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HILFIGER

Arvind Limited

Review Note

25 Oct 2016 | Ahmedabad

Agenda

- Q2 FY 2017 performance
- Business analysis

Executive Summary of Q2

INR crores

	Q2 FY2017	Remarks
Revenues	2331 (+19%)	Continuing growth momentum
Textiles	1425 (+9%)	
Branded Apparel	752 (+33%)	Strong performance
EBITDA	232 (10% vs 11.6%)	Internet & Other investments
Textiles	17.0% (vs 15.9%)	Strong performance
Branded Apparel	5.1% (vs 4.8%)	Clear upward trajectory
PAT	78 (+20%)	Tax lower by 9 cr.
Net Debt (30 th Sep)	3425	Debt reduction of about 350 cr from March 16
Exceptional Items	-6 (vs +6)	Q2 FY2016: 9 cr (land sale profit) Q2 FY2017: Retrenchment exp.

Performance highlights for Q2 FY2017

Revenue growth themes

Textiles

Volume growth

- Wovens: 30.9 MM (+9%)
- Denim: 24.2 MM (-5%)
- Garments: 6.9 M (+23%)

Branded Apparel

Revenue growth from 3.8% L2L growth and distribution expansion

- Power Brands grew 31%
- Revenues from other Branded Apparel plays up by 65%
- Unlimited grew by 12%

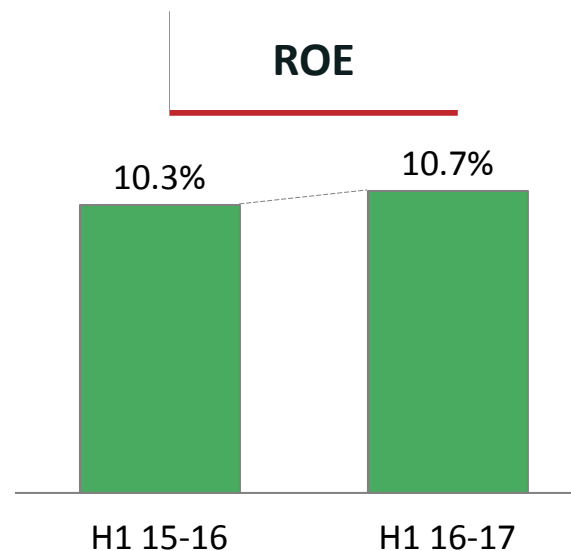
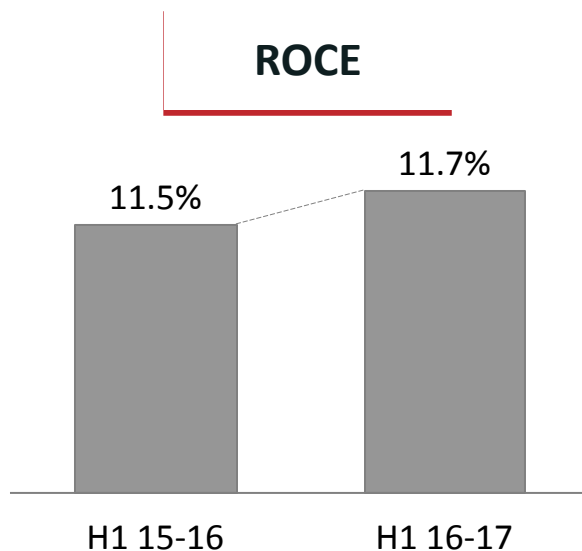
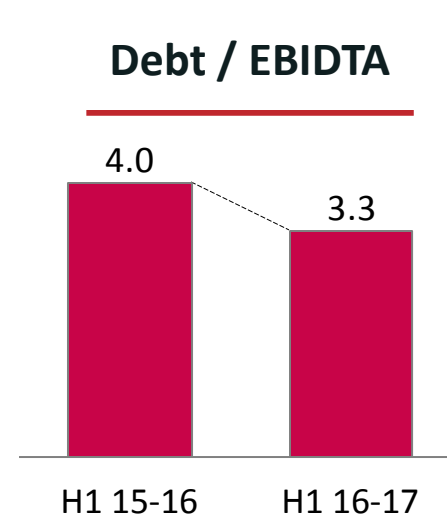
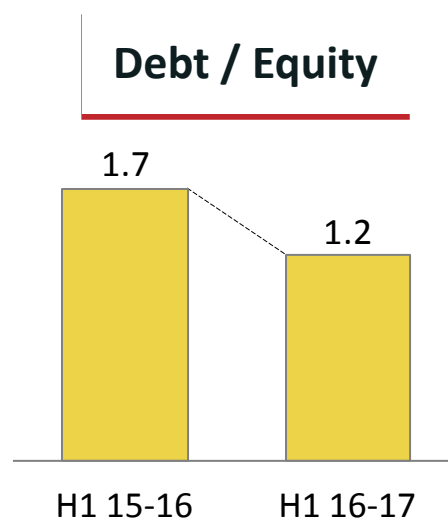
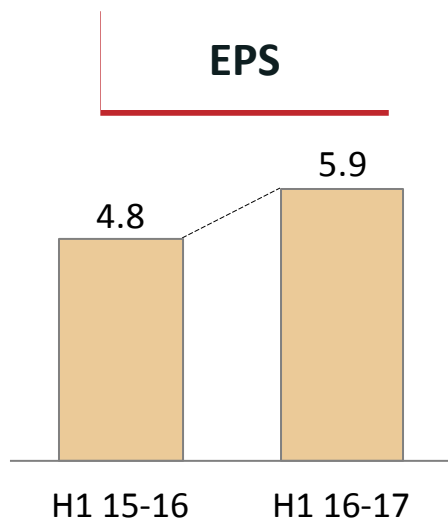
Profitability drivers

