



# Arvind Limited

INVESTOR PRESENTATION  
25<sup>th</sup> October 2008

ARVIND LIMITED

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# Financial Performance

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# The Arvind Mills Limited

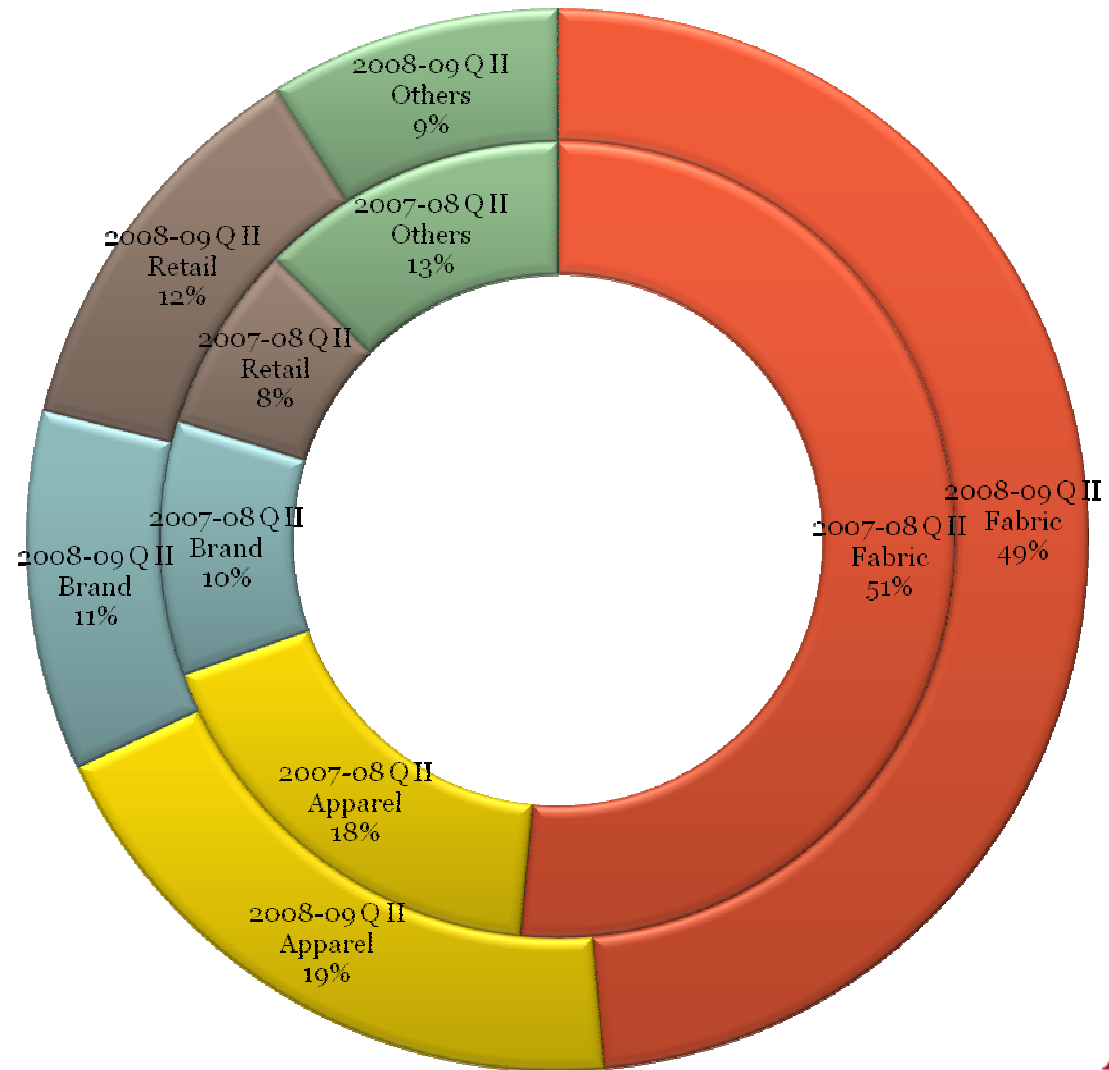
- In spite better operational performance the earnings of the company continue to be depressed on account of rapid rise in the input cost of cotton and power
- The major contributory to the lower performance is the interest cost along with the loss on account foreign exchange transactions and outstanding
- Other income is on account of profit from sale of land and sale of shares in company which holds another piece of land

