

Arvind Limited – Strategy Update

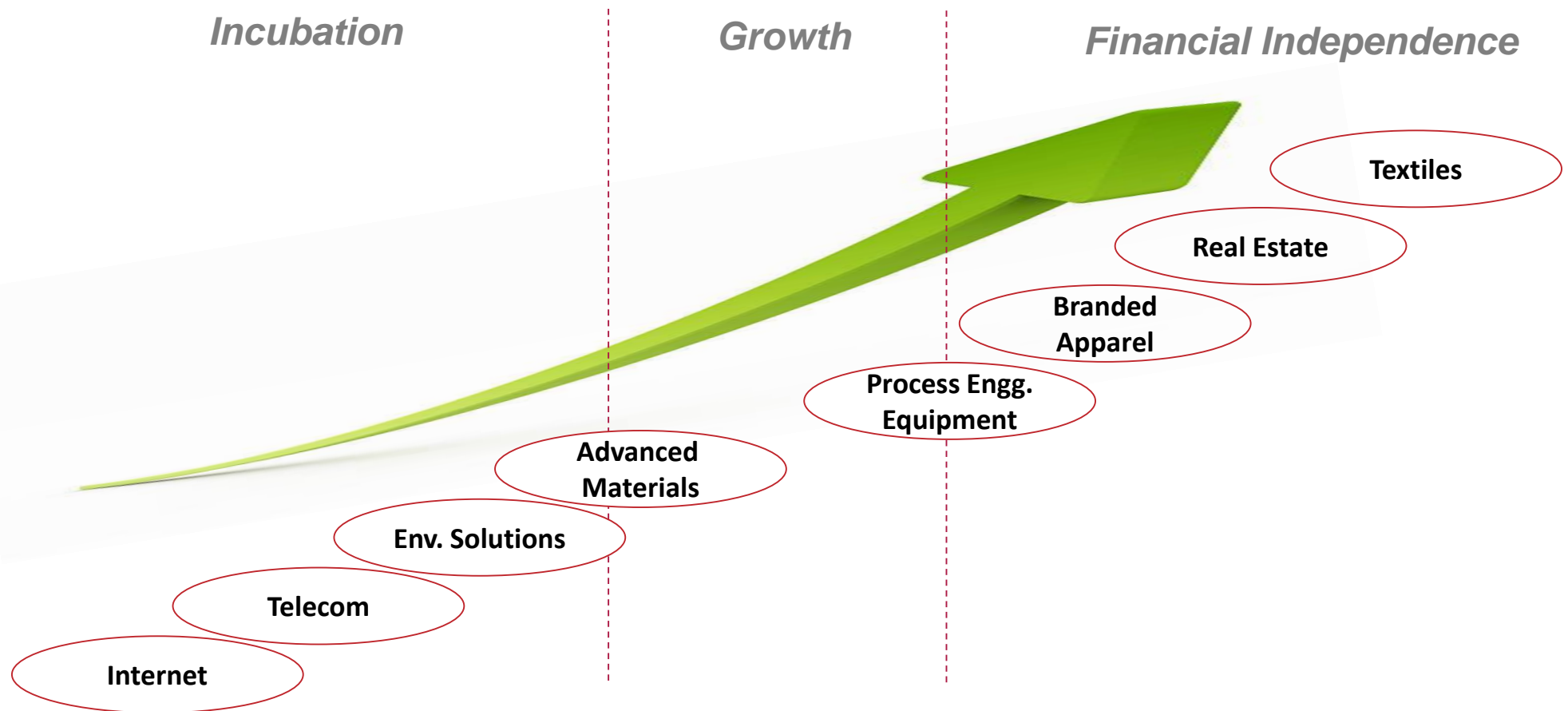
8th November 2017

From a textile company, Arvind has evolved to ~INR 10k crores conglomerate and has spawned valuable businesses