EBITDA margins

- Continuing steady improvement in Wovens and Denim
- Improvement in Garments margins from Operating Leverage

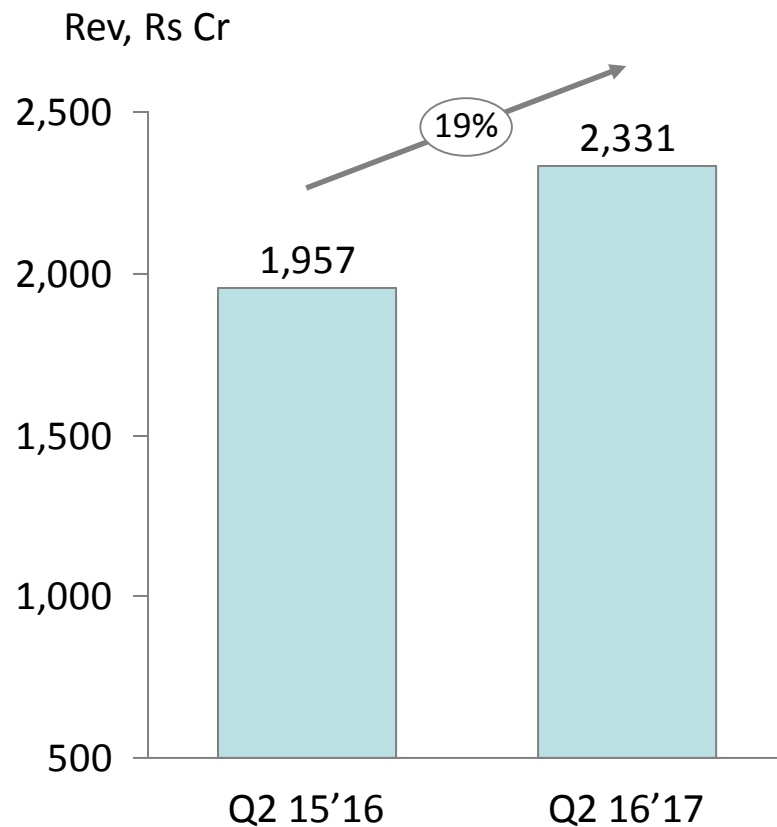
- Power Brands Margins up to 15.1% (vs 13.1%)

Key financial ratios showed clear improvement in H1

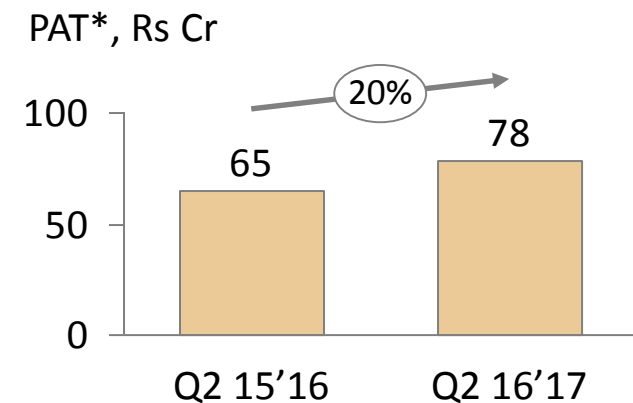
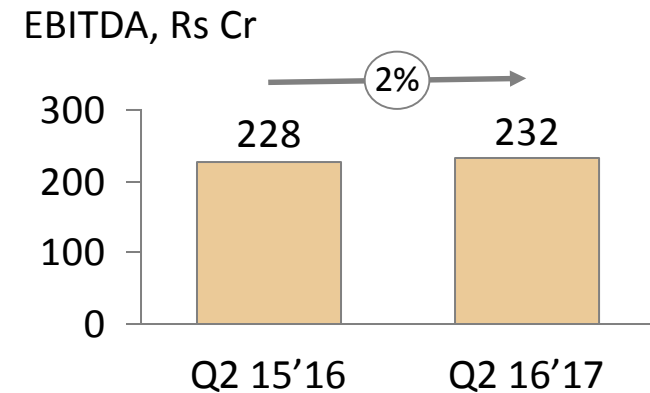


