



“Arvind Limited Analysts and Investors Call for Post Results
Discussion for Quarter 4 Financial Year 2016 -17”

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**MANAGEMENT: MR. JAYESH SHAH – DIRECTOR & GROUP CFO,
ARVIND LIMITED
MR. J. SURESH – MANAGING DIRECTOR, ARVIND
LIFESTYLE BRANDS LTD**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Conference Call for Analysts and Investors for Post Result Discussion for Q4 Financial Year 2016-2017 Arvind Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankur Arora. Thank you and over to you, sir.

Ankur Arora: Good Evening, everyone. Welcome to the Earning Call of Arvind. Our CFO -- Mr. Jayesh Shah and Mr. Suresh - MD of our Fashion Business also on the call.

I am pleased to share with you the Q4 numbers. Before we share the key numbers, I would like to discuss three key factors that are playing in our macroeconomic environment today and have a significant bearing on our businesses. First thing is Cotton prices. As you might be aware, Cotton prices have been prevailing at 25-30% higher levels than previous year. Second factor is a sharp strengthening of INR against USD. As you are aware that USD is currently running at around Rs.64.5, almost 5-6% appreciation over the last year same time.

Lastly, as we had discussed during our last quarterly call, demonetization had some impact on our domestic businesses, especially on the Fabric business and the MBO channel of our Brand business. Keeping these contexts in mind, all our businesses have done quite well in Q4.

On Textiles front, the revenue growth was over 8%, primarily driven by the 25%-odd growth in Garment revenue. EBITDA, however, was lower by around 10%.

Our Brands and Retail business clocked robust 22% revenue growth. Further, the margins almost doubled to 7.1%. Within the Brands and Retail business, our Power brands continues to show powerful performance with revenue growth of around 21% and margin of around 13% which is up from around 10% in the same period last year, Unlimited had an impressive rate of 29%. Overall, Brand and Retail portfolio had a strong LTL growth of 9.5% for the quarter. Unlimited had LTL growth of 30.2% while Power Brands grew 5.4% on LTL level. On overall basis, Q4 revenue for FY 17 were 10% higher than the previous year and EBITDA margins were down 2% on account of reduced margin in Textiles and lower earnings in a few smaller business as compared to last year. For the full year number, Textiles revenue were up ~10% while margins were maintained at ~16% same as last year. Brand and Retail business delivered market leading growth of 26% with slight improvement in margins.

Our net debt at the year-end was at comfortable level of Rs.2950-odd crores which is around 2.9x EBITDA for the year.

In coming financial year, our overall top line is expected to grow by 12-15%. Our strategy to continue vertical integration in Textiles will get further momentum as we will complete first phase of our investment in Ethiopia and we will be setting up around 12 million garments unit.

Our Textiles segment is expected to grow at around 8%. On the other hand, our Brand and Retail Segment will continue to witness strong growth momentum and is likely to grow at around 22-25%. While our margins for Brand and Retail business will continue to grow - we expect around 150 basis points margin improvement, the margin for Textiles business is likely to remain under pressure primarily due to higher Cotton prices as well as the currency impact.

Finally, one quick point on the GST. While GST will be beneficial to organized players in the medium term, there may be disruptions in the near-term. It is difficult to quantify the impact of GST till the GST rate, revised drawback rates and transition provisions are announced. So we await those provisions to be announced before we can comment on impact of GST on our businesses.

Now, we will be happy to take any questions that you may have. Mr. Shah and Mr. Suresh are also there on the call to take any questions right now.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. We have the first question from the line of Himanshu Nayyar from Systematix. Please go ahead.

Himanshu Nair: Firstly, on the Arvind Internet piece, just wanted to understand like currently, what is the operating cost of that particular business per quarter and what is your outlook, how fast can these losses reduce?

Jayesh Shah: Arvind Internet, we did these investments last year, we expect starting first quarter itself investment should taper off and we believe that what we spend over ten million plus last year, it should be down at least 20-25% this year.

Himanshu Nayyar: That 25% trajectory can continue for the next 2-to-3 years

Jayesh Shah: Yes, we believe so.

