



NNNOW

U.S. POLO ASSN. SINCE 1890 THE CHILDREN'S PLACE

NAUTICA

ARROW USA 1861

WHERE BEAUTY BEATS

SEPHORA

HILFIGER

GANT

AEROPOSTALE

UNLIMITED

GAP

# Arvind Limited

## *Investor and Analysts Presentation*

25<sup>th</sup> October 2016 | Mumbai

## Safe harbour statement

Certain statements contained in this document may be statements of future expectations and other forward looking statements that are based on management's current view and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. None of Arvind Limited or any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its content or otherwise arising in connection with this document. This document does not constitute an offer or invitation to purchase or subscribe for any shares and neither it nor any part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

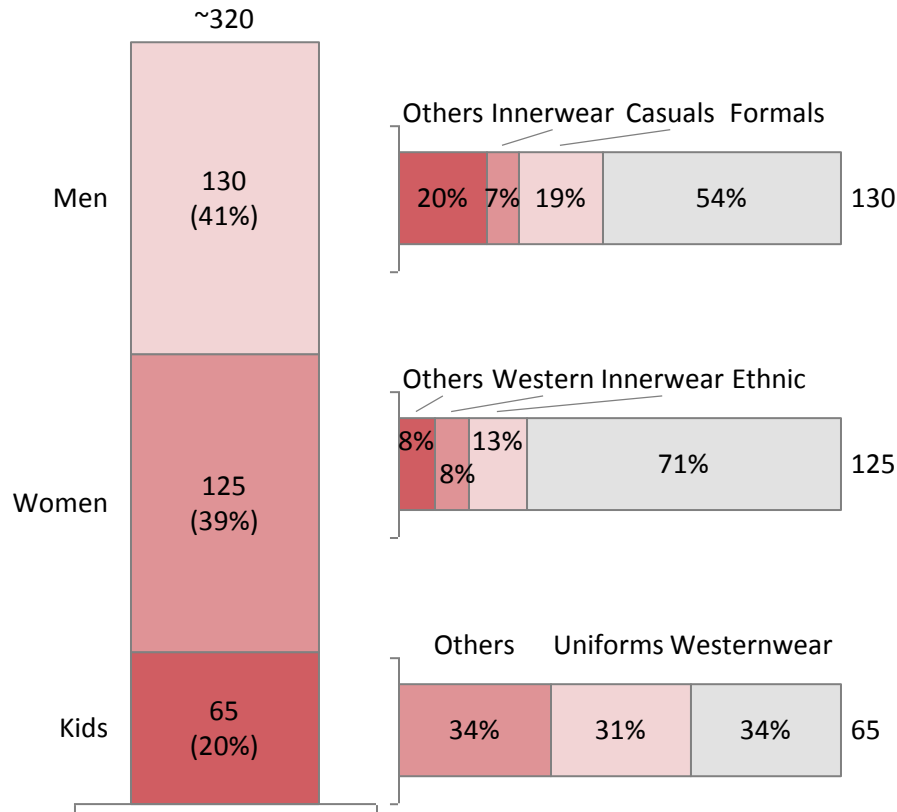
## Arvind Brands business– well placed in a growing fashion market

- **Apparel market at inflection point ; Market in 2015 estimated at INR ~320k Cr expected to grow to INR 750k Cr by CY2020 at a CAGR of 13%**
  - Branded apparels to grow at 1.5x overall market (18%); BTL segment to grow at 17% (1.3x historical growth rate)
  - Online expected to account for 12 -16% of sales by 2022 (from current ~3-4%)
  - Adjacencies like cosmetics and footwear expected to grow at 16-18%
  - Growth to be powered by higher discretionary spend, increasing brand consciousness; improved online and off-line access and more number of women at work
- **Market shifts likely to favor growth of Arvind’s international brands portfolio across categories and price-points**
  - Favorable demographics (median age to be 29 in 2020), increasing urbanization and increasing access to trends
  - Affinity towards branded merchandise, esp. BTL/ luxury goods,
  - Shift towards casual (18% projected CAGR) to drive growth of international brands
- **Industry leading robust platform to support growth and ensure expanding margins**
  - Mature local production, sourcing and supply base
  - Proven merchandising and design capabilities - helps fine-tune to local market needs and trends
  - Strong distribution footprint across multiple channels, including next-generation proprietary omni-channel
  - Winning leadership team and reputation of a preferred employer among young and talented