Q2 2016-17: Strong overall performance

Robust revenue growth



Margins remain healthy



*PAT before exceptional items & Other Comprehensive Income (Net of Tax)

Q2 FY2017 Result Highlights : Robust growth in Revenues and Margins

All Figures in INR Crs	Q2 FY17	Q2 FY16	Change
Revenue from Operations	2,331	1,957	19%
Raw Materials	1,259	977	
Project Expenses	3	3	
Employees' Emoluments	284	224	
Others	752	678	
Stock (Increase) / Decrease	-193	-152	
Forex (Gain) / Loss	-6	-1	
EBIDTA	232	228	2%
Margin	10.0%	11.6%	
Other Income	22	20	
Interest & Finance Cost	73	91	
Cash Accruals	181	157	16%
Depreciation	72	57	
Profit Before Taxes	109	99	10%
Tax	27	36	
Minority Interest	-5	-2	
Share of Profit / Loss in JV	1	4	
Profit After Tax	78	65	20%
Less : Exceptional Item	6	-6	
Net Profit	72	71	1%
Other Comprehensive Income (net of tax)	-15	27	
Total Comprehensive Income after Tax	57	97	

Key highlights

Revenue growth of 19%

- 9% growth in Textiles
- 33% growth in Branded Apparels

EBIDTA margin remained healthy

- Reduction in EBITDA margin resulting from investments made in the Arvind Internet and other businesses
- Growing proportion of Branded Apparel also had slight impact

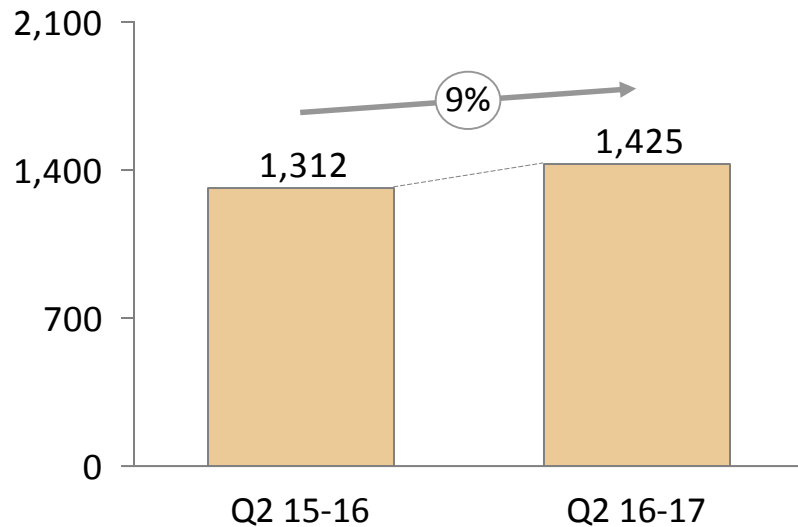
Other Comprehensive Income largely includes MTM gain/losses on financial assets

Consolidated H1 performance indicates strong revenue and margin growth

<i>All Figures in INR Crs</i>	H1 FY 17	H1 FY 16	Change
Revenue from Operations	4435	3744	18%
Raw Materials	2234	1724	
Project Expenses	6	5	
Employees' Emoluments	549	442	
Others	1445	1271	
Stock (Increase) / Decrease	-268	-136	
Forex (Gain) / Loss	-9	1	
EBIDTA	477	438	9%
Margin	10.8%	11.7%	
Other Income	39	44	
Interest & Finance Cost	162	187	
Cash Accruals	353	295	20%
Depreciation	141	116	
Profit Before Taxes	212	180	18%
Tax	59	59	
Minority Interest	-5	-1	
Share of Profit / Loss in JV	3	3	
Profit After Tax	151	123	23%
Less : Exceptional Item	6	-3	
Net Profit	145	126	15%
Other Comprehensive Income (net of tax)	47	32	
Total Comprehensive Income after Tax	192	158	

