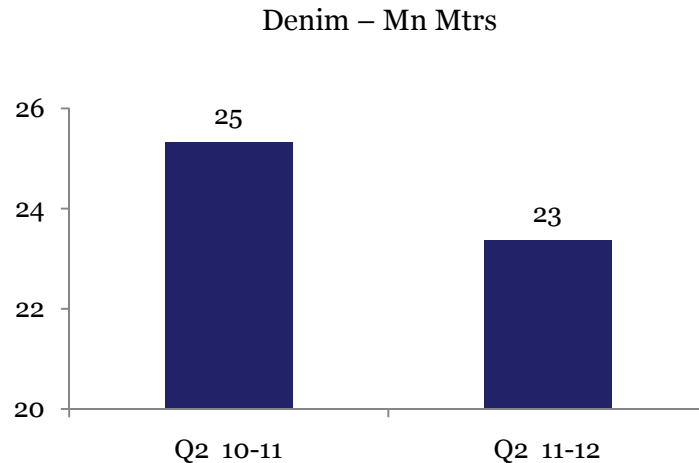
All numbers in this section are consolidated unless specified otherwise

Textiles Business- Revenue Mix

Textile revenue grew by 18% led by 21% growth in denim and 6% growth in shirting/khaki fabrics



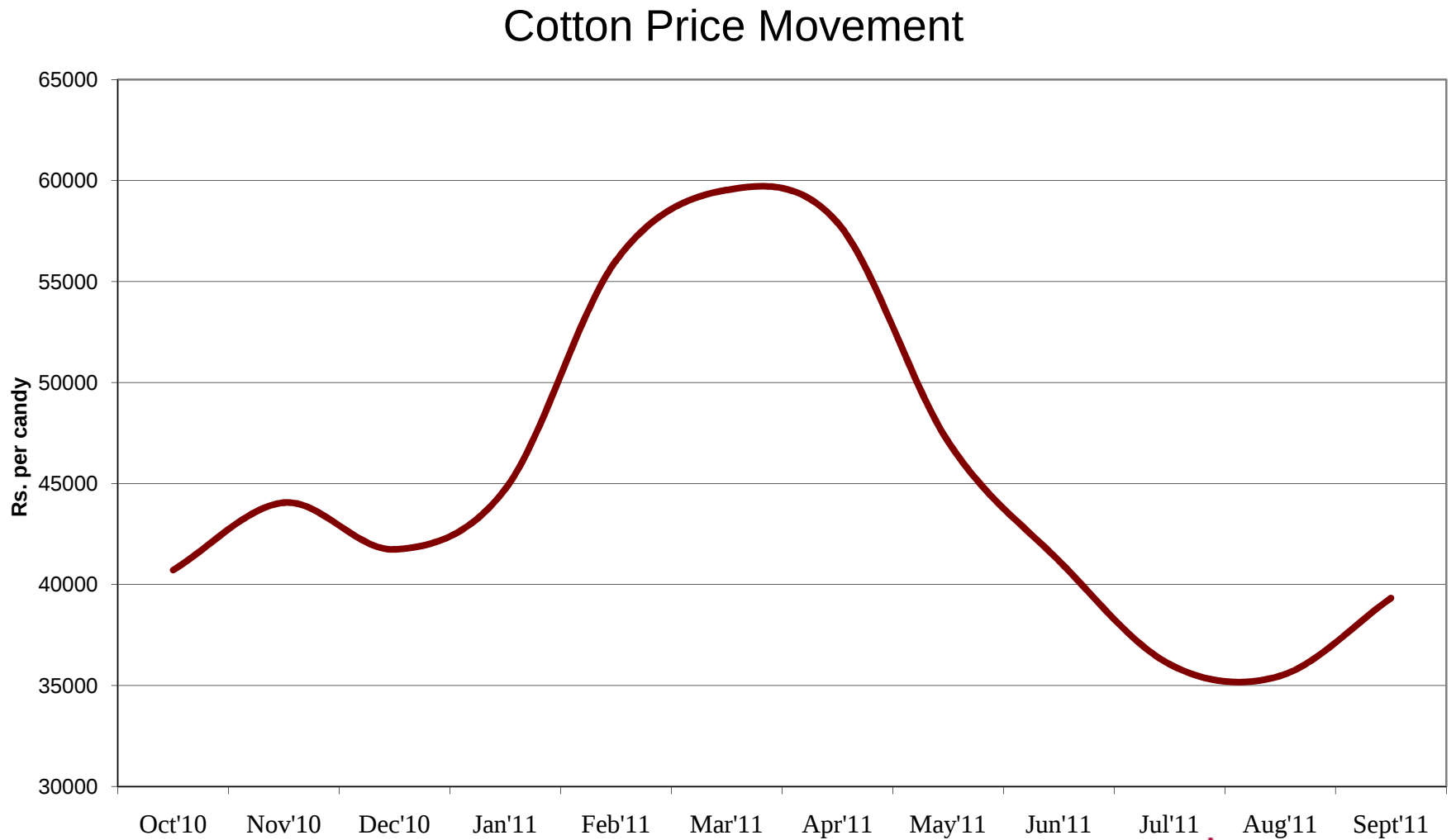
Denim & shirting/khaki Volumes



*Figures are exclusive of semi-finished fabric Sales

- Denim volume declined by 8% as international buyers reduced off take
 - Expectation of fall in prices due to sharp fall in cotton prices
 - Uncertainty of the impact of steep increase in MRPs that could have on demand
- Shirting/Khaki plants operating at nearly 100% : Capacity expansion to increase volumes by 10% in Q4

Cotton Price Movements



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Cotton Prices Outlook

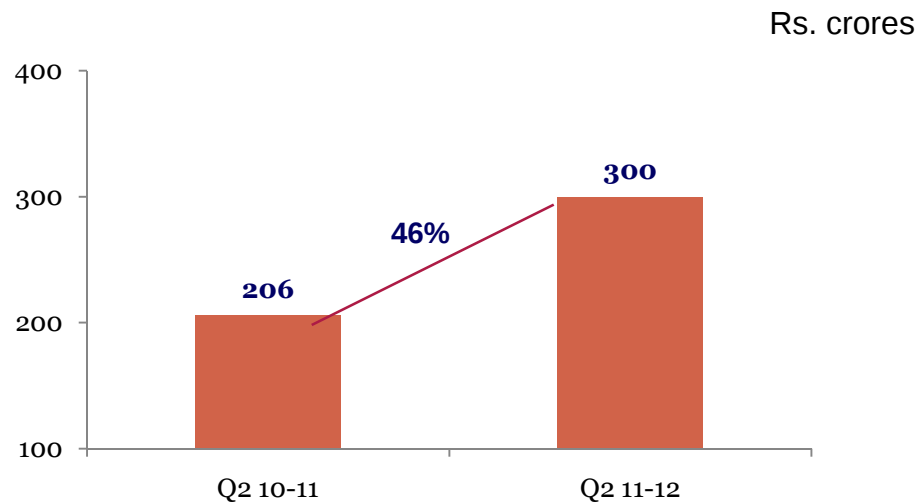
(in mn bales of 480 lb each)	2011/12	2010/11	2009/10
World production	124	115	101
World consumption	114	114	119
China Production	34	31	32
China Consumption	46	46	50
India Production	27	25	20
India Consumption	21	21	23
USA Production	17	18	12
US Exports	12	14	12
World Stocks	55	45	44
Chinese Stocks	14	12	15
Indian Stocks	8	6	6
US Stocks	4	3	3

- Cotton prices are likely to remain soft due to higher output and lower consumption
- Risk factors:
 - Chinese government may decide to increase stock levels
 - Indian government may increase minimum support prices

Key Parameters- Q2 2011-12-Textiles

	Denim		Shirting & Khakis	
	2011-12	2010-11	2011-12	2010-11
Exports (Mn Mtrs)	9	11	5	4
Domestics (Mn Mtrs)	14	15	11	12
Avg Price (Rs/ Mtr)	166	126	162	129