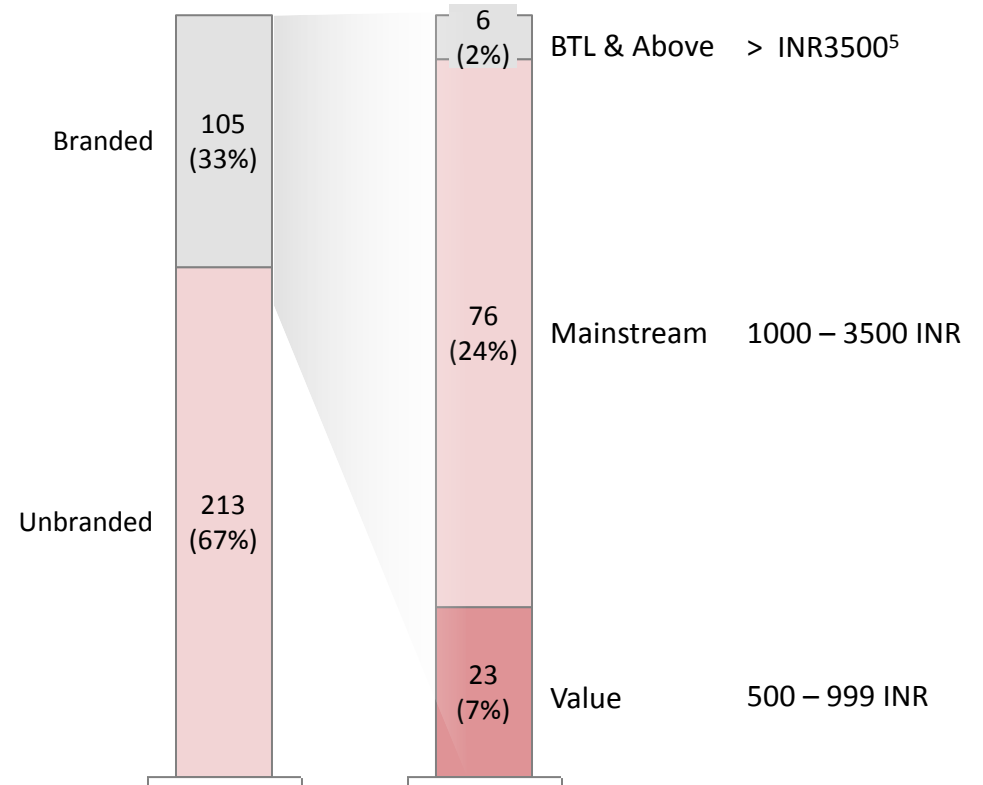
**Arvind Fashions which houses Brands Business is well on its way to become a leading player across men's, women's and kid's apparel and accessories**

# Indian Apparel market is estimated at INR ~320K Cr in 2015

## Overall market split



## Split of the branded market



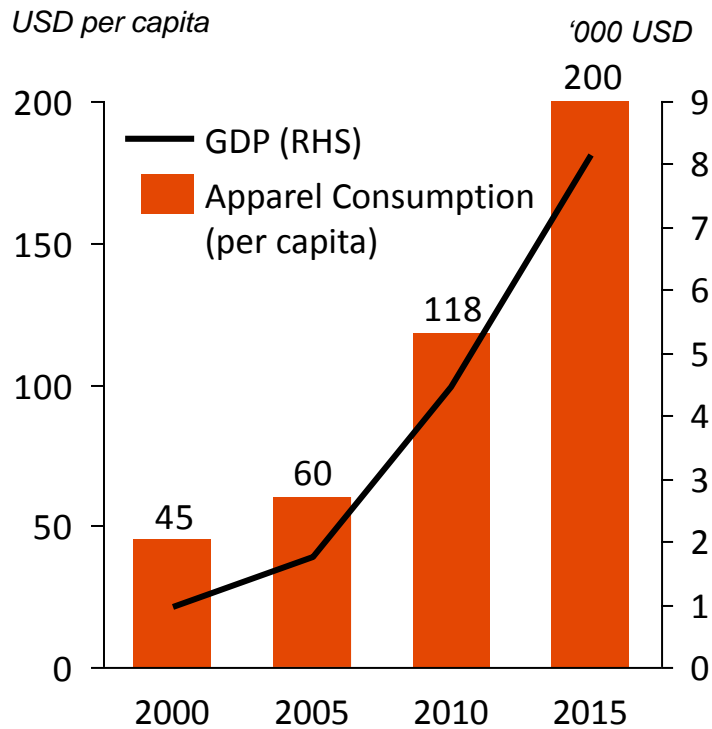
1. Others in menswear suits, winterwear, ethnic wear 2. Others in women include winter wear, sleepwear 3. Kids western wear includes T-shirts and bottom wear 4. Others in kids include winterwear, dresses, etc. 5. Indicative starting price-point for the category

Note: Price points are indicative of the price of a mens shirt in these categories, different price points have been used for womens and kids to arrive at the figures

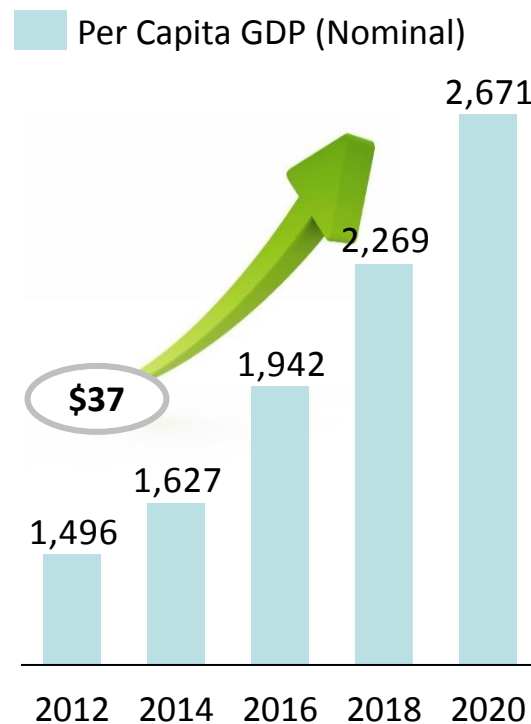
Source : Census data; EIU; Technopak; Analyst reports; Team Analysis