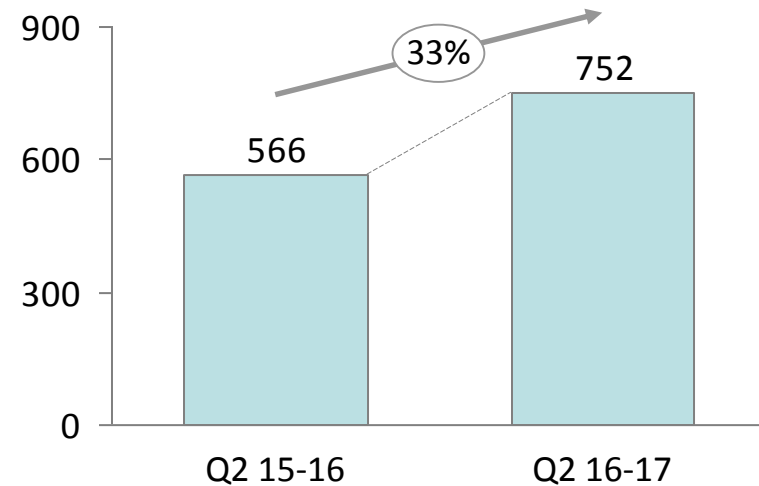
Strong Revenue growth in both Textiles and Branded Apparels businesses

Textiles Revenues



- 20% in Garments (utilization ramp-up)
- 11% in Wovens
- -5% in Denim

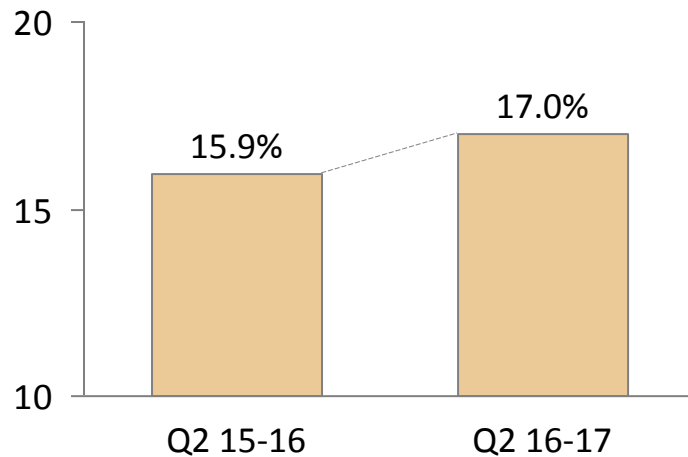
Branded Apparels Revenues



- Power brands grew by 31%
- Unlimited revenues grew by 12%

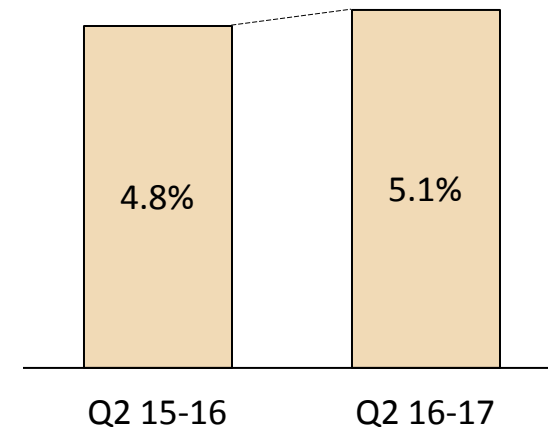
Margin also expanded in both the Textiles and the Branded Apparels businesses

Textiles EBITDA



- Increased capacity utilization in Wovens
- Price realization improved in Wovens and remained steady in Denims

Branded Apparel EBITDA



- Operating leverage in Power Brands

Key differences between IGAAP & IndAS for Arvind

1. Revenue, Expenses, EBIDTA and PBT of Joint Venture Companies where Arvind does not have controlling interest will now not get added to those of other businesses/companies. Only PAT will be added in consolidated PAT of the Company
 - Arvind Tommy Hilfiger, Calvin Klein Arvind (CK), Arya Omnitalk (one to many radio and GPS business) and Smart Value (JV with Tata for township development) are the four businesses where Arvind does not have controlling interest.
 - In view of this, revenue and EBIDTA figures of Arvind Tommy Hilfiger which were hitherto were being shown as part of Power Brands will no longer be included. Power Brands figures given in this document and future similar documents will contain figures of USPA, FM & Arrow.
2. Sales made to dealers where the dealer has a right to return unsold inventory have been reversed to the extent of anticipated return. Similarly, margin on such sales has been reduced from the EBIDTA. Revenue now will be based on goods actually sold to the customers.
3. To account for revenue at fair value of consideration received / receivable, provision for anticipated discount to dealers is being made.