Himanshu Nayyar: Sir secondly, in the segmental, if I look at the others business which could I think predominantly be Technical Textiles, there we have seen a sharp decline from Rs.31 crores EBIT profit to Rs.7 crores EBIT loss, so I believe that is the key reason, Rs.35 crores of difference in EBIT there. What is the outlook on this Technical Textiles going forward?

Jayesh Shah: Technical Textiles is not the only part, in fact, Technical Textiles has done better than what it did in the whole of last year sequentially as well as year-on-year; however, the other divisions of businesses which are included in the last year which had done extremely well in the last year, like there were two businesses -- One is our Engineering business and another is our Water Treatment business that we do under the brand Arvind Envisol, it is 100% sub. There was a very large order which got executed in the Q4 of '15-16 which has not been replicated in this quarter; as a result, you see a very large difference between the two in other segment. As far as coming

to AMD which is our Technical Textiles Business, that business because it is currently scattered among textiles as well as other segment, overall, that business is growing at a pace of about 25%, and all the businesses that it is in have started generating positive returns and we believe that it will be in a closer to Textiles margins over a period of one year.

Himanshu Nayyar: Then on the Fashion business, the Branded Apparel piece, just wanted to understand the strategy there, given that we have I think close to 13, 14 brands now, what would be the focus brands for us, whether we are looking to phase out any more brands or looking to further add any more brand or the focus is basically to keep investing behind the brands which are doing well currently from a medium-term perspective?

Jayesh Shah: I think if you look at what we have been doing over last one, one and a half years, and as we have stated in several of our earlier conversation, we are in a phase of consolidation, our strategy to have a portfolio of brands to gain a quick size and scale as what as you know most of the competitors would not be growing at a very healthy 20-25%. So that has helped us. What we sacrificed for short term was the profitability and our current approach is to consolidate for next one year at least if not longer and bring the margins and the returns to what they could be at a significantly higher level. We believe that this year is a year of inflection in profitability and return on capital employed, and that is what we are focused on.

Himanshu Nayyar: But no immediate plans to phase out any brands which are not doing well, sir?

Jayesh Shah: Of course, there could be always relook at some point in time in different context, but all the brands that we have invested in and that we are continuing with it, we believe that they are strategic and each one of them can become fairly large over a period of time.

Moderator: We have the next question from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: First question is specifically on that. We have obviously seen specifically in this quarter, a lot of the other brands have seen higher discounting and the end of season sale has been extended. But for us, we have seen sharp improvement in our growth as well as the margins whether I look at it sequentially or on a YoY basis. So just if you could elaborate more on it, is these specific brands that have led to this or any other reason that you can clarify?

J Suresh: In terms of the portfolio which we have built, we have built the portfolio pretty consciously, there was a set of brands which are "Power Brands" and there are a set of brands which are "Emerging Brands" and then we have "Specialty Retail." That is how we split our portfolio and each have got certain role to play. Today, our entire performance is dominated by Power Brands which continue to deliver good growth because of our efforts in terms of expanding distribution and category with good set of financials in terms of EBITDA as well as RoCE. Then there is Emerging Brands which we have been investing over the years. So now I think they have started delivering not only growth which used to be the case earlier but also with improved profitability. That is the one reason why you are seeing that because in Power Brands we have always delivered

very good profitability but it used to be taken away by some of these Emerging Brands. So that I think is now becoming lesser and lesser. In fact, we have now reached EBITDA breakeven with this Emerging Brands. So that is one reason why our profitability is now going up. The third one is “Unlimited” which is now reinvented and relaunched version of earlier Mega Mart, is now showing much improved performance and then that negative, while it is still not positive but we are moving towards positive, reduced negative will again further improving our margin. The fourth bid, Specialty Retail which is GAP, TCP and Sephora, which is what we launched last year, they of course continue to impact our profits but some of them for example, Sephora is already turning profitable at operating profit stage. So that is one of the reasons why the negative impact of Emerging Brands and Specialty Retail is coming down, more the Emerging Brands. Next you will see, more the Specialty Retail negative impact comes down, our profitability will further go up. So that is the reason why our profitability is increasing, and of course, there is operating leverage which is also happening because last year, we were Rs.2200 crores company, now we have become Rs.3000 crores company. So I think that is also another reason why our profitability is going up.