# Indian apparel demand is at the cusp of significant growth as the economy crosses \$2000 GDP per capita

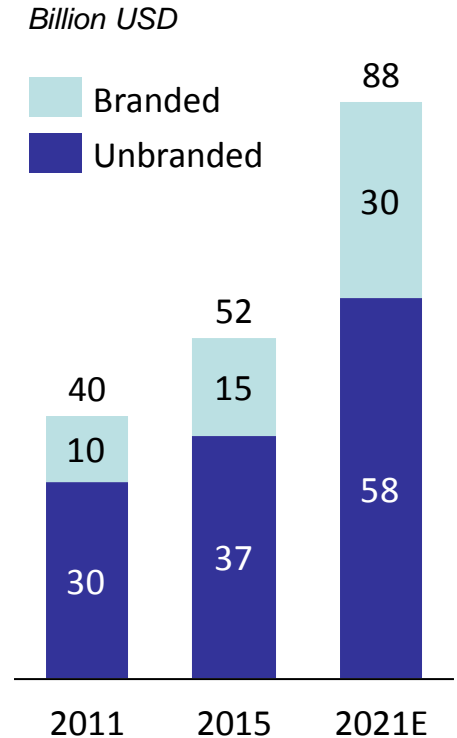
**China apparel consumption took-off at \$2k GDP per capita**



**Indian apparel consumption stands to grow significantly**



**Branded segment to grow at 1.5x the overall market**



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

# Online apparel fashion segment to account for ~12-16% of total sales by 2022

## 3 growth drivers...

Internet penetration to increase from **260 mn** in 2015 to **560 mn** in 2020

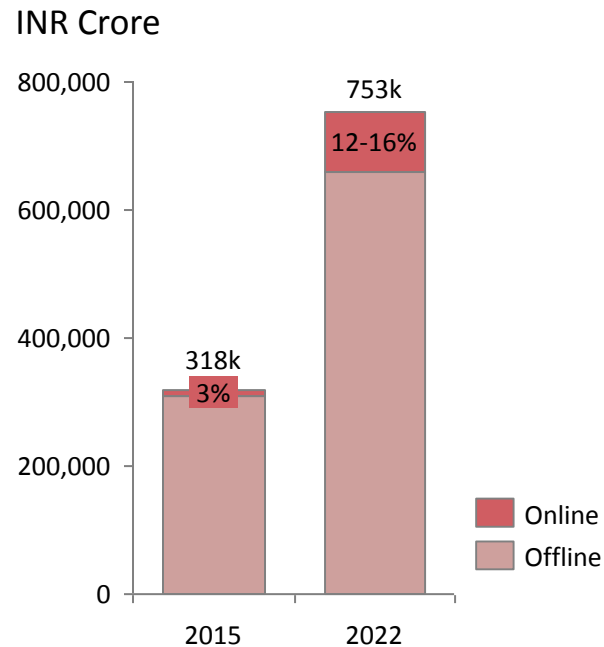


AAS<sup>1</sup> online to increase from INR 10,000 to 20,000



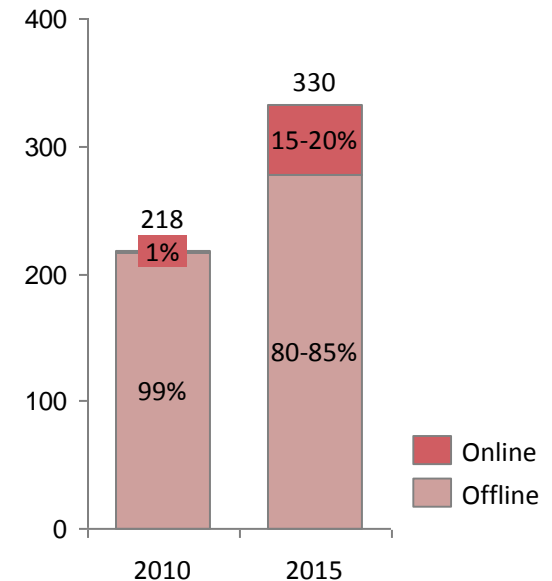
Apparel's share of e-tail market to increase from 25% to 30%

## ...to increase share of online



## China witnessed similar growth between '10 & '15

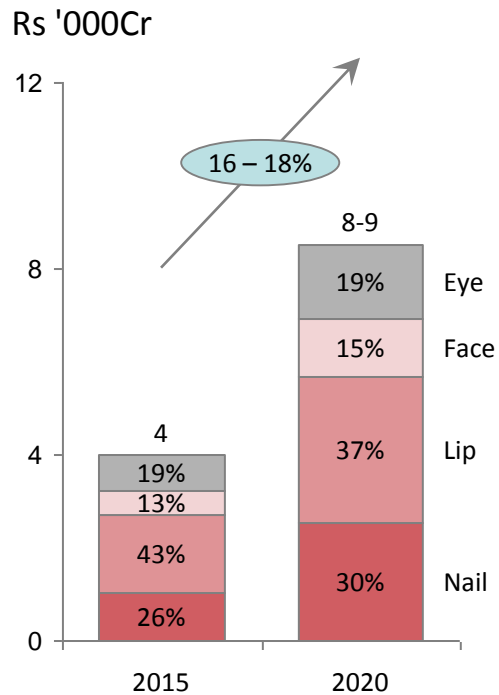
*E-retail buyers increased from 80 mn (2010) to 400 mn (2015) while AAS increased from \$600 to \$1500 in China*



1. AAS is Average Annual Spend on Online – to increase from INR 10,000 in 2015 to INR 20,000 by 2020  
Source: Press Research, Technopak, CLSA, Team analysis