Indian GAAP and Ind-AS differences: Reclassification & Re-measurement (Q2 Impact)

Particulars (Amount in Rs. Cr.)	Arvind Ltd.			Arvind Lifestyle & Brands Ltd.			Consolidated			
	Revenue	EBIDTA	PAT	Revenue	EBIDTA	PAT	Revenue	EBIDTA	PBT	PAT
As per IGAAP	1,336	201	80	631	49	7	2096	261	134	91
As per IND AS	1,333	195	77	563	28	(13)	1957	228	105	71
Difference	(3)	(6)	(3)	(68)	(21)	(20)	(139)	(33)	(29)	(20)
Re-classification Entries	(3)	(5)	(0)	-	1	-	2	(4)	-	-
Sales incentive and loyalty points earlier reported as selling expenses, now reduced from sales	0	-	-	-	-	-	0	-	-	-
Cash discount earlier reported as interest expenses, now reduced from sales	(5)	(5)	-	-	-	-	(5)	(5)	-	-
Revenue grossed up for Excise duty	2			-	-	-	7	-	-	-
Early payment discount now reduced from raw material cost instead of adding to other income	-	0	0	-	1	-	-	1	-	-
Re-measurement Entries	-	(1)	(3)	(68)	(22)	(20)	(141)	(30)	(29)	(20)
Sales de-recognized where dealer has a right to return inventory	-	-	-	(68)	(18)	(20)	(68)	(18)	(18)	(18)
Share of JV's where Arvind does not have a controlling stake, now recognized on Equity Method	-	-	-	-	-	-	(73)	(7)	(6)	-
Pre-paid advertisement expenses charged off on incurrence	-	-	-	-	(5)	(6)	-	(5)	(5)	(5)
Decrease in depreciation due to fair valuation of certain assets	-	-	(1)	-	-	1	-	-	3	3
DTA on reduced PBT due to above changes	-	-	1	-	-	4	-	-	-	3
Others	-	(1)	(3)	-	1	1	-	(0)	(3)	(3)

Consolidated Balance Sheet, as at 30th September 2016

Rs Cr	As at	
	30th Sept 16	30th Sept 15
Shareholders' Fund		
Share Capital	258	258
Reserves & Surplus	2565	2142
long Term Borrowings	1193	1387
Short Term Borrowings	2067	2259
Long Term Liability Maturing in one year	259	322
Borrowings	3519	3969
Other Liabilities	1981	1303
Minority Interest	62	50
Total	8385	7722
Assets		
Fixed Assets	3663	3469
Non Current Investments	254	353
Long term Loans & Advances	2	1
Other Non Current Assets	542	290
Current Assets	3924	3610
Total	8385	7722

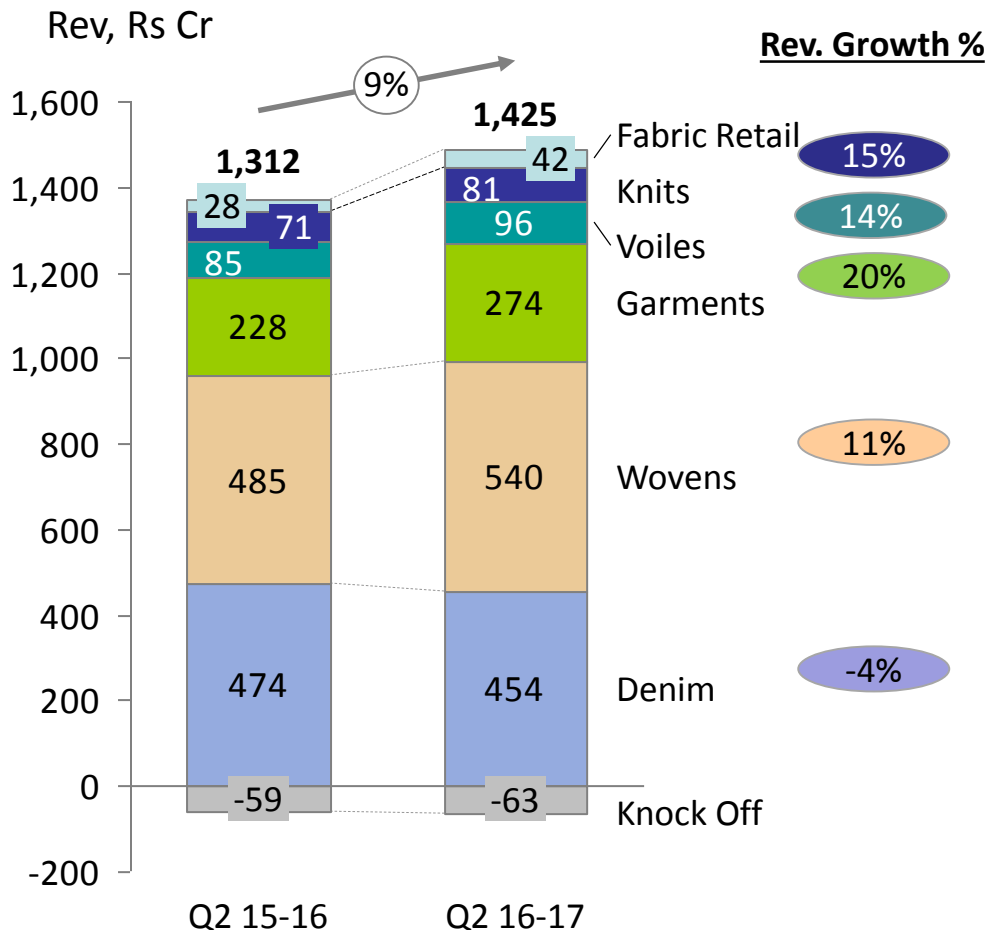
Arvind Limited Standalone Financial Performance Q2 16'17