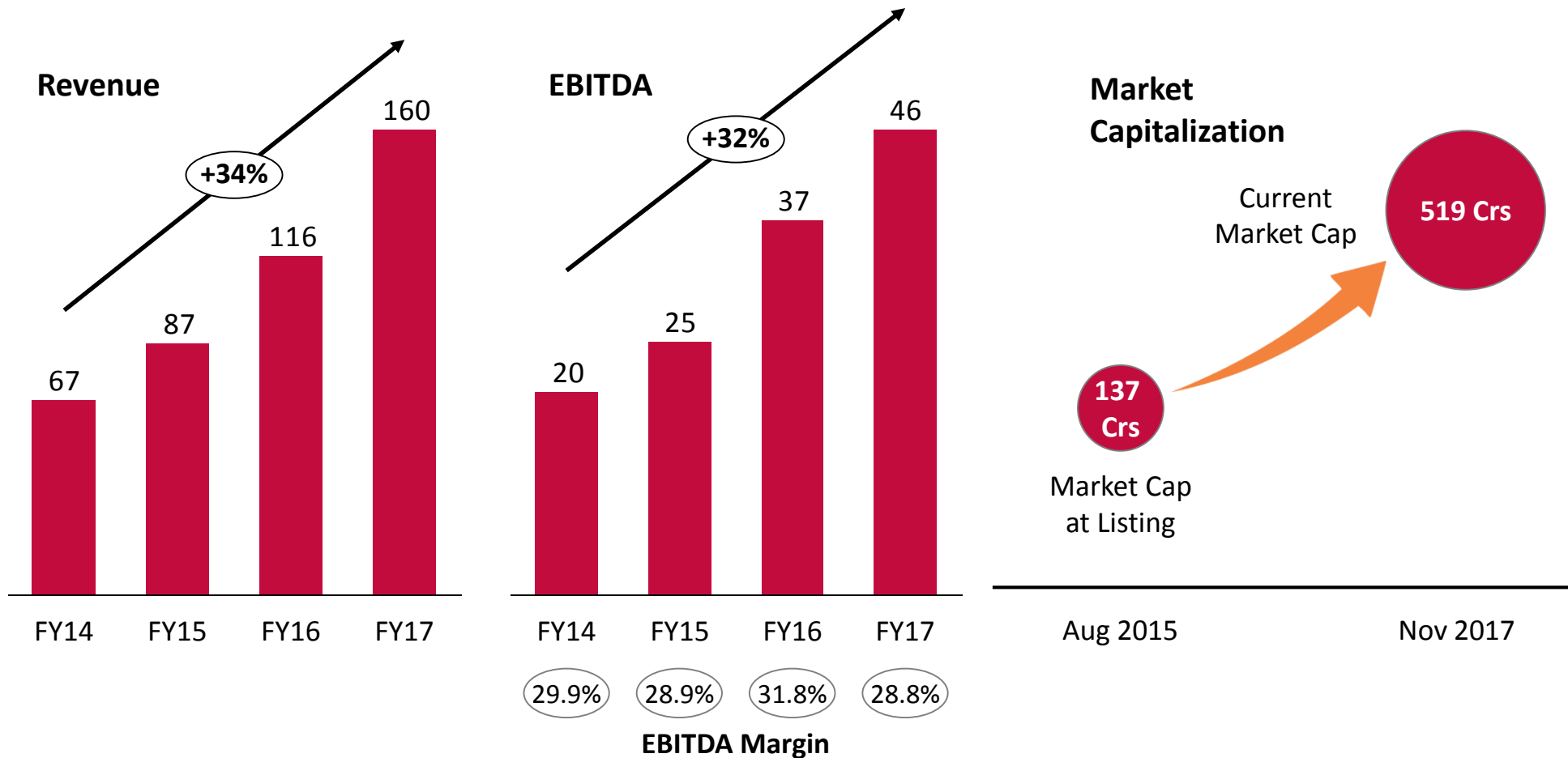


	1990s	2000s	2010-2015	2016 onwards
TEXTILES	<ul style="list-style-type: none"> Denim 	<ul style="list-style-type: none"> Shirting Knits Garment manufacturing 	<ul style="list-style-type: none"> Revenue growth of over 10% over last five years Industry leading margins and returns 	
ARVIND FASHIONS	<ul style="list-style-type: none"> Arrow & FM launched India's first EBOs 	<ul style="list-style-type: none"> Strategic acquisitions (TH, USPA, Gant) 	<ul style="list-style-type: none"> Strategic acquisitions (CK, GAP, Sephora) 	<ul style="list-style-type: none"> Growth momentum Margin expansion
ANUP ENGINEERING	<ul style="list-style-type: none"> Business acquired 		<ul style="list-style-type: none"> Crossed 100 cr mark Key customer acquired Operational excellence 	<ul style="list-style-type: none"> 5 yr CAGR of 25%; robust margins Debt free, cash generating company
ARVIND SMARTSPACES		<ul style="list-style-type: none"> Business started 	<ul style="list-style-type: none"> Achieved critical mass Independent listing 	<ul style="list-style-type: none"> 3 year CAGR of 30%+ on both topline and EBITDA ~ 4x growth in market cap in 2 years
OTHER BUSINESSES			<ul style="list-style-type: none"> Advanced Materials Water treatment business started 	<ul style="list-style-type: none"> Advance Material Division (AMD) crosses 500 cr topline

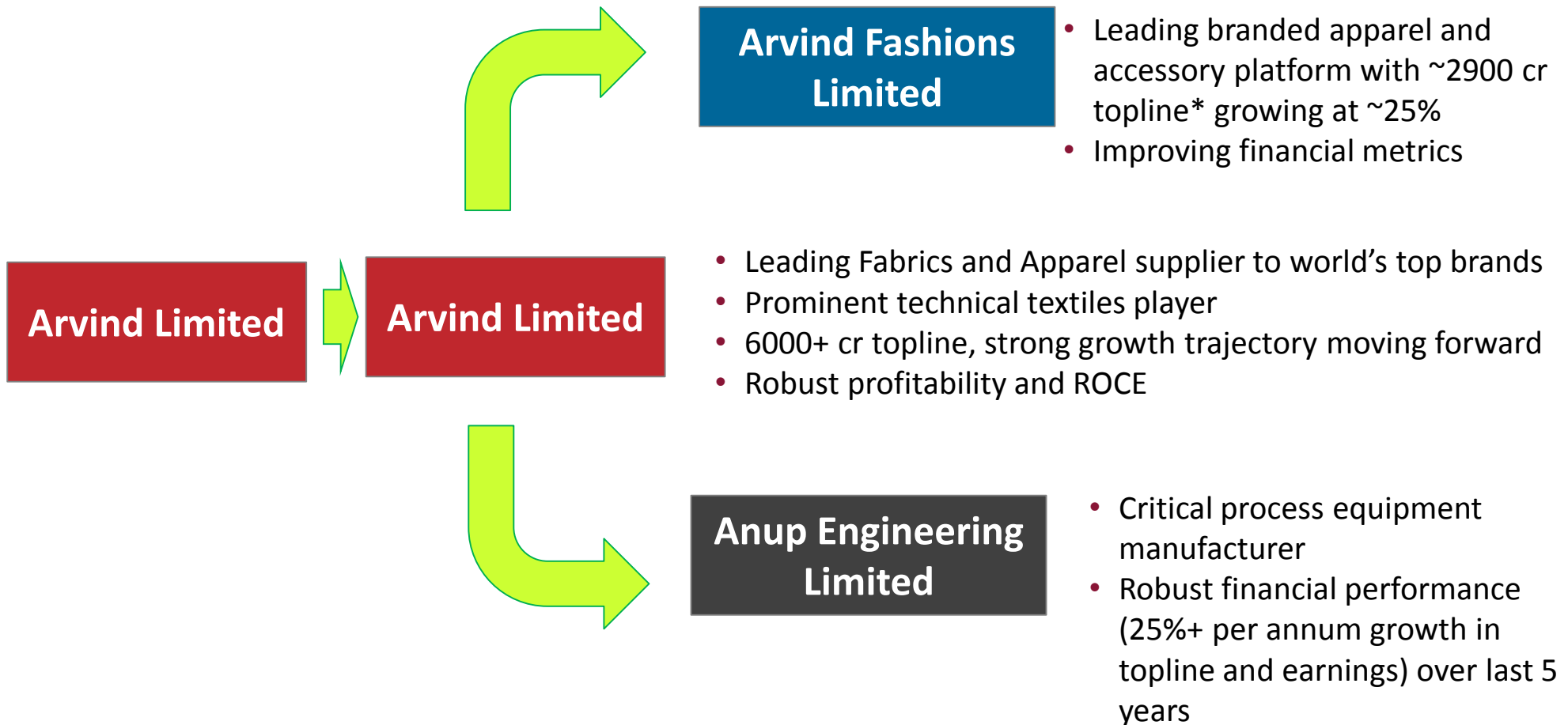
We have an established track-record of growing newer businesses, and making them financially independent over time



Since demerging from Arvind Limited, Arvind Smart Space has grown at 30%+ and multiplied its market capitalization by 4x



Arvind Fashions and Anup Engineering are ready for independent paths



* Excluding revenue for Tommy Hilfiger and Calvin Klein

Each of the three businesses has attractive market opportunity and is well poised with solid independent momentum

Branded Apparel

- India consumption growth opportunity
- Best in class platform for global apparel and accessory brands
- Market leading financial performance over last many quarters

Textiles

- Global opportunity given China's reduced focus
- Scaling up of domestic market, esp for compliant and organized players
- Decades of track-record for differentiated and sustainable fabric + garment play

Engineering

- Domestic and global opportunity in new and renewal
- Strong customer affinity given solid delivery track-record
- Proven cost and capability advantage

Demerger will create focused businesses, which will pursue independent growth trajectories

Last 5 year P&L performance and balance sheets clearly indicate ability of the 3 companies to be financially independent

	Arvind Limited	Arvind Fashions Limited	Anup Engineering Limited
FY2017 Revenue (CAGR)	6,158 Crs (13%)	2,898 Crs (~25%*)	179 Crs (25%)
FY2017 EBITDA (CAGR)	819 Crs (5%)	145 Crs (~34%*)	54 Crs (47%)
EBITDA Margin	13.3%	5.0%	30.0%
RoCE (FY17)	11.9%	3.7%	43.3%
Debt/ Cash as on 30 Sep 2017	2,792 Crs	696 Crs	Net 36 Crs Cash
Shareholders Equity as on 30 Sep 2017	~2,600 Crs	1,108 Crs	179 Crs