Particulars	Q II		
	2008-09	2007-08	Change %
Net Sales/Income from Operations	599	564	6%
Other Income	35	2	2050%
<b>Revenues</b>	<b>634</b>	<b>565</b>	<b>12%</b>
Total Expenditure :			
Consumption of Raw Materials	218	209	4%
Employees Cost	63	60	6%
Power & Fuel	74	47	57%
Stores Consumption	65	62	5%
Other Expenses	114	107	6%
<b>EBIDTA</b>	<b>100</b>	<b>80</b>	<b>25%</b>
Interest & Finance Cost (Net)	66	34	97%
<b>Cash Accruals</b>	<b>34</b>	<b>46</b>	<b>-27%</b>
Depreciation/Impairment	29	35	-16%
Exceptional Items	2	0	
<b>Profit from Ordinary Activities before tax</b>	<b>2</b>	<b>11</b>	<b>-80%</b>
Taxes	1	1	
<b>Net Profit from Ordinary Activities after tax</b>	<b>2</b>	<b>11</b>	<b>-84%</b>

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# Arvind Mills Sales Mix

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## Debt Profile

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Statement of Total Borrowing as on 30-09-2008						Rs. In Crs
	In Rupees	Rate of Int	In FC	Rate of Int	Total	Rate of Int
Long Term Debt	1086	8.60%	146	7.82%	1231	8.51%
Working Capital Debt	419	10.35%	300	7.00%	719	8.95%
<b>Total</b>	<b>1505</b>	<b>9.09%</b>	<b>446</b>	<b>7.27%</b>	<b>1951</b>	<b>8.67%</b>
<b>Borrowing Proportion</b>	<b>77%</b>		<b>23%</b>			

- Long term borrowings also include borrowing under TUF scheme amounting to Rs. 244 Crores

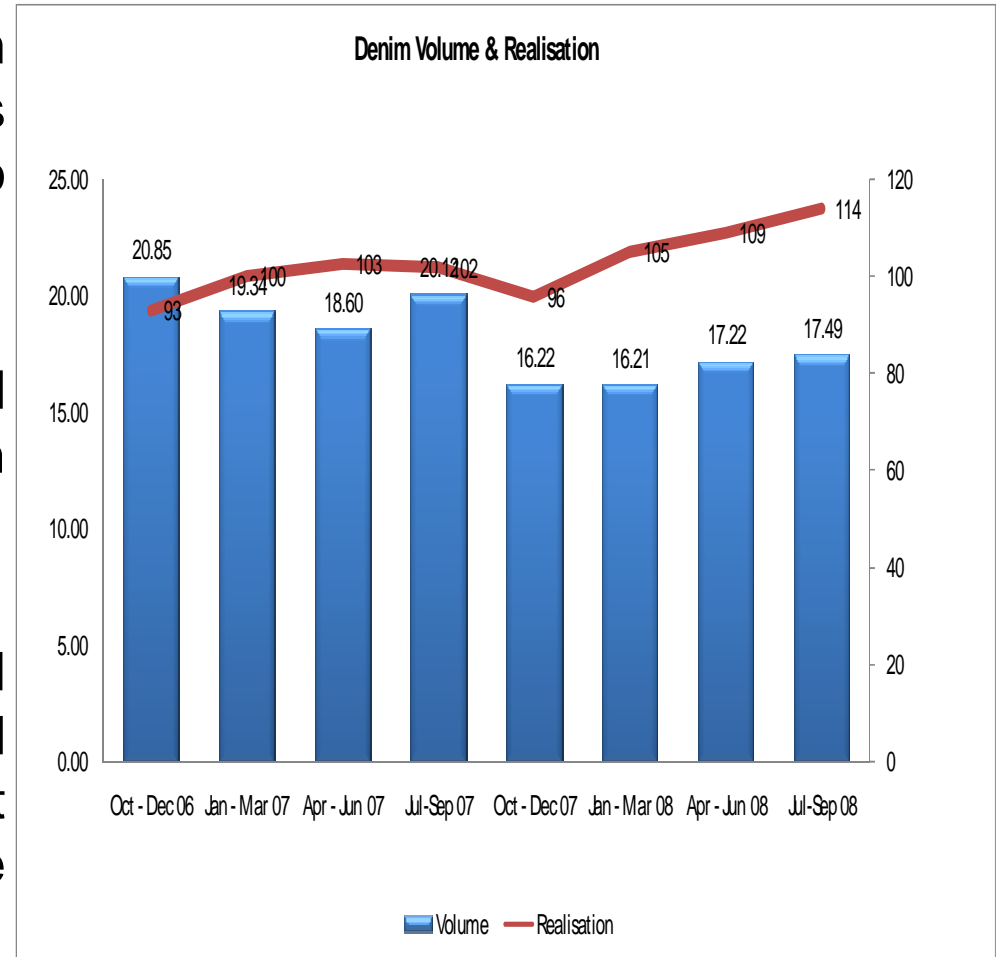
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# Business Analysis