<i>All Figures in INR Crs</i>	Q2 FY17	Q2 FY16	Change
Revenue from Operations	1,484	1,333	11%
Raw Materials	674	551	
Project Expenses	3	3	
Employees' Emoluments	205	163	
Others	479	456	
(Increase) / Decrease in Stock	-54	-35	
Foreign Exchange Loss /(Gain)	-3	0	
EBIDTA	180	195	-8%
Margin	12.1%	14.7%	
Other Income	31	22	
Interest & Finance Cost	57	75	
Cash Accruals	154	142	8%
Depreciation	46	36	
Profit Before Taxes	109	107	2%
Tax	35	35	
Profit After Tax	74	71	3%
Less : Exceptional Item	6	-6	
Net Profit	67	77	-12%
Other Comprehensive Income (net of tax)	-7	23	
Total Comprehensive Income after Tax	60	100	

Agenda

- Q2 FY 2017 performance
- Business analysis

Textiles Business: 11% grew in wovens, 20% growth in garments



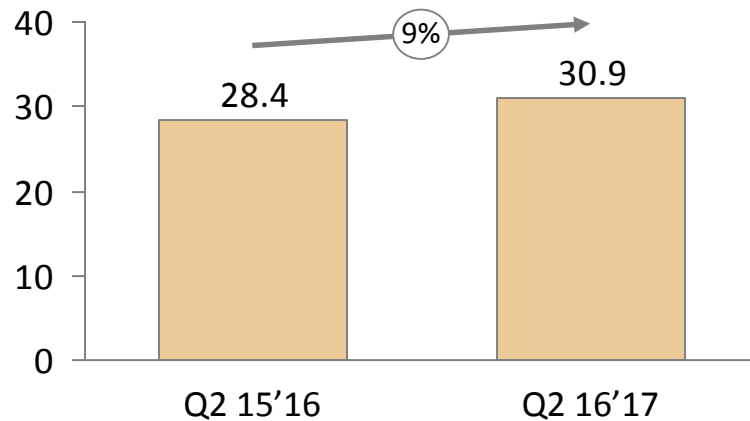
Textile revenue grew by 14%

- Led by 20% growth in Garments
- 11% growth in Wovens
- -4% growth in Denim
- 14% growth in Voiles

Wovens volumes grew by 9%; Denim reduced by 5%

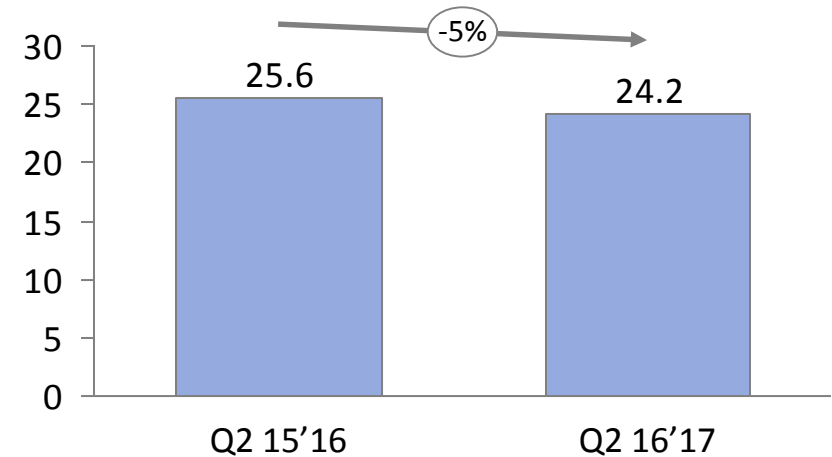
Wovens (Shirting & Khaki)