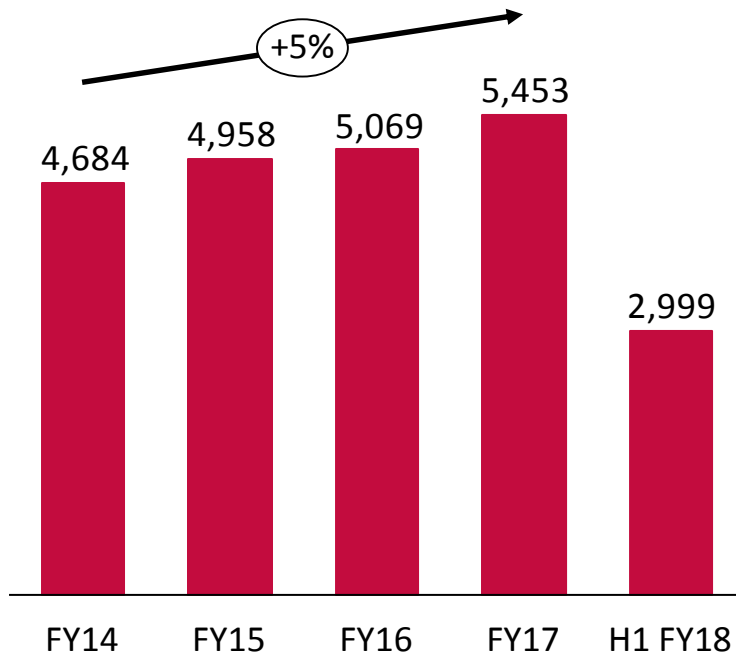
* Adjusted for change in accounting standards from FY16



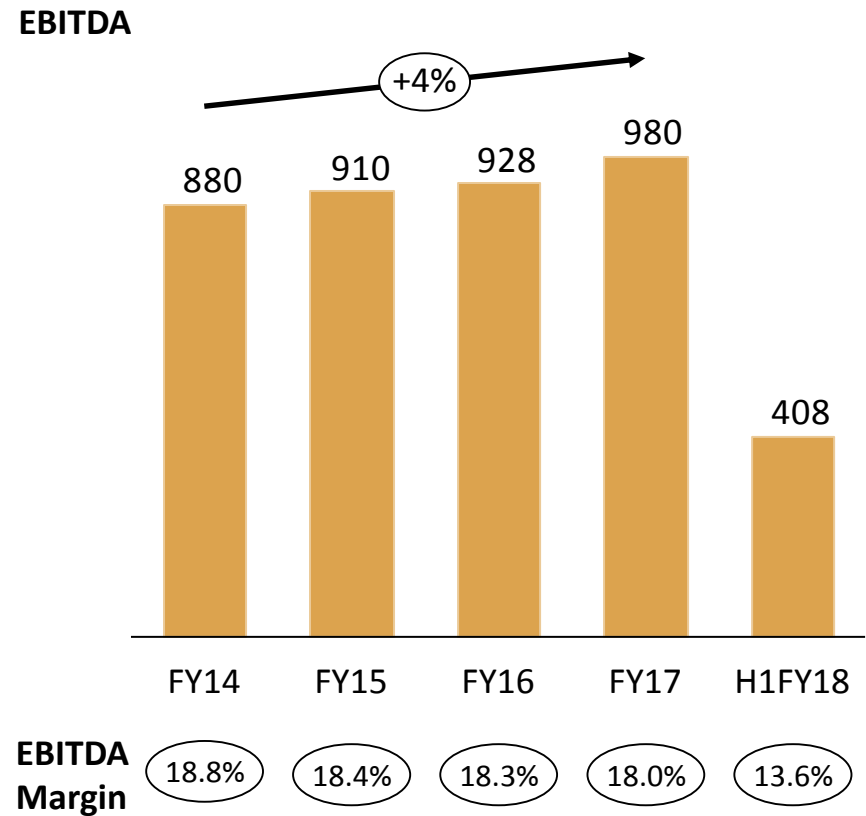
Textiles

Over last 5 years, the textiles business has grown steadily and delivered solid earnings

Steady top-line growth



With steady growth in EBITDA



Strong financial performance of textile business has been based on four foundational blocks

Product Innovation

- Constant focus on product differentiation – 20+ patents across the group
- Pioneers to introduce stretch, creative washes and patterns

Customer Relationships

- Decade long relationships with multiple billion dollar+ global brands
- One stop-shop from design to delivery

Sustainability

- Globally recognized and rewarded sustainability programs
- Sustainability as a competitive advantage

Operational Excellence

- Top tier performance on product quality and service delivery
- Low-investment asset light operating model

Global textile business is at an inflection point with three clear megatrends playing out in the markets

1. Re-ordering of the global supply chain

- Global textile industry projected to grow at 10% to reach \$1.5 Trillion by 2021
- World-wide success of Zara, H&M and Uniqlo has made Fast Fashion as table-stakes
- Gradual receding of China, rising Bangladesh and Vietnam, emerging Ethiopia

2. Emergence of manmade fibers, smart clothing and advanced materials

- Sports and sports inspired apparel accounts for 37% in the US markets
- Smart clothing, ultra-light weight and several disruptive features in the horizon

3. Domestic market rapidly organizing and achieving scale

- Branded segment expected to grow at 12% to 15% (against 5-6% for unbranded)
- Run sizes starting to result in viable scale economies
- Post GST supply chains to shift in favor of compliant players

Arvind is uniquely positioned to take advantage of these three megatrends

Arvind will transform into a customer centric,
IP driven player with global scale

Vertical Solutions

- Strategic customer relationships
- End to end vertical packages – 50% of fabric capacity to go vertical in 5 years
- Manufacturing footprint optimized for market access, duties and cost advantage

Next generation clothing

- Active play in functional textiles using Man Made Fibers and blends (e.g. athleisure, sportswear and smart-enabled wearables)
- Game changing manufacturing processes and newer innovative business models

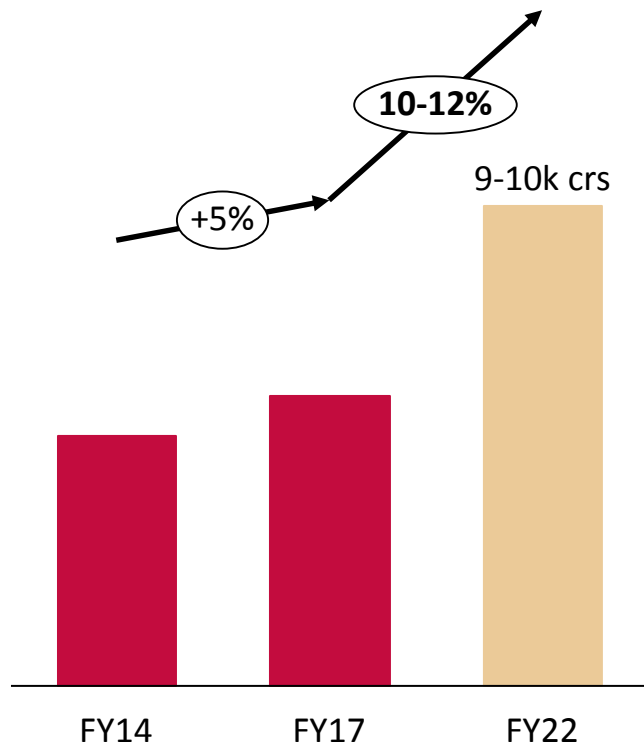
Advanced Materials

- Strong established platform of technical textiles (human protection, industrial, composites, non-wovens)
- IP driven business model with high barriers to entry