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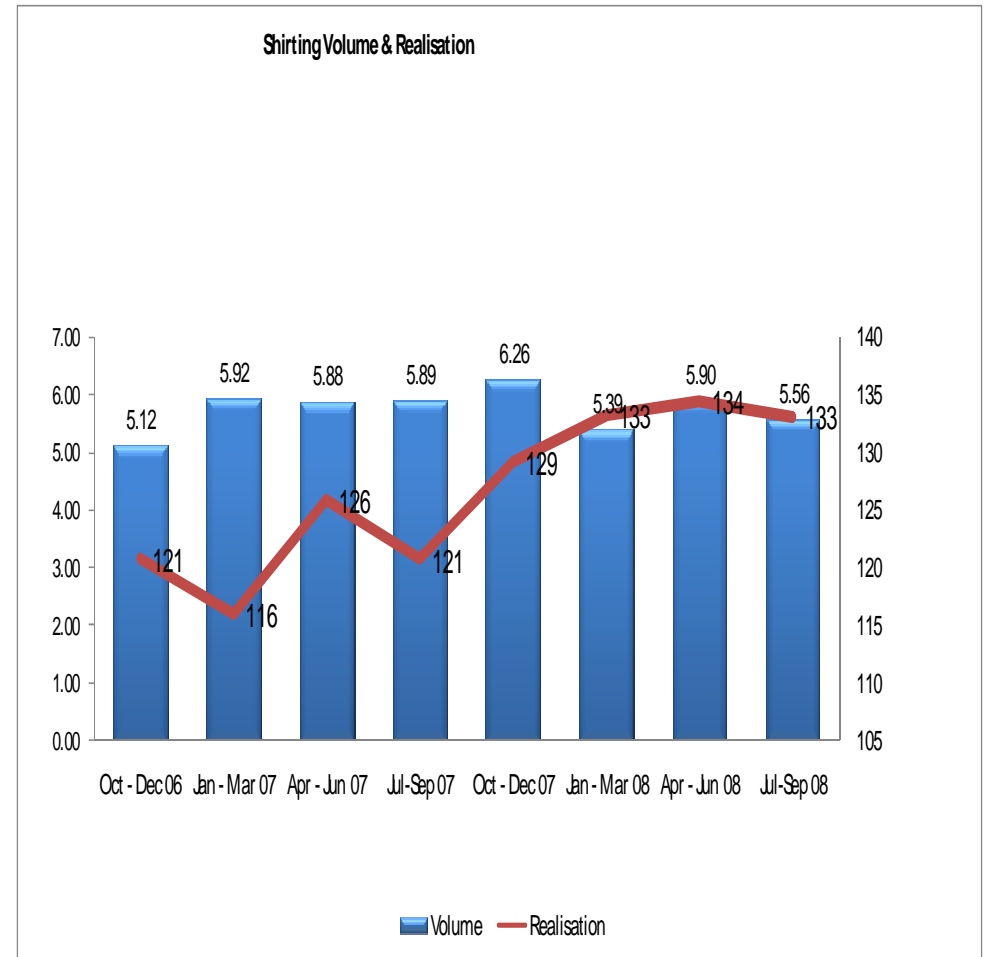
# Denim

- The realization in denim business continues to go up as the product mix continues to improve
- The cost escalation envisaged for cotton might not be as high as originally anticipated
- The key markets of US and Europe are in flux and maintaining the volumes at current level will be a huge challenge for the business