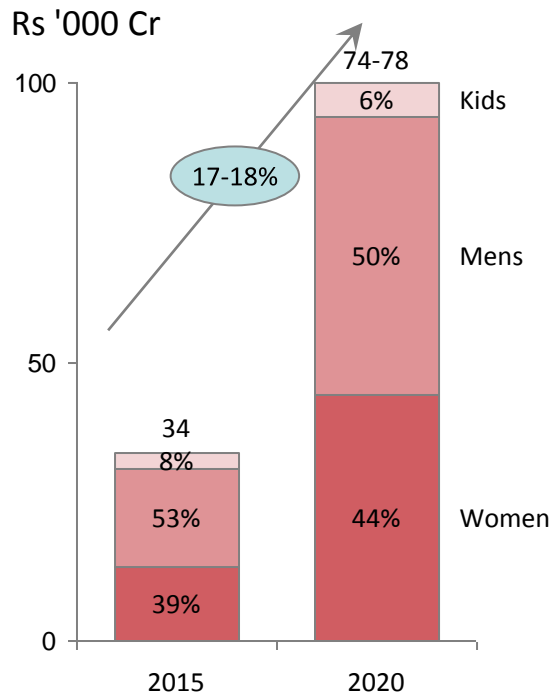
# Adjacent market segments also growing rapidly

## Cosmetics to grow at 16-18%



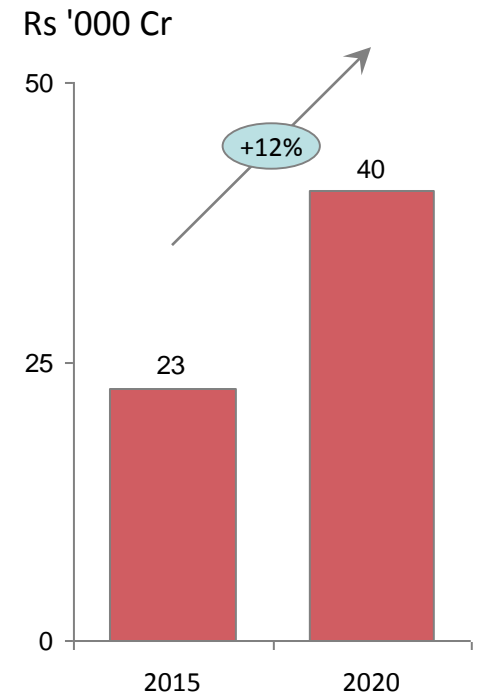
**EBITDA<sup>1</sup> : 15-20%**

## Footwear to grow at 17-18%



**EBITDA<sup>2</sup> : 12-15%**

## Clothing accessories to grow at 12%



**EBITDA<sup>3</sup> : 10-11%**

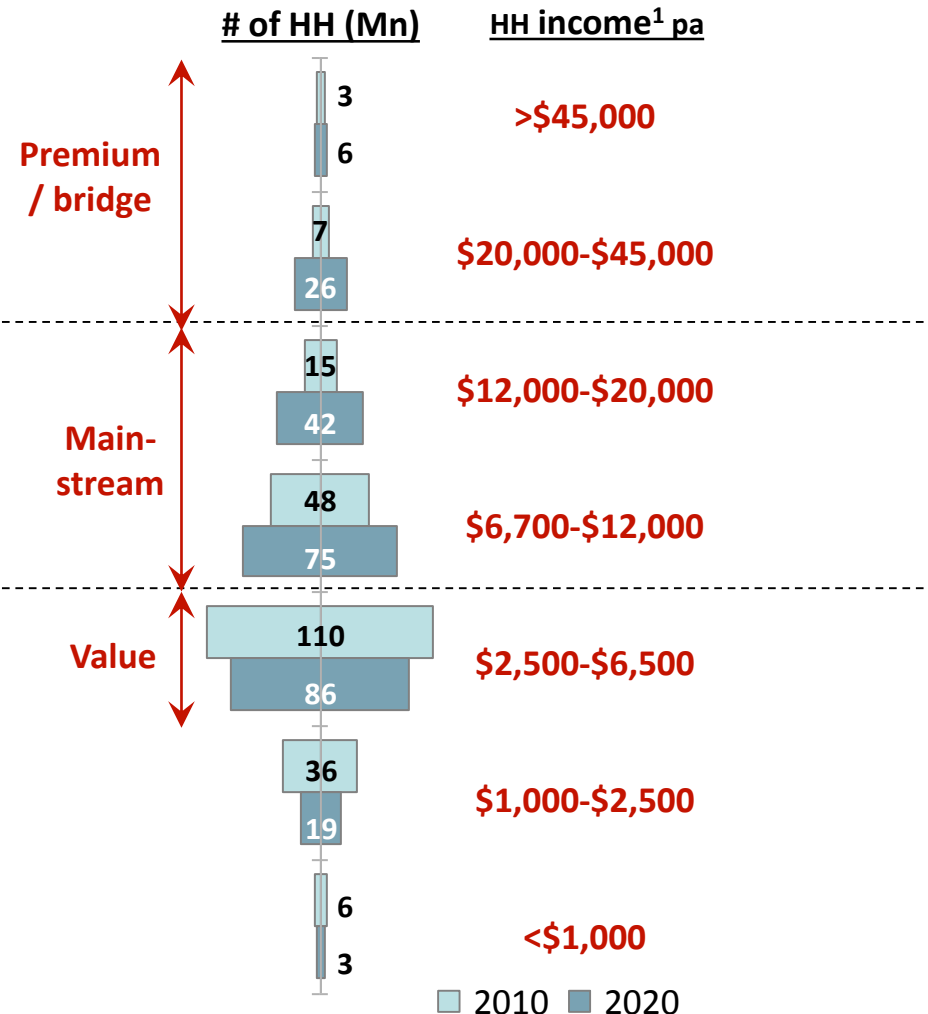
1. Top 2 international players. India only figures not available 2. ICRA report giving the profit margins of the top 12 players in the leather footwear industry 3. Top 2 players  
 Note: Clothing accessories include bags, handbags, wallets, cufflinks, socks, etc  
 Source: Analyst reports, Technopak Analysis. Images yearbook, team analysis