**~ INR 1,500 crs planned to be invested over next 3 years;
target double digit growth**

Arvind's textile business aspires to reach a revenue of Rs10,000 crores in next 5-6 years

Strategic investments in the segment will drive a stronger revenue growth

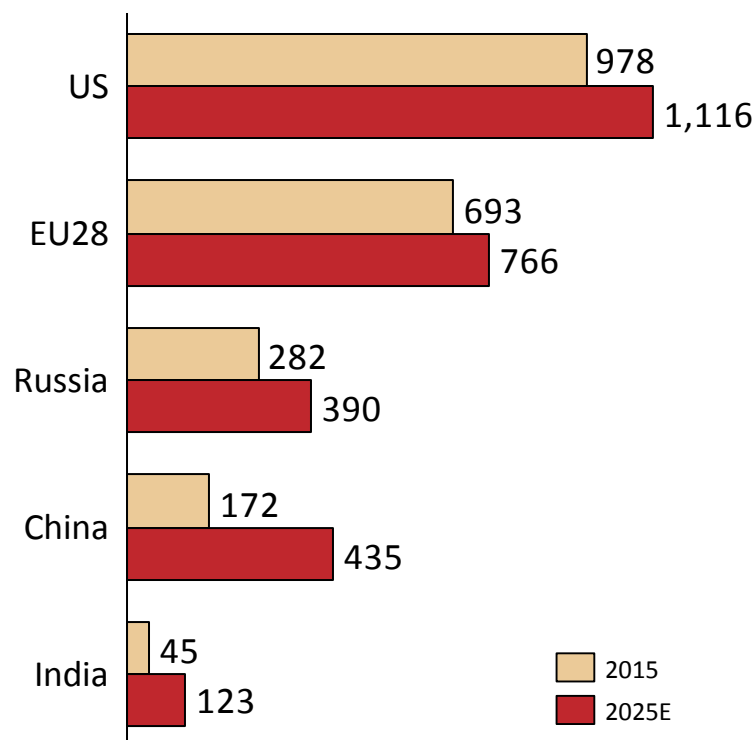


- Revenue growth to improve from current 4-5% per annum to 10-12%
- Strong margin profile
- Capital return ratios to be maintained at 20%+
- Investments in raising garmenting manufacturing facilities, advanced processing and technology driven innovations

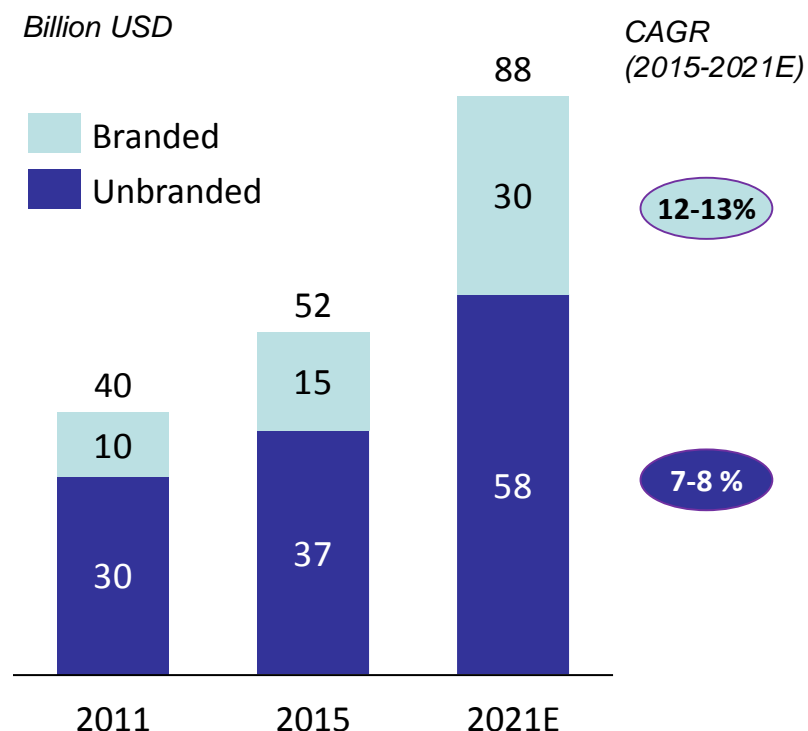
Branded Apparel

Indian apparel demand is at the cusp of significant growth – organized and branded segments will lead

Significant head-room in India’s per capita consumption of apparel (USD)



Apparel market poised to grow – top brands will lead the growth



Top 15 brands have grown at 24% CAGR in last 5 years (industry @ 6.5%)

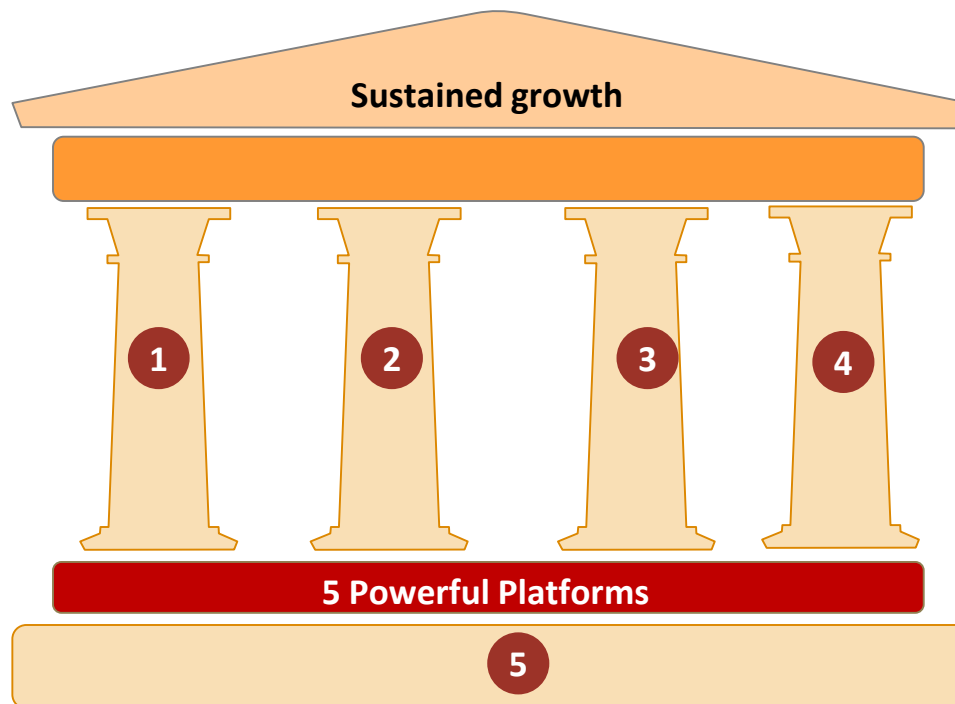
Arvind Fashions is best-placed to unlock the Indian apparel and accessory opportunity