# Shirting

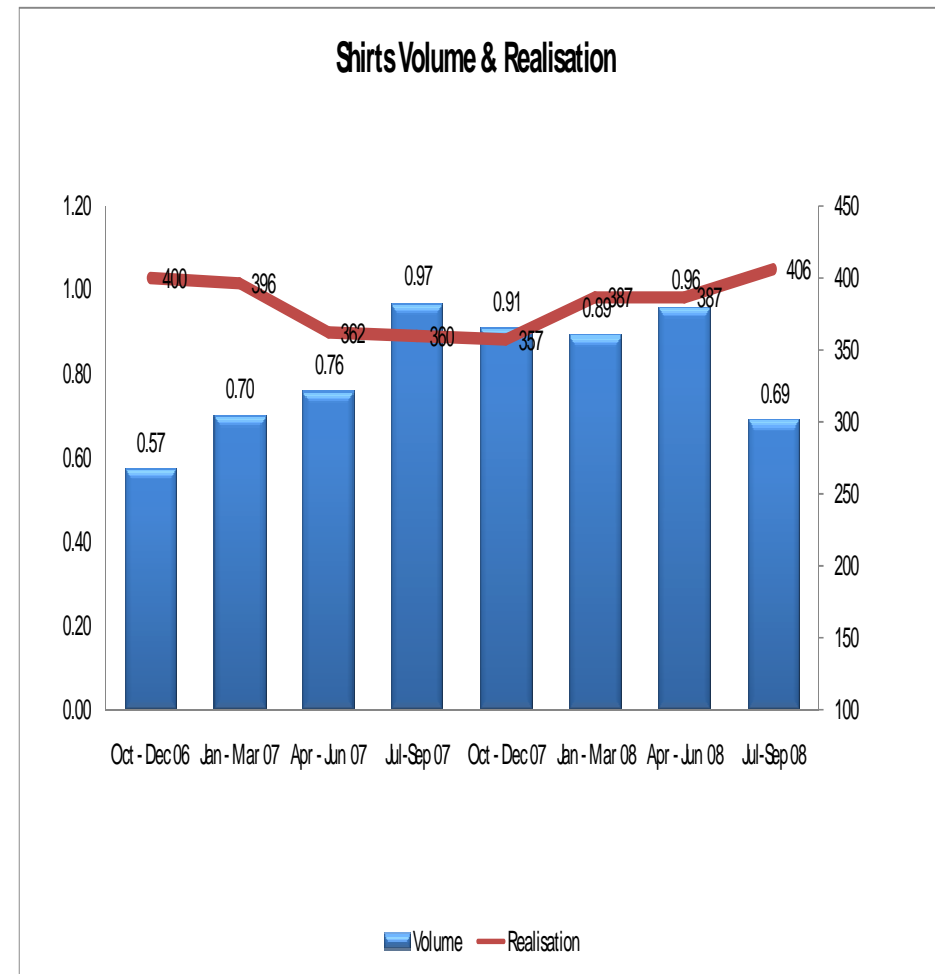
- The business is doing well even in face of stiff competition and operational parameters are stable
- The business continues to suffer from further 17-18% increase in the cost of energy
- With the cotton situation looking up the cost of raw material is not of concern anymore