# Arvind has built a strong portfolio for segments across income pyramid

## Arvind Fashions portfolio

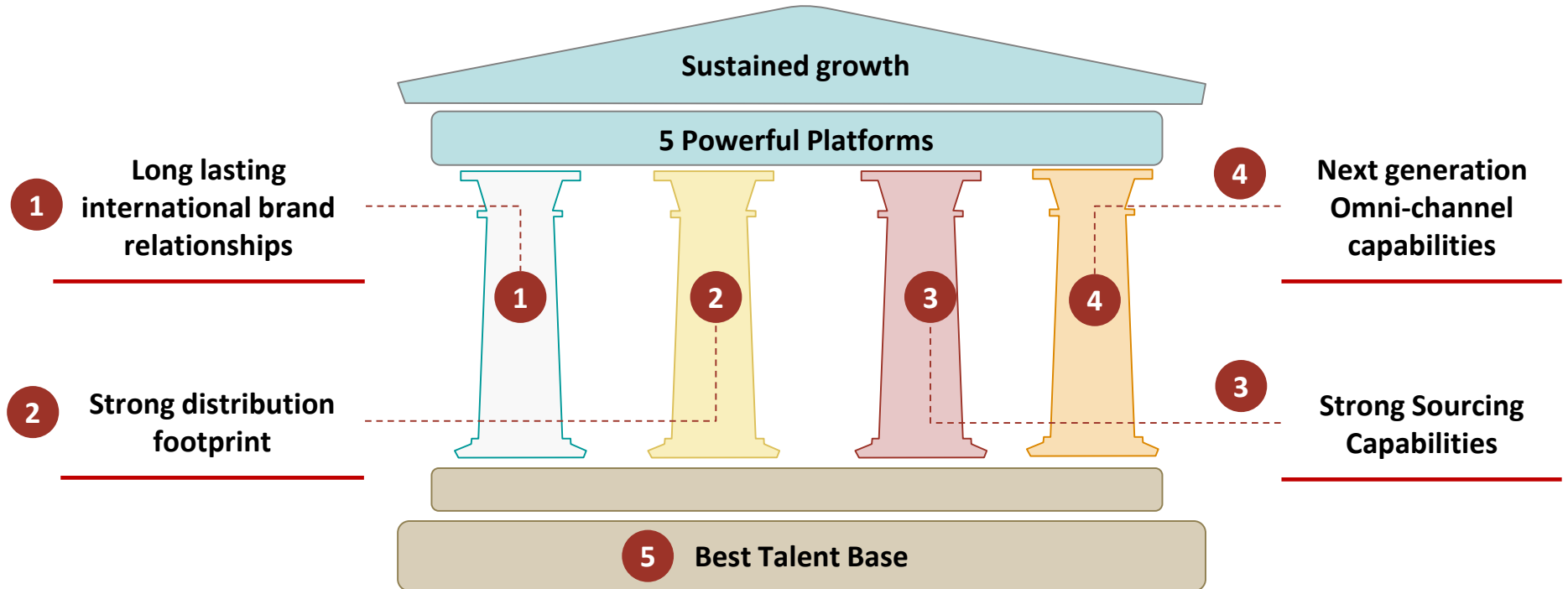


## Indian market by Income segment



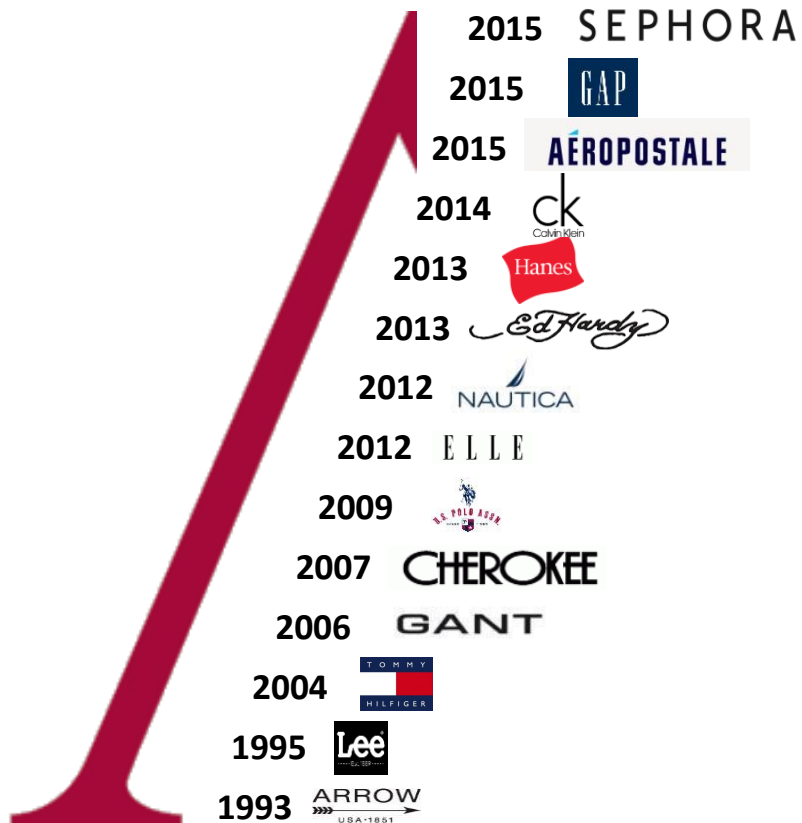


# Arvind growth trajectory to be fueled by 5 powerful platforms



# Relationships with iconic global brands built over two decades

Proven track record in successfully launching & building brands in India



Experience of successfully launching brands across all formats



Bridge to Luxury



Premium



Youth



Value



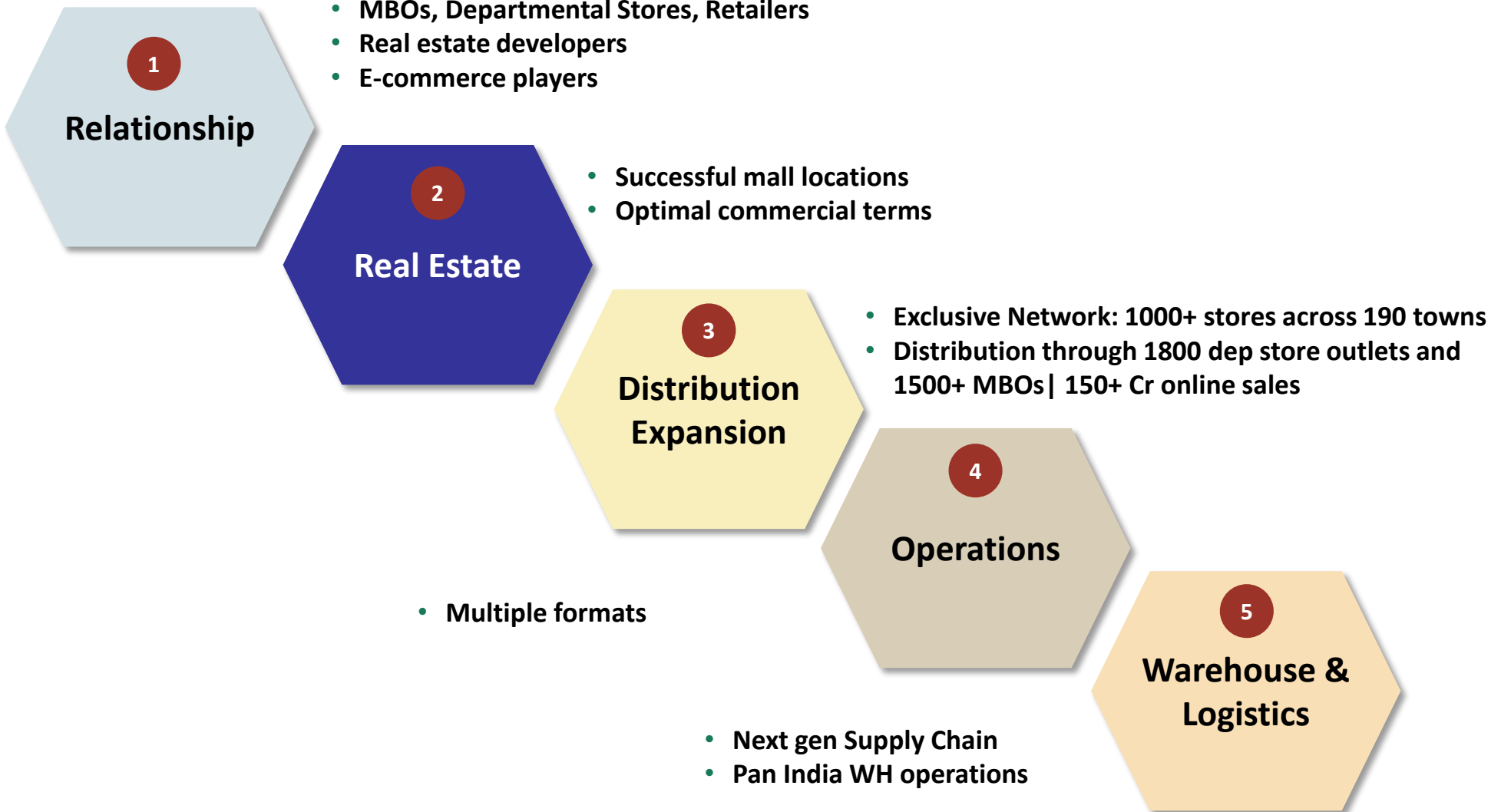
Department store



Apparel specialty retail

Licenses for brands perpetual or long term