1. Long lasting brand relationships

- 15 global brands
- Long tenures upto 2+ decades

2. Strong distribution footprint

- Range of retail formats
- State-of-the-art warehousing & logistics



5. Best Talent Base

- Experienced leadership team
- Recognized as best employer

3. Strong Sourcing Capabilities

- Depth in global and local sourcing
- Multi-category

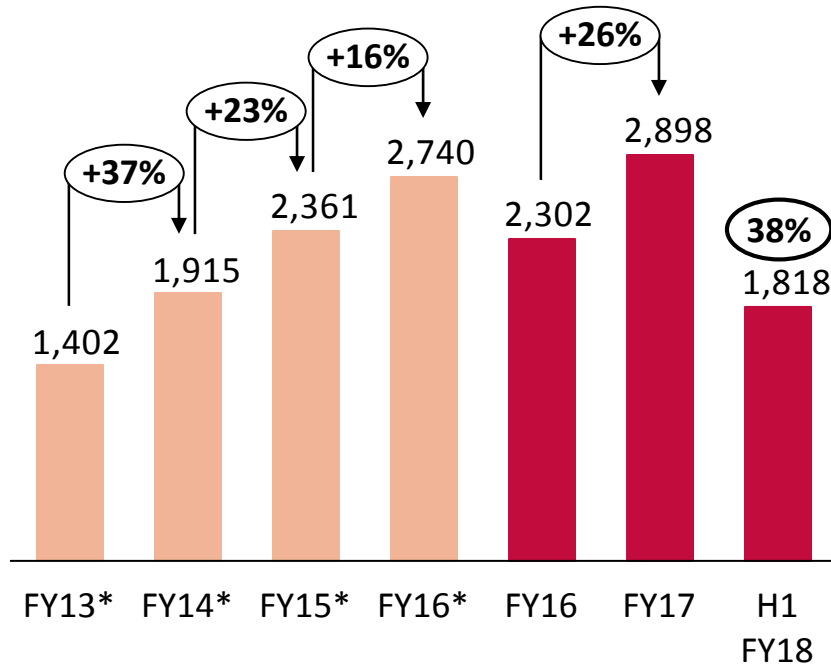
4. Digital and Omni-channel

- Seamless online and in-store experience
- Best-in-class digital capabilities

Established momentum of 25%+ top-line growth and improving profitability; Fastest growing player in Indian apparel retail

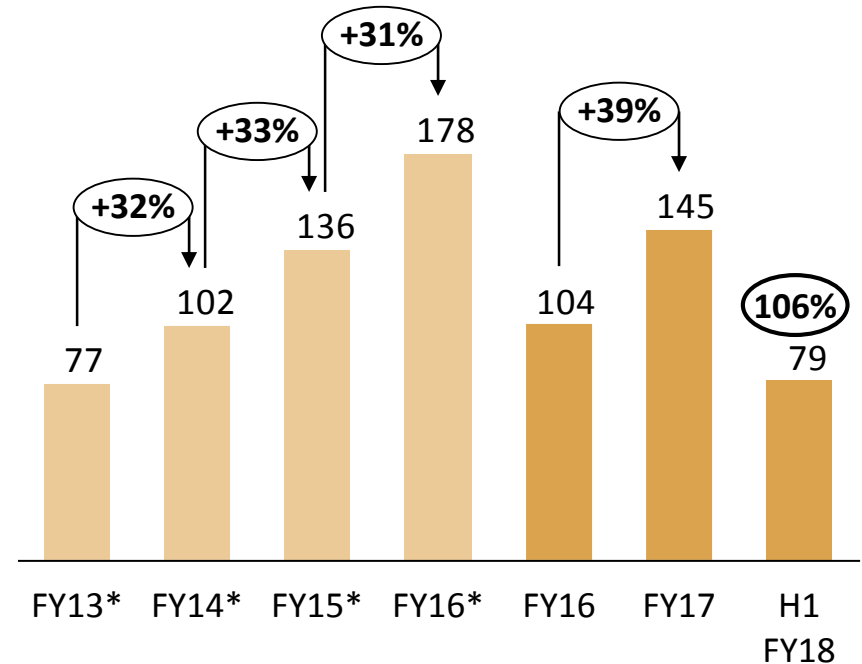
Sales growing at 25% yoy

Sales¹ (Rs. Cr)

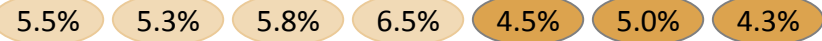


Strong and improving bottom line

EBIDTA (Rs Cr)



EBIDTA Margin

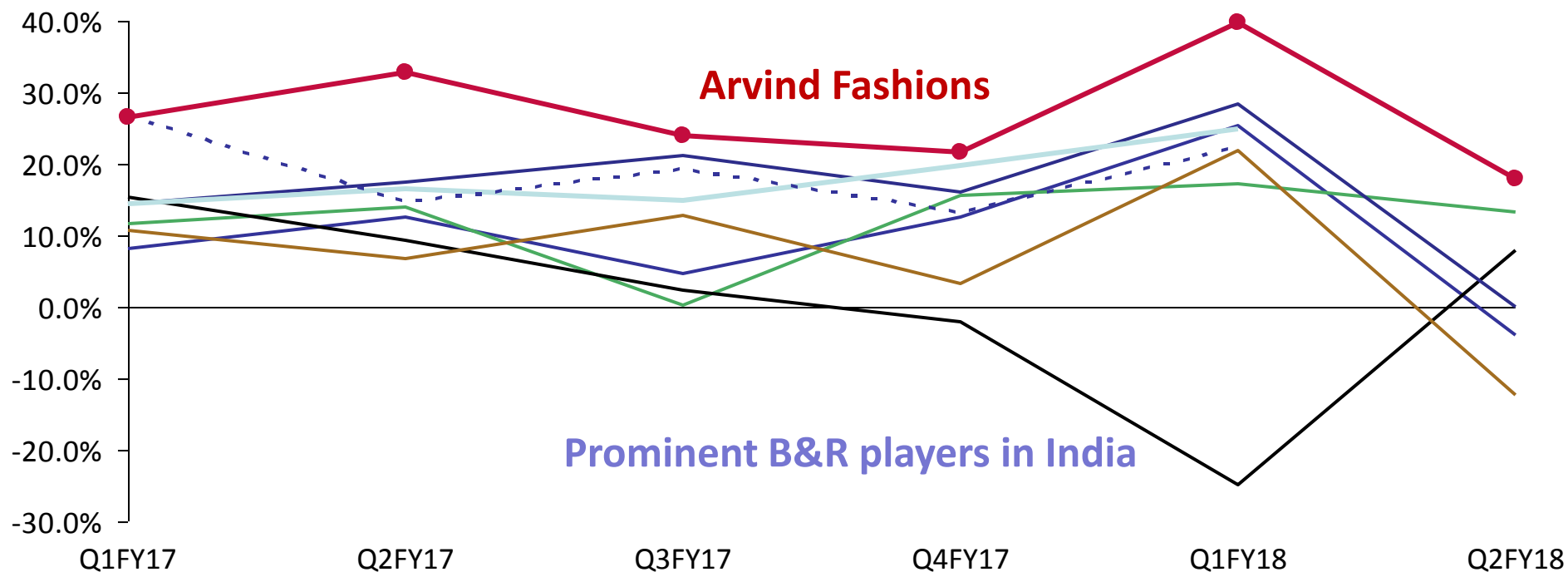


Note:

- Financials for FY16 and FY17 are as per Ind AS. FY13* to FY16* are as per Indian GAAP
- Growth number for FY16 and compounded growth rate is adjusted for change in accounting standard

Even over the recent difficult quarters, Arvind Fashions has led the market in terms of topline growth