Volume, Mn Mtrs



Denim

Volume, Mn Mtrs

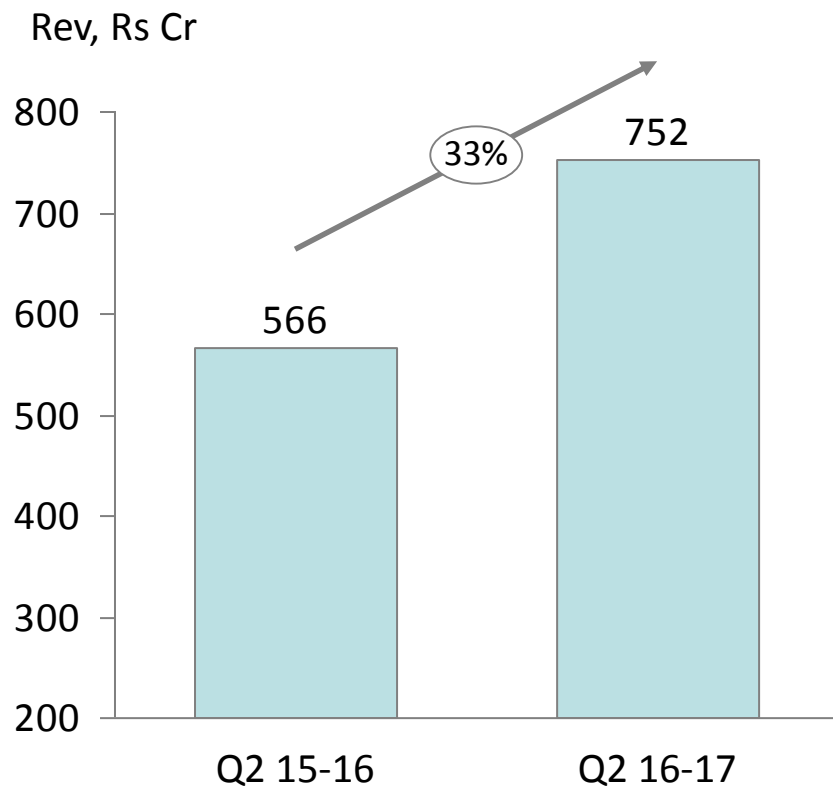


Key Parameters: Q216'17 - Textiles

	Denim		Woven	
	Q2 16-17	Q2 15-16	Q2 16-17	Q2 15-16
Exports(Mn Mtrs)	11	11	8	7
Domestic (Mn Mtrs)	13	15	23	22
Avg Prices	184	181	169	166
Major Components	Cotton			
Cost in Rs / Kg	102	102		

Branded Apparel grew topline by 33% in Q2 2015-16

Strong revenue growth



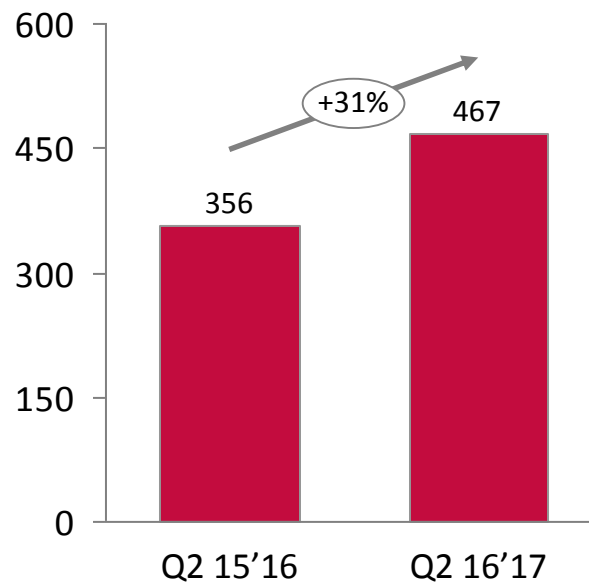
Key highlights

- Overall Brands revenue up 33%
 - Power Brands grew by 31%
- Unlimited revenue increased by 12%
- LTL growth of 3.8%

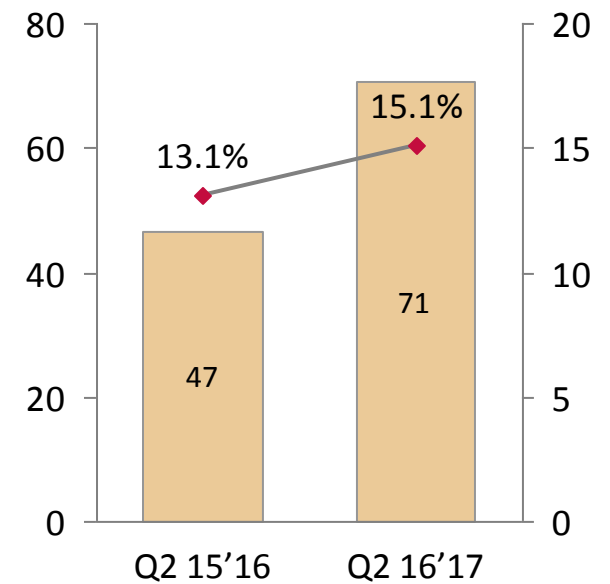
Power Brands delivered strong Revenue growth and EBITDA margins