Nihal Jham: Just on the Specialty Retail, have EBITDA margin improved on a YoY basis or more importantly QoQ basis and what is the approximate level it would be at this point?

Jayesh Shah: We may not be able to gauge the exact margin but yes, to answer your question, these brands have been by now based on the revenue they are generating, they should have been in significant profit zone by now because each one of them have significantly scaled up already. However, because of the MRP-based CVD which was imposed at 7.5%, the gross margin got challenged last year and as a result, one is recalibrating the plans to indigenize faster and all of that is in work. So as a result, it is taking time more than about a year, more than what we thought it would breakeven but we are on course to make money at the exit of this financial year.

Nihal Jham: One last question on the Textiles side. If I look at Cotton prices, QoQ, they stay stable at around Rs.120/Kg but still I see that margins have fallen. So what explains this?

Jayesh Shah: If you look at the Cotton prices, they have actually increased by 15% for us in Q4. If you look at raw materials-to-sales ratio of the standalone company which largely is Textiles, you will find that the raw materials cost to sales have changed by 4% and that is the key reason why our margins are under pressure in Q4. I think you should understand that when the Cotton prices shoots up suddenly and you would have future contract done, there is hardly anything you can do to tweak your product mix or margins in a very short period of 3 to 4-months. However, going forward, we believe that some part if not all will get recouped and we believe that compared to what you saw in Q4, financial year '17-18 should have at least the recovery of 100 basis points, if not more.

Nihal Jham: I was just looking at our average price that the one we give out in the presentation, so that was stable at Rs.120. So that was my confusion on the margins?

- Jayesh Shah:** No, no, it is increased.
- Nihal Jham:** What else the kind of margins we are looking at in the Textiles segment for the coming year?
- Jayesh Shah:** As I said, we do not specifically have margin guidance. However, definitely margins will be lower not so much because of Cotton as much as because of the currency because the currency is specific to India and not global issue. So you will see kind of loss of margin unless currency changes again. However, we see from today from where we were in Q4, at least 100 basis points improvement.
- Moderator:** We have the next question from the line of Chirag Lodhia from ValueQuest. Please go ahead.
- Chirag Lodhia:** Can you help me understand this Mega Mart full year revenue and EBITDA margin?
- Jayesh Shah:** Again, as I said, specific brand based margins, we are not disclosing as a matter of policy. However, that business is after actually absolute reduction in the revenue for last two years has now climbed up by about close to 25% and it is still at a close to breakeven as we exit the year. We are looking at making money in the coming financial year and we are looking at a significant growth in the top line as we now open more and more stores after having restructured the business.
- Chirag Lodhia:** If you can throw some qualitative comments on our Specialty Retail portfolio in terms of store additions, where are we as per our earlier plan?
- J Suresh:** There are three brands which are now termed as Specialty Retail. On Sephora, I think we are doing much ahead of plan, doing quite well, both in terms of top and bottom line, I think it is an increasing trend and we see that contributing much more than what we had originally planned when we took over the business. We had expanded quite well in year one on GAP and TCP. We have some challenge in terms of the cost model because of the CVD introduction in the last budget which is now getting corrected through domestic production. Now with margin model getting improved, we will again get back to rapid expansion in these two brands going forward. So Sephora outstanding performance, GAP and TCP great start, little bit we have to slow down because of the CVD and the impact it had on the margin, but going forward I think there is a huge opportunity in there.
- Chirag Lodhia:** Lastly, in our standalone business, others revenue breakup if you can help me broadly?
- Jayesh Shah:** In standalone, large part of that comes from our Technical Textiles. Some of our businesses which are in the infancy stage such as we had Arvind Footwear business, that is part of that and the other smaller businesses are some of the whatever construction projects are going on as a part, though it is a separate company, there is a small bit of division there. So these are some of the businesses which are as a standalone, still a part of others.