Y-o-Y topline growth

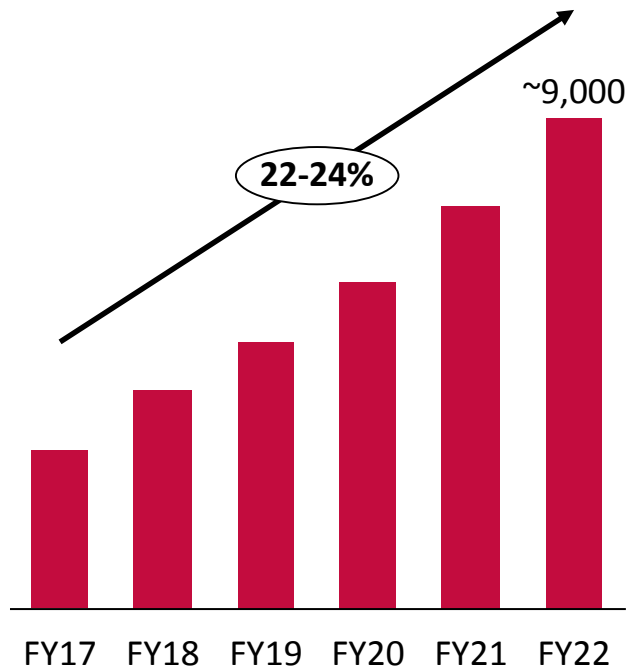


Source:
• Company Data

Arvind Fashions aspires for INR 9,000 Crores topline by 2022

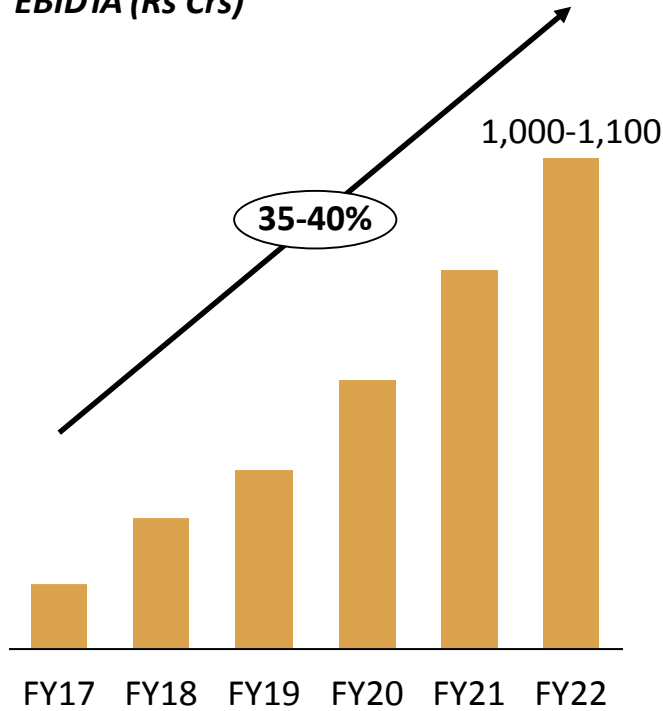
Sales growing at ~22-24%+

Sales (Rs. Crs)



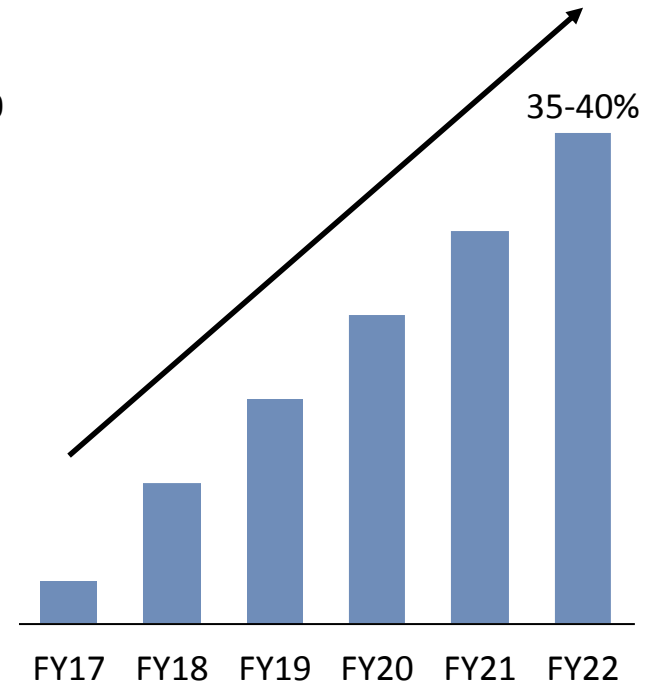
Sharp rise in EBITDA

EBITDA (Rs Crs)



Improving capital efficiency

ROCE (%)



- With Debt/Equity of only ~0.6x as on 30th September 2017 business is financially well placed



Engineering

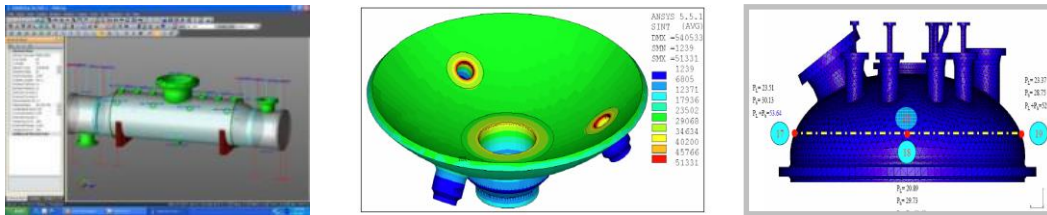
Anup Engineering is a leading critical process engineering equipment manufacturer



- Products include critical engineering process equipment like Heat Exchangers, Pressure Vessels, Reactors, Columns/Towers and Centrifuges
- Process industries such as Oil and Gas, Petrochemicals , Fertilizers and Pharma are the key buyers
- Well connected multi-accredited manufacturing set-up in Ahmedabad
- ~500 member team led by industry veterans

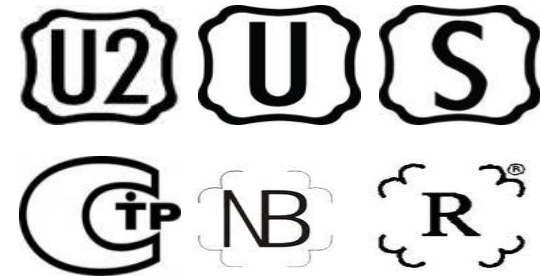
Over the last few years, Anup has acquired and augmented critical capabilities and credentials

Design and manufacturing capabilities



- Design and Engineering prowess
 - Thermal and mechanical design expertise
 - State of the art tools and equipment for modelling and analyses
- Range of metallurgies
 - Low-alloy steels
 - Carbon and stainless steels
 - Exotic and special grades

Quality certifications



DIN EN ISO 3834 – 2
AD -2000 Merkblatt HP0

- Non-destructive Testing techniques and tools
- International standard certifications for multiple geographies and industries

Marquee customer list with multiple repeat buyers and long-standing relationships