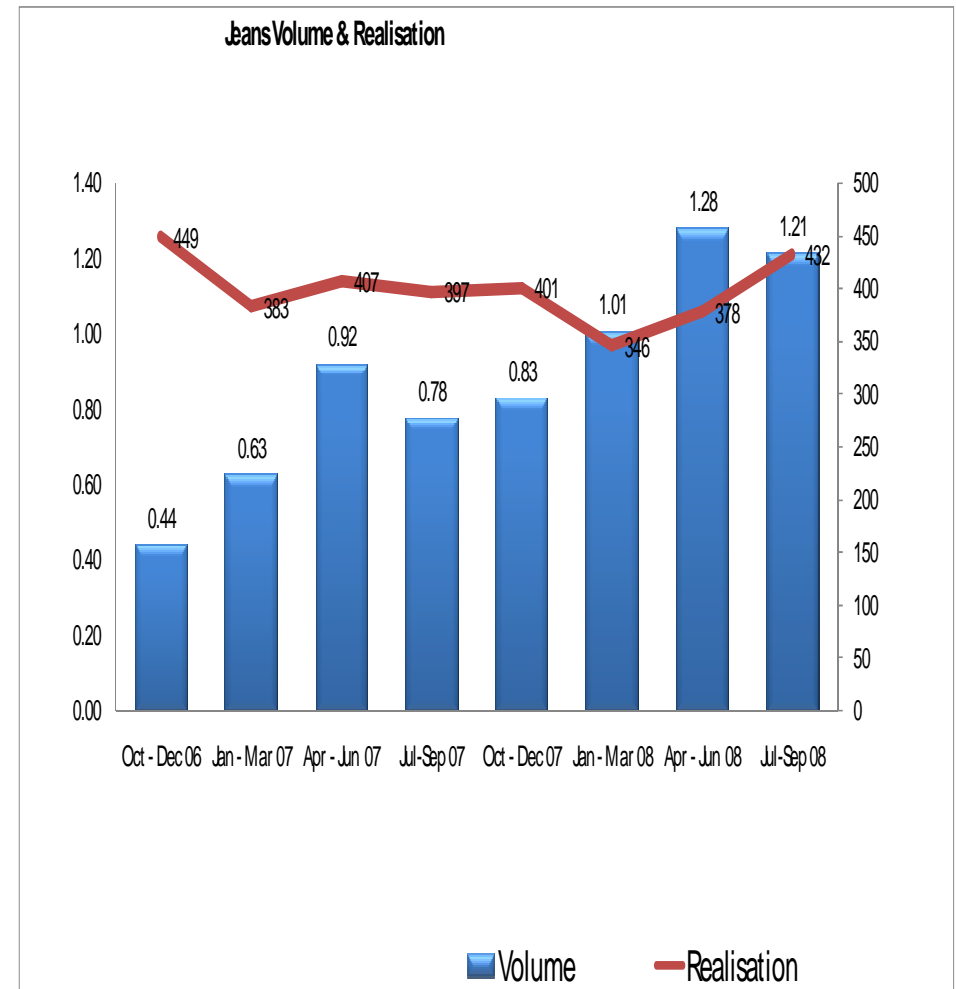
# Shirts

- The business continues to do well in the current quarter and the realization is at historical high in rupee even at the Rs.40 to dollar
- The drop in volume is primarily due to change in product mix and a sluggish July month



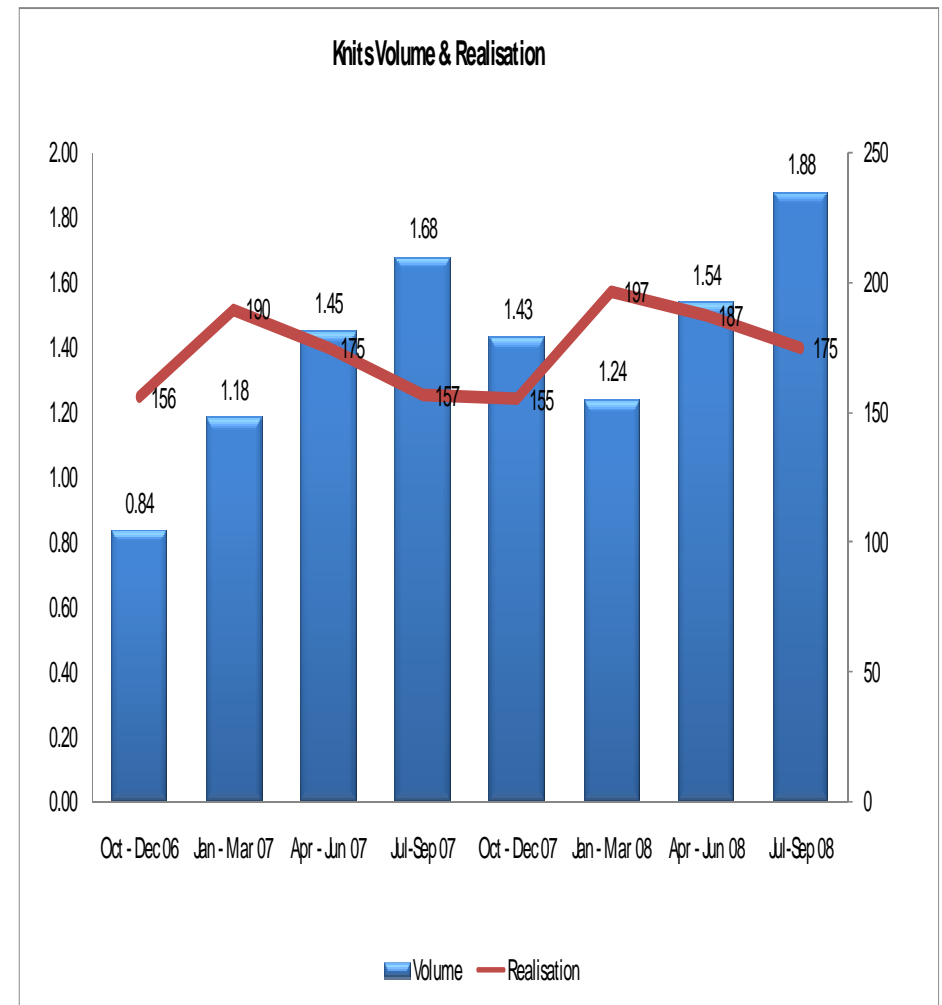
# Jeans

- The average realization continue to improve through the quarter
- The volumes are lower during the quarter due to productivity losses and delay in certain order
- The business continues to be impacted by shortage of manpower