# Industry leading distribution network that powers the coverage



# Strong footprint across all leading malls

Typical Mall Presence



**Kidswear / Innerwear floor: 3,000 sq ft**



**International brands: 13,000 sq ft (GF / FF)**



**Specialty Retail: 25,000 - 30000 sq ft**



**45,000 sq ft across various brands**

# Product innovation and strategic sourcing enables top of class product line

## Deep expertise in product innovation

### Strong product team

- 250+ designers & merchants

### Successful track record

- Creating top Indian brands
- Market leading innovation



Arrow Smart Shirt



Arrow Auto Flex Pants

### Advantage of integrated Arvind Support

- 80 Years of Heritage in Fashion

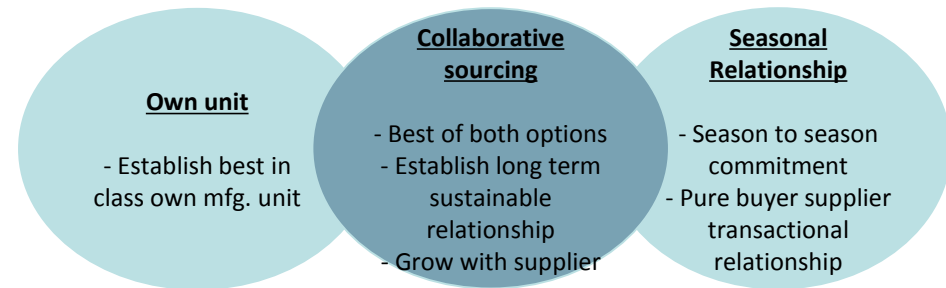
## Best in class apparel sourcing capabilities