EPC / LSTK / PMC



Process Licensors



End Users



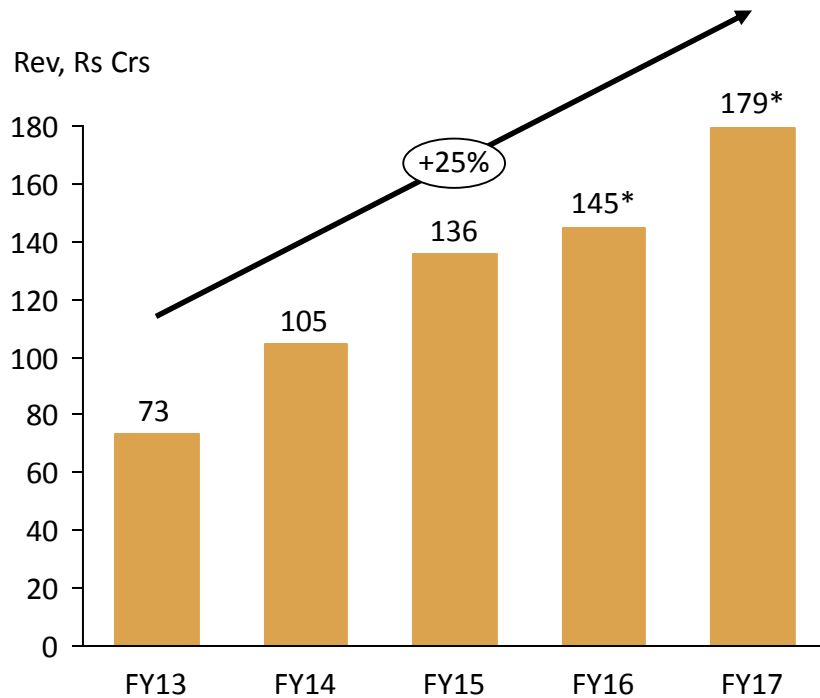
Longstanding
Relationships going back to 10+ years

Repeat Buys
Consistently for last 4 years

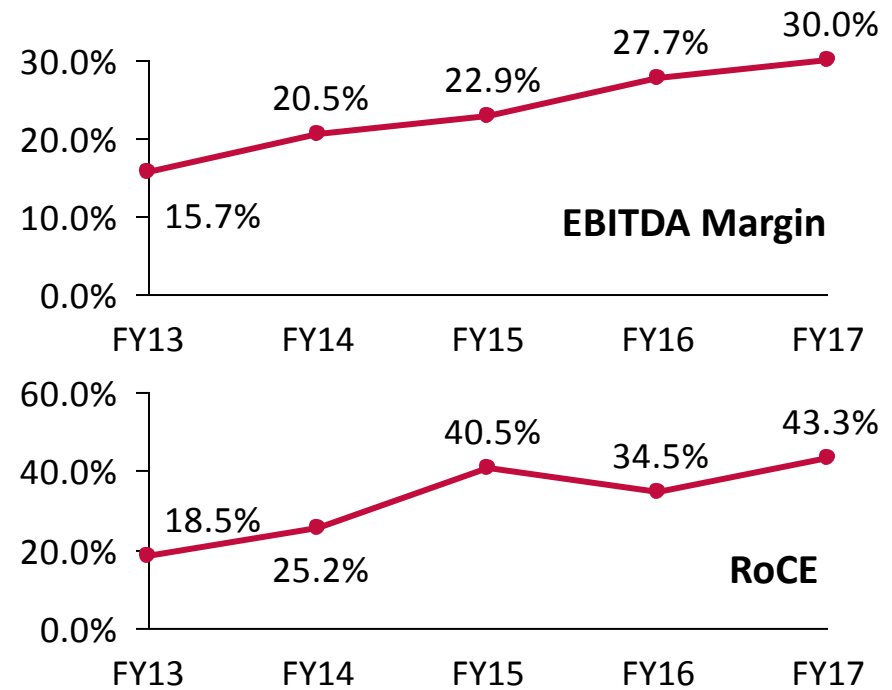
Order Size
Large customers giving 30-50 cr orders

Anup's financial performance reflects its steadily growing strength

Consistent and rapid growth



Steadily improving margins and ROCE

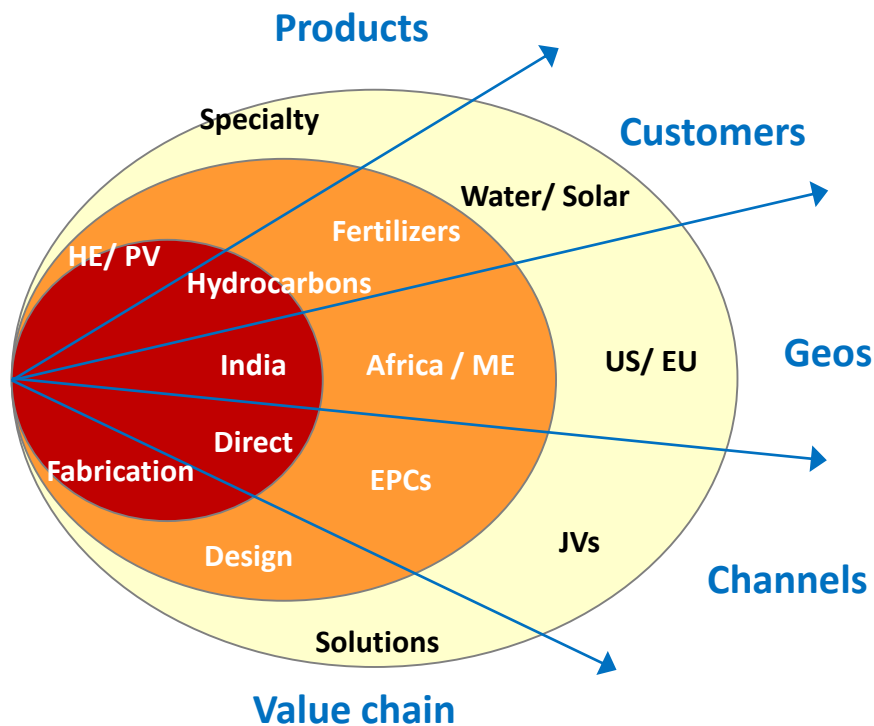


Anup Engineering is a highly cash flow generating business. Company has zero net debt and a net cash balance of Rs 36 crores as on 30th September 2017

* FY16 and FY17 financial data is as per Ind AS. FY 13-15 financial data is as per Indian GAAP.

Local and global opportunities promise a significant runway for Anup Engineering in years to come

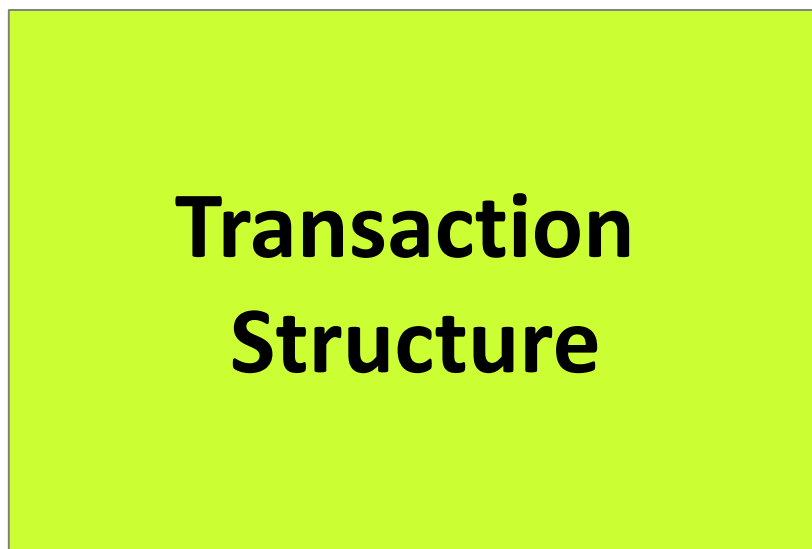
Multi-dimensional growth agenda



Clear head-room for aggressive growth

- Average ticket-size has steadily grown (doubled from ~50 lakhs/ pc to ~1 cr/ pc)
- Clear momentum towards further increase in average equipment value (basis growing capabilities in complex design, large tonnage and more exotic metallurgies)