# Knits

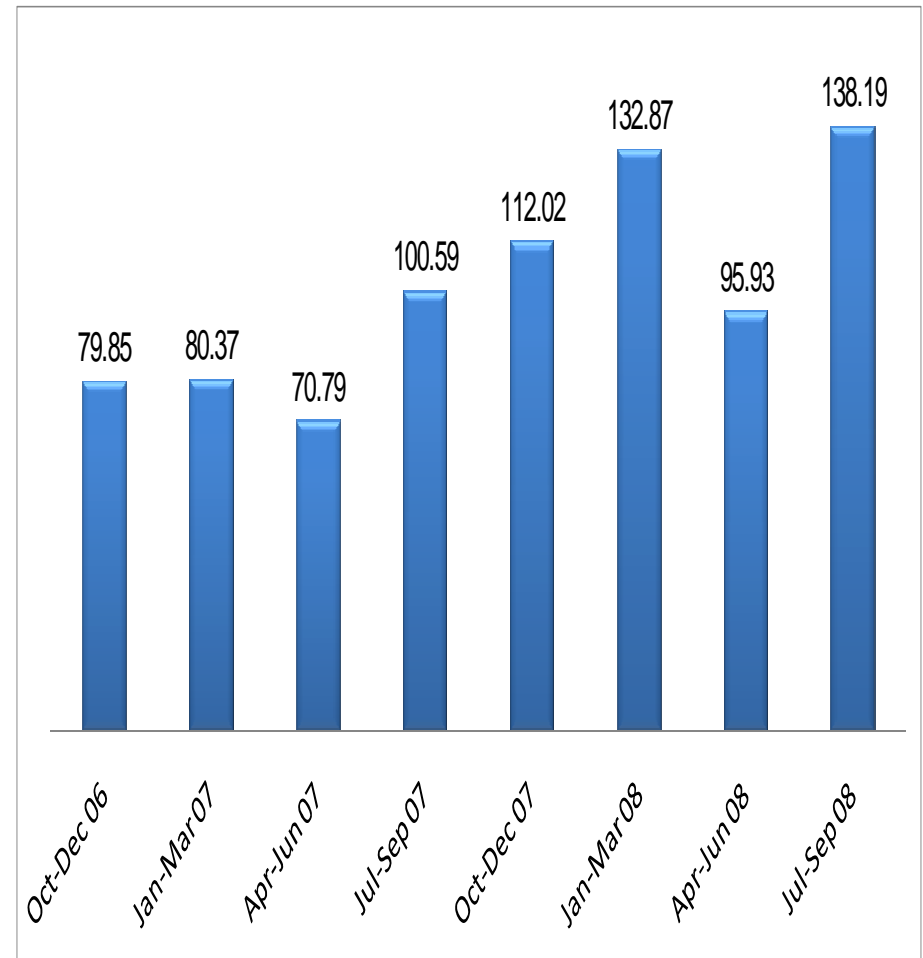
- The new management team at knits is delivering very good results and has brought around tremendous operational improvements
- The order book position is robust and profitable
- Certain structural changes are likely to bring further cost benefits in the business



## Brands & Retail

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- The sales have increased by 37% over corresponding quarter previous financial year
- Two more large format MegaMart were opened in Pune and Bangalore during the quarter
- The first MegaMart 100% private brand showroom was opened
- The first franchisee MegaMart show room was opened
- Decision to convert Excalibur and Newport as private brands of MegaMart was implemented