	Cotton		Gas	
	2011-12	2010-11	2011-12	2010-11
Major Cost Components				
Cost - Rs / Kg	119	78	16	16

Brands & Retail Businesses-Revenue Q2



- Arvind Lifestyle brands & Arvind Retail Limited are subsidiaries operating in apparel Brands & Retail Businesses respectively
- Revenue growth achieved during the quarter ~46%

Revenue Growth in current quarter once again exceptional

Following a 47 % revenue growth in 2010-11, the revenue grew by 46 % in the current quarter

Revenue Q1-11

	Revenue Rs Crs	% Growth
ALBL	121	63%
ARL	179	27%
Total	300	46%

One of the key growth drivers was like to like growth in Retail.....

Like to Like Growth

	% LTL
ALBL	15.2
ARL	3.6

ALBL- Brands
ARL- MegaMart Retail

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Brands & Retail Business- Distribution

	2010-11		Q2 2011-12	
	Stores	Sq Ft	Stores	Sq Ft
Brands	228	214844	287	267472
Retail	200	617154	218	686971
Total	428	831998	505	954443
KA Counters	248		300	

- Sales Increase in Key Account Counters: grew by 44% in Q2

Outlook

- Expect to achieve Revenue growth for the current FY of about 15-20% on account of :
 - Strong brands & retail growth
 - Capacity expansion in shirting/khaki fabrics in H2 of current FY
 - Demand for fabrics may revive in Q 4 as price adjustments, on account of lower cotton cost, has begun to happen across the value chain
- Margins likely to be maintained as we expect cotton prices to remain stable at current levels
- Increase in interest cost on account of increase in rates

Thank You

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