Plan to become INR 1,000 crore top-line business over next 5-6 years



**Transaction
Structure**

Existing Conglomerate structure allowed creation of large and valuable businesses

Existing structure

Arvind Limited

Branded Apparel

Arvind Fashion

Textiles

Various JVs

Engineering

Anup Engineering

Division

Subsidiary

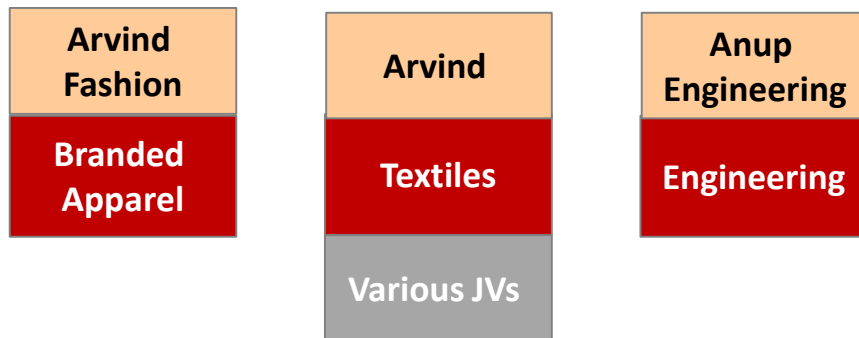
Businesses under divisions and subsidiaries

- Businesses run under divisions and subsidiaries
- Branded Apparel: Branded apparel and accessories, Customized Clothing
- Engineering: Manufacturing of critical process equipment

Proposal to demerge Branded Apparel and Engineering businesses into independently listed companies

Proposed structure

Independent Listed companies



Listed Co

Division

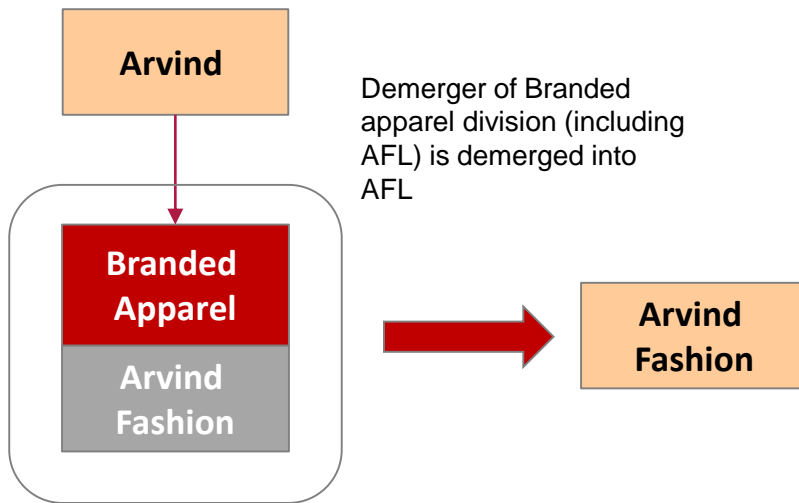
Subsidiary

Process and timelines

- Demerger of Branded Apparel undertaking into Arvind Fashion & Engineering undertaking into a company to be called Anup Engineering
- The transaction will be completed by way of an NCLT approved scheme of arrangement
- Its is subject to corporate and regulatory approvals
- The two resulting entities will also be listed on the stock exchanges in the next 6-9 months

Structure Mechanics – Branded Apparel Undertaking

Branded Apparel Business



Process details

- AFL consolidates existing share capital, changes face value from Rs 2 to Rs 4
- Branded apparel undertaking including holding in AFL is demerged into AFL
- Shares will be allotted to shareholders of Arvind in consideration in the ratio of 1:5
- Eventual share capital of AFL will be Rs. 23.07 cr. (5.77 cr shares of Rs. 4 each)
- Shares held by Arvind in AFL will be cancelled
- Arvind Fashions will be independently listed

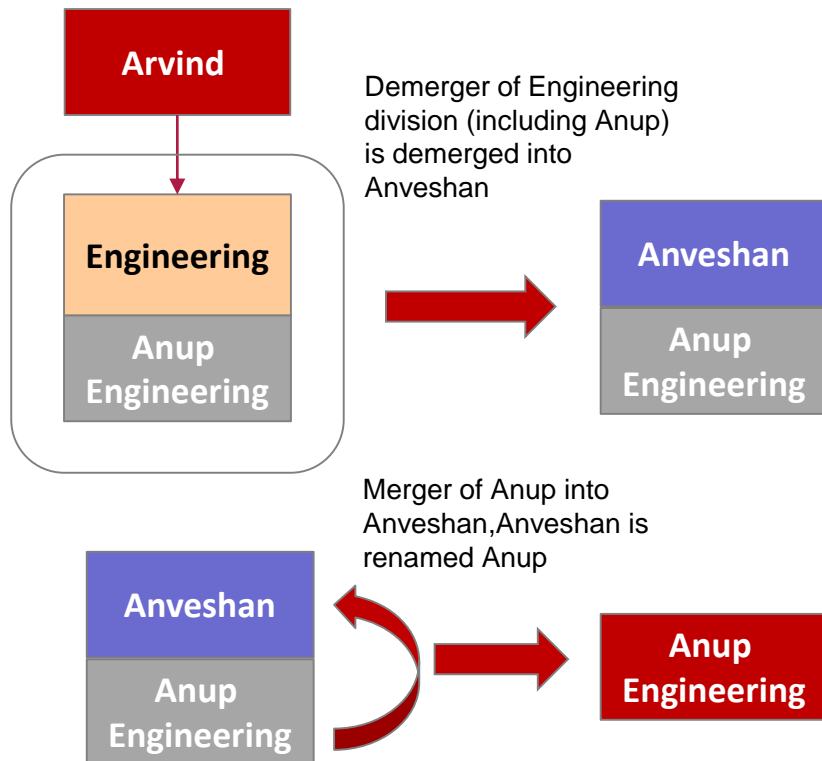
Listed Co

Division

Subsidiary

Structure Mechanics – Engineering Undertaking

Engineering Business



Process details

- Engineering undertaking including holding in Anup is demerged into Anveshan
- Shares will be allotted to shareholders of Arvind in consideration in the ratio of 1:27
- Anup, which is a subsidiary, is then merged into Anveshan
- Anveshan is renamed Anup Engineering
- Shares will be allotted to minority shareholders of Anup in consideration in the ratio of 7:10
- Effective Share Capital will be Rs. 10. 21 cr (1.02 cr shares of Rs. 10 each)
- Shares held by Anveshan in Anup will be cancelled



Arvind Limited

Arvind Smart Spaces Limited

Arvind Fashions Limited

Anup Engineering Limited

Thank You!