Revenues Rs Cr

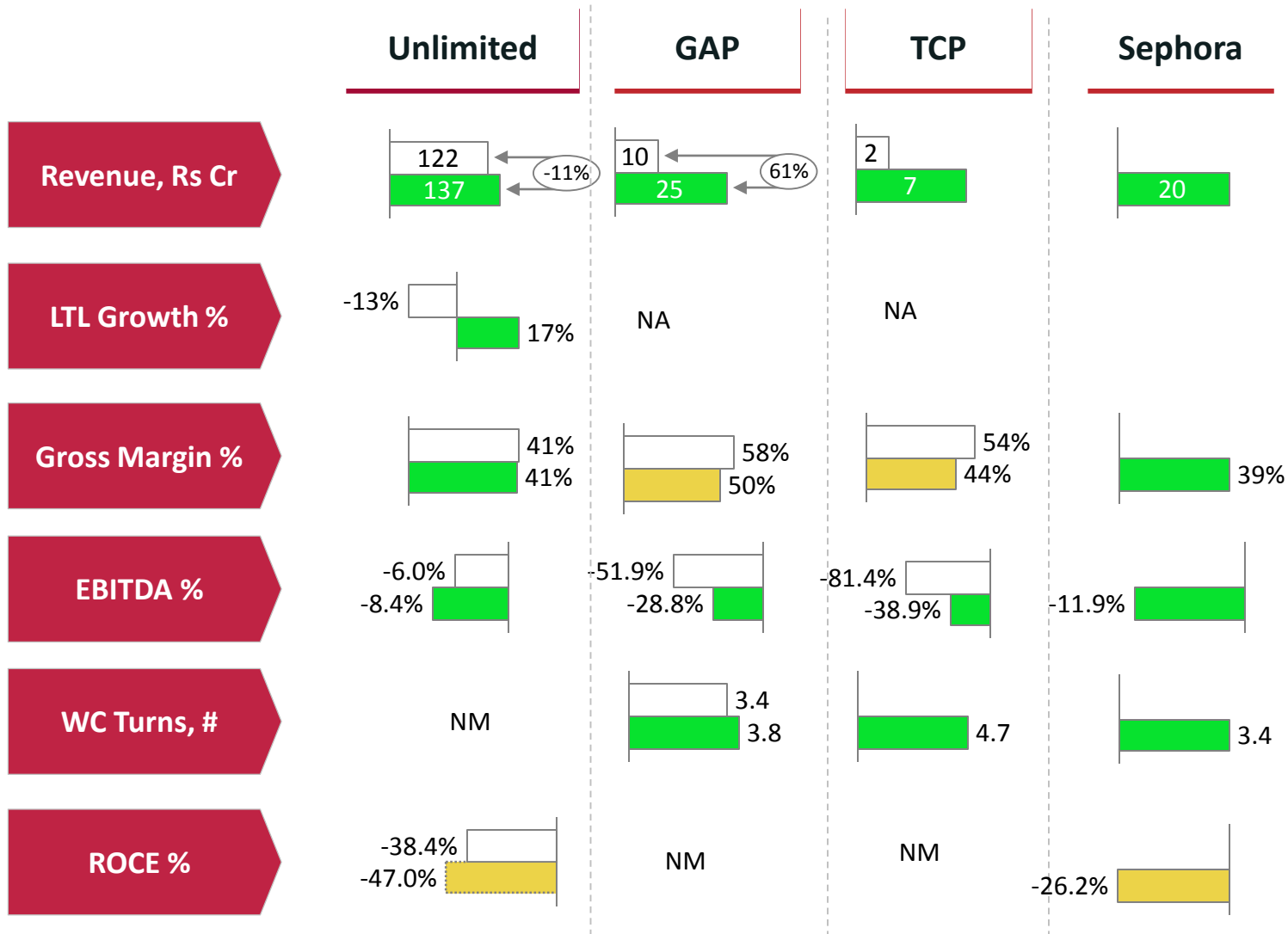


EBITDA Rs Cr



—◆— EBITDA % ■ EBITDA Rs Cr ■ Revenue Rs Cr

Branded Apparel : Speciality Retail



NA: Not Applicable, NM: Not Meaningful

Branded Apparels business – Distribution

Particulars	Q1 2016-17		Q2 2016-17	
	Stores	Sq Ft	Stores	Sq Ft
Unlimited	91	686,641	93	719,482
Others	905	906,071	954	941,430
Total	996	1,592,712	1,047	1,660,912

- Sales Growth with Key Account Counters – 11.7%

Overall business outlook for remainder of the year (H2 FY2017)

- Revenue growth likely to be between 15-16% primarily driven by volume growth in brands & retail business and Garments manufacturing :
 - Revenue growth in Textiles 8-9%
 - Revenue growth in Brands & Retail at about 24%
- Weighted Margins likely to be marginally lower due to mix change in favour of Brand & Retail business
 - Branded Apparel margin likely to increase by 0.75%



Thank You!