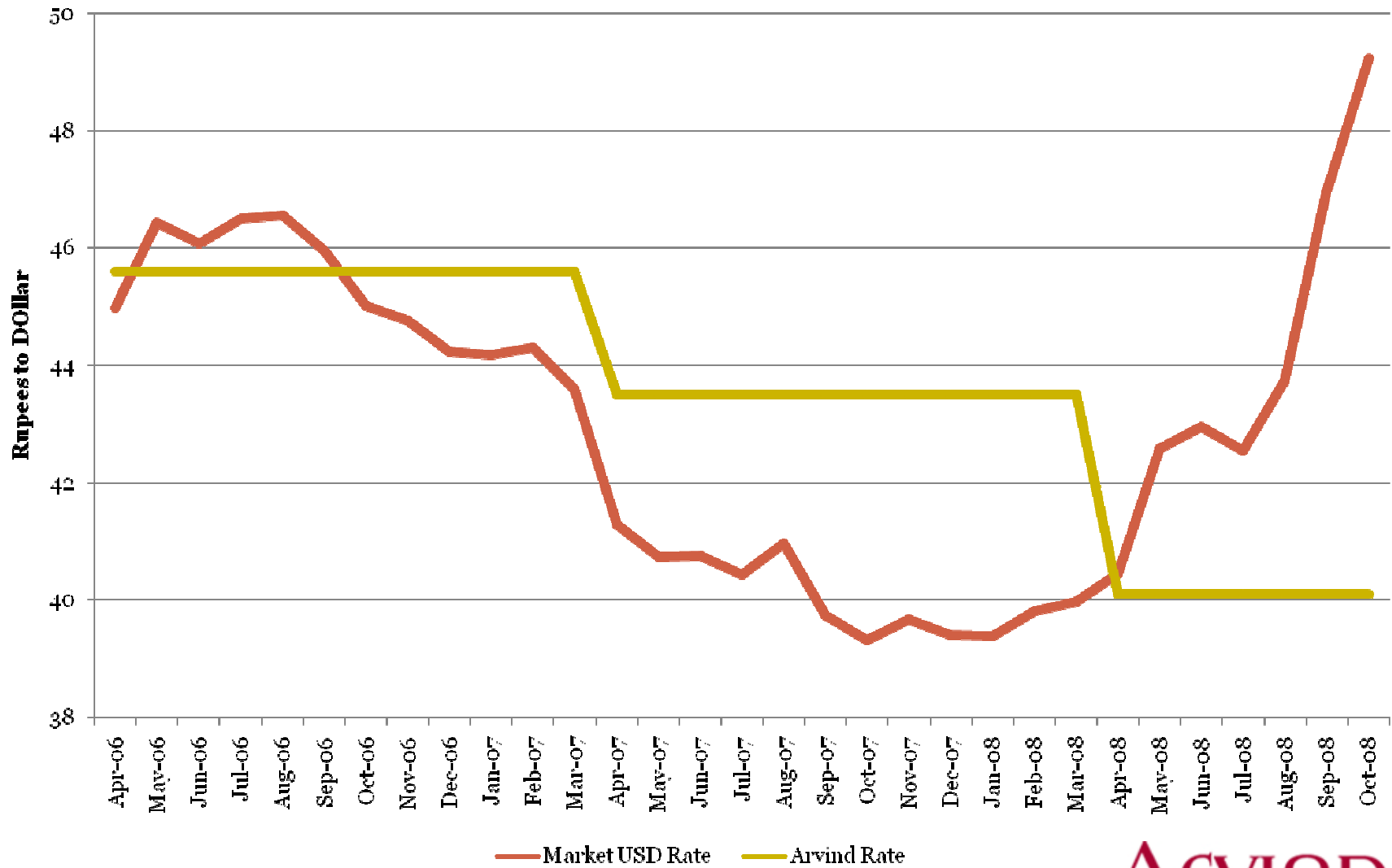
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# Business Environment