### Strategic Vendor Management

1st way owned  
manufacturing

3rd way  
Arvind

2nd way  
transactional sourcing



### Leverage scale for cost advantage

### Manage multi-category complexity

### Global sourcing footprint

Amongst fastest & most flexible sourcing supply chains in India

# Industry leading talent and HR practices



Arvind ranked **No. 1** in the Industry in '*India's Best Companies To Work For*' survey of Top 535 companies

## Strong employee brand & work culture

entrepreneurial  
teamwork  
family interesting  
dedicated engaging rewarding  
enjoyable revolutionary  
changing sexy talented good  
intense ethical great  
agile driven flexible innovative  
awesome friendly  
cool fun challenging  
growth exciting  
dynamic

## Best in class HR practices

Arvind  
University

Continuous training and development through virtual university

Arvind Express

Career progression driven by institutionalized process

Arvind 'Smiles'

Employee engagement plan for store team to retain and keep staff highly motivated

High impact performance

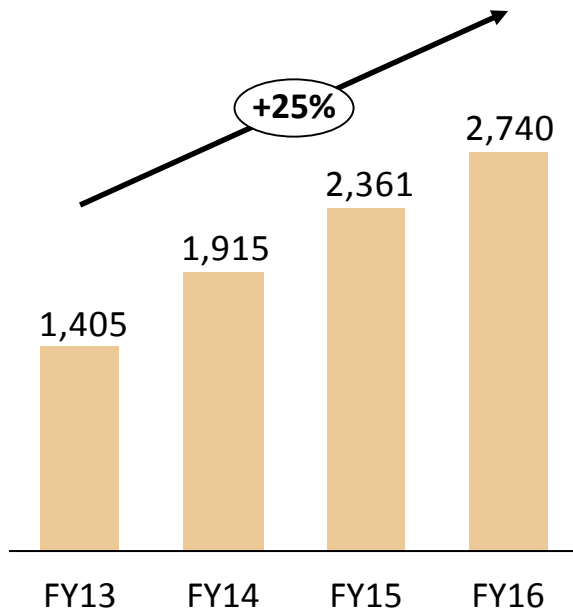
Highly performance-oriented team through performance management system

Arvind top recruiter at NIFT, IIM Management Trainee Programme

# Recent performance reflects the robustness of growth agenda

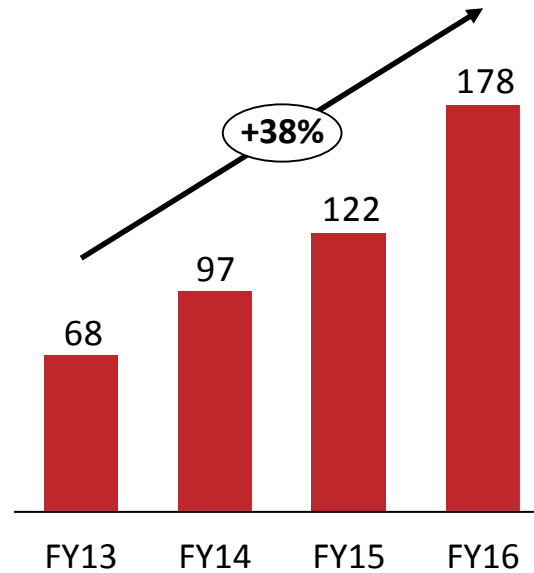
## 25% + CAGR Sales

Sales<sup>1</sup> (Rs. Cr)



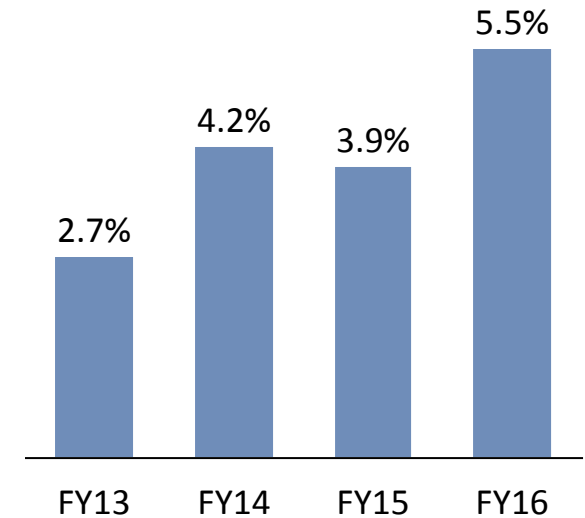
## Strong bottom-line results

EBIDTA (Rs Cr)



## Improving capital efficiency

ROCE (%)



EBIDTA %



1 Includes secondary sales; financials calculated prior to IndAS standards becoming effective

# Brands business agenda will be driven by 3 clear sets of priorities

1

**Consolidate existing business**

- Build on the power brands through category and channel expansion
- Specialty retail to quickly gain strength due to strengths of brands
- Growth brands moving towards double digit EBITDA
- Enhance returns through operational efficiency