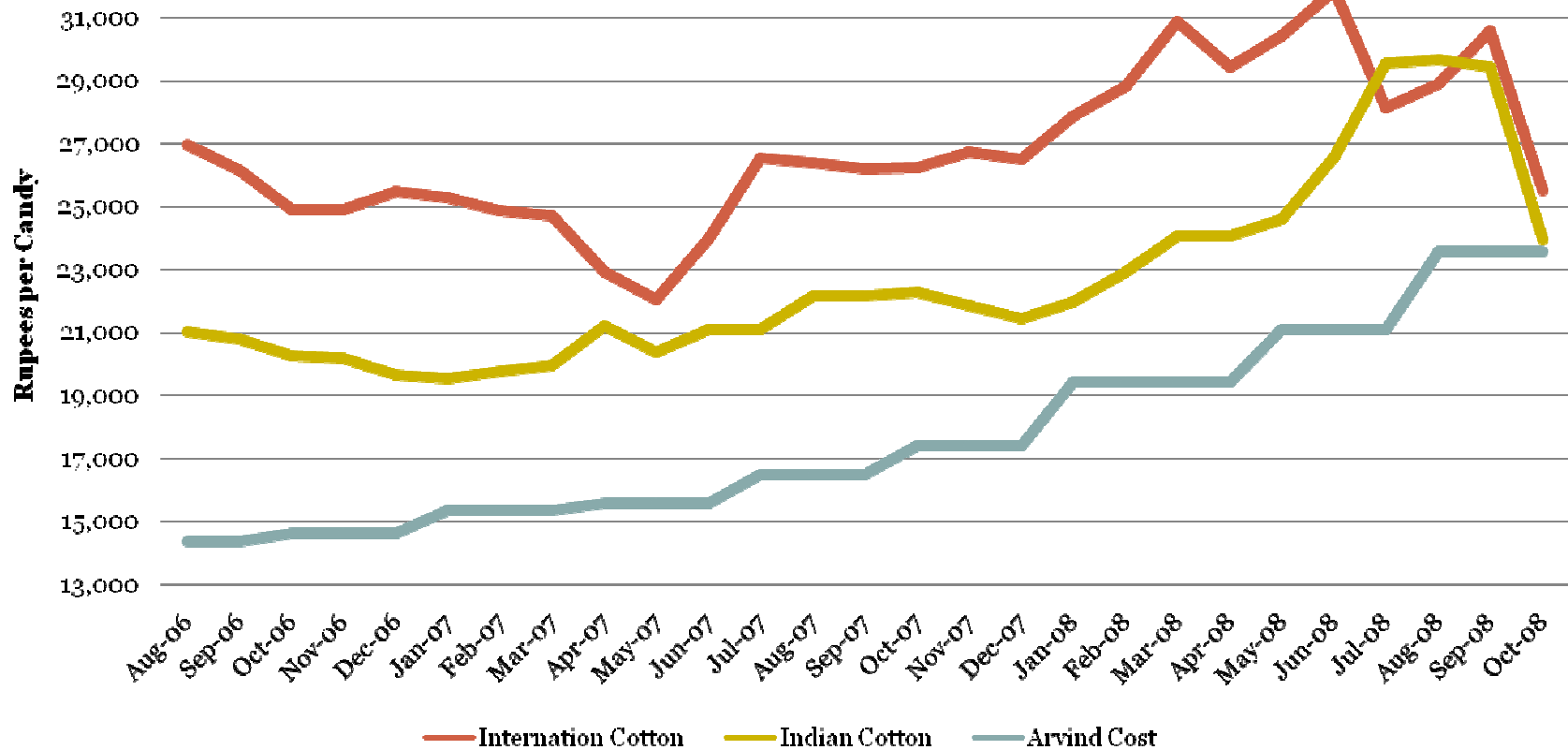
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# Foreign Exchange Hedging



# Cotton Prices

## Cotton Cost Comparison & Movement



## *Cotton Cost*

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- The cotton cost have come off substantial highs and continue to fall during last two weeks of global commodity meltdown
- In absence of purchase support the prices in domestic market are also weakening substantially
- Even though cotton cost for the company would be higher than the previous financial year average , but it will be substantially lower than the original anticipation



## *Energy Cost*

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- Cost of power cost at Naroda is Rs. 5.27 per Kwh and at Santej is Rs.8.35 per Kwh as against previous year average of 4.10 and 4.80 respectively
- Non availability of gas is significantly driving up the cost of steam
- Our efforts to obtain alternative gas is likely to yield positive results and company is hopeful of situation resolving by end of current financial year

# *Brand & Retail Environment*

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- Retail environment was very sluggish during previous quarter and first two months of current quarter
  - Last two weeks have been substantially better and the market is delivering like to like stores growth
- Retailers distress
  - Large inventory pile up with retailers across the country
  - A string of closed and unprofitable stores across the retail segment
- Post Diwali uncertainty
  - In light of global meltdown and domestic slowdown the post Diwali scenario is uncertain
- Real Estate
  - After three years of rapid rise the commercial real estate is under pressure and presenting interesting opportunities

# *Arvind Brand & Retail – Management Response*

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- Retail Sales
  - Management is tracking sales on daily basis and suitably adjusting the short term strategies
  - A structured sourcing plan for ensuring minimum inventory accumulation already put up
  - Primary shipments to MBO's and retailers only on the basis of feedback of secondary sales

# *Global Meltdown and Impact*

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- The current global meltdown could impact fabric and garment sales to customers from US and Europe
- Early signs of uncertainty is forcing buyers to postpone commitments
- Most of the large customers of the company are going through a rough patch
- Response
  - Start aggressively pushing volume business at a price point to create cushion for order fluctuations
  - Restart the commodity market and sharply priced orders
  - End expensive front end engagement in the overseas market
  - Monitor the commercial position on daily basis and limit the global outstanding exposure

# Outlook

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- The company would like to maintain a cautious outlook due to difficult global conditions
  - Even though the cost factors might improve substantially maintaining volumes could be a challenging task
- The company is very confident of growing the Value Apparel retail business under the MegaMart umbrella.
  - in difficult times value retailers do much better business globally and same is seen in the Indian markets too



Thank You

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