2

**Strategically manage portfolio**

- Carefully monitor evolution and performance of recent launches
- Take calculated bets on new opportunities
- Maintain financial discipline while making new investments

3

**Powerful Omni/  
Digital play**

- Ensure seam-less customer journeys across all channels/ touch-points
- Maintain full complementarity with overall B&R play



# Well balanced mix of mature and growth businesses

Portfolio

FY16 Actuals

Target to FY22

## Power Brands



**Good financials**

Revenue: 1460 cr

Gross Margin: 54%

EBITDA: 12.4%

- Grow @ 20-22%
- Improve EBITDA by 3-4 %age points

## Emerging Brands



**Breaking even**

Revenue: 310 cr

Gross Margin: 54%

EBITDA: -2%

- Grow @ 30-32 %
- Sharply improve EBITDA to reach 13-14% levels

## Specialty Retail



**Investment mode**

Revenue: 611 cr

Gross Margin: 43%

EBITDA: -5.6%

- Grow @ 28-30 %
- Improve gross margins and generate positive EBITDA in range of 7-9%

# Existing head-room and adjacency expansions to power growth

**Men: Be #1 player in branded apparel and extend platforms & brands to create play in adjacencies**

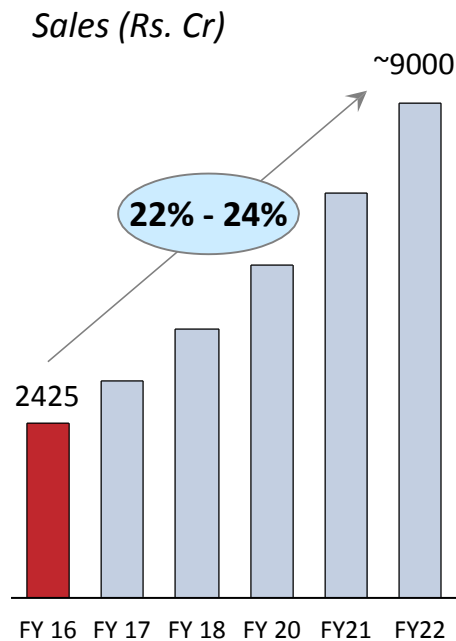
**Women: Extend strength in menswear to create strong portfolio in Women's-wear and adjacent categories**



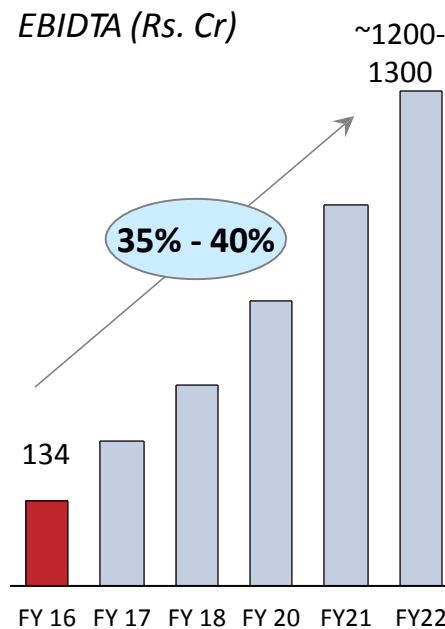
- Existing Play
- Adjacencies which can be explored

# Arvind Brands aspires for INR 9000 cr topline by 2022

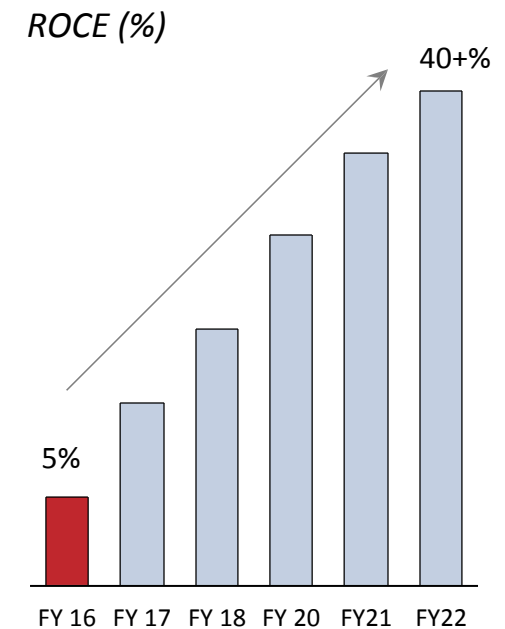
## Sales growing at ~22-24%+



## Sharp rise in EBITDA



## Improving capital efficiency



Notes: FY16 financials re-calculated as per IndAS standards (does not include Secondary Sales revenues, and JV margins assumed in proportion to equity ownership)

# 10% dilution for Rs 740 cr. | EV: 8,000 cr. | Investor: Multiples ... will boost Arvind's financial strength and strategic agenda

## Arvind Brands Business

- Market validation of
  - Attractiveness of the opportunity
  - Arvind leadership and strategy
  - Inherent robustness of our brands platform
- Financially independence in charting and funding growth agenda
- Advantage of partnership with Multiples

## Arvind Limited

- Stronger financial muscle to address opportunities
- Continuing journey for the core businesses and strategic bets with sharp focus on
  - Calibrated investments
  - Differentiated products
  - Technical textiles
- Immediate de-leveraging

## Investors

- Arvind investors:
  - Unlock value from brands business
  - Focused textiles business with increased funds availability
- Arvind Brands investors:
  - Opportunity to participate in India consumption play via a proven and promising platform



Thank You!