Chirag Lodhia: What has led to increase in losses in this part of the business because Rs.94 crores EBIT loss versus Rs.26 crores where majority of is Technical Textiles, and as you mentioned Technical Textiles is doing well, there is some disconnect here, I am not able to get full year standalone top line of others is Rs.283 crores Vs EBIT loss of Rs.94 crores?

Jayesh Shah: That is what I was trying to say that because these businesses are segmented not basis the legal entity. So there would be for example certain projects which get done at Arvind Limited; however, a subsidiary can also be doing part of it. So when you look at combined you will not find this issue because one segment of the business can get done as a company as well as in a subsidiary and as a result the best thing to see the segments would be not standalone but see it on a consolidated basis. If you look at Q4, consolidated basis, one of the big projects that we did in the Q3 and Q4 in the last year where we made almost like Rs.35-40 crores of earnings did not exist in the current year and that is the reason why you see a big swing between the two years as far as others is concerned. Apart from that, there were the pre-operative investments in the new footwear business that we had done.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique Investment. Please go ahead.

Sunil Kothari: Jayesh sir, can you little bit talk on this segment of Technical Textiles? I think in last analyst meet Mr. Lalbhai was very positive over the next 3-5-year period for Technical Textiles segment. So how that is developing and what is our plans, your thought process?

Jayesh Shah: We continue to remain as bullish as we were. The current goal post is to touch Rs.1,000 turnover in next 1-1.5-years and I think we are on course. Mind you, this business is currently divided between Textiles, we are not segmenting it clearly, because it is a nascent business, maybe a year, year-and-a-half down the line we will completely put a separate segment in it. The business has grown by 30%-odd this financial year. Very profitable and very strategic and we have got some of the best collaborations and joint venture partners and we are investing in people and technology that would allow us to make this business fairly large over a period of time.

Moderator: Thank you. The next question is from the line of Anand Krishnan from Kotak Infina. Please go ahead.

Anand Krishnan: Just wanted to understand as to what sort of your Textiles revenue is actually hedged? Second was any change for you with respect to US business post Trump?

Jayesh Shah: To take the second question first, there is no impact on account of any such either Mr. Trump coming as a president or otherwise. Our US business is strong; it is growing at about 7-8% annually for us for last two years and it looks like it will continue to grow even this year. As far as hedging is concerned, it is a dynamic hedging we do and we look at part of the one year dollars revenue always hedge and that depending upon the market conditions, anything around between 30% and 50% remains hedged all the time for a period of 12-months.

- Anand Krishnan:** When you actually spoke about the Technical Textiles business, what is the current size of it and what are the margins that you are currently making on it?
- Jayesh Shah:** We are not giving the margins for Technical Textiles. It is in vicinity of about Rs.700 crores now.
- Moderator:** Thank you. The next question is from the line of Purna Jhunjhunwala from B&K Securities. Please go ahead.
- P Jhunjhunwala:** Sir, I would like to understand how are you going to manage the inventory portion of Textiles business with such a large pressure on prices, strategy on the raw material costing?
- Jayesh Shah:** In India, the traded cotton on the exchange is not very active counter. So you cannot really hedge because there is no way to come out of those hedges because the market is not that deep. However, between India and internationally, we take whatever RBI approved options are available to hedge our commodity risk and which we do constantly. If you look at the prices, there have been a secular upward movement till March and part of April. Only last 10-days there have been a little bit of softness. We believe that fundamentally this Cotton should not be as bullish as it is speculatively today and because the demand/supply and the opening and closing balance suggest that the prices are a little elevated levels and as a result we are not looking at buying a lot of cotton at the current price.
- P Jhunjhunwala:** Sir, currently what is your inventory policy as compared to what you were doing last year?
- Jayesh Shah:** Nothing much different than last year.
- P Jhunjhunwala:** So if you were holding around 6-months inventory last year at the end of the year, today also you are holding around that much of requirement?
- Jayesh Shah:** Actually, last year also we did not hold more than two months and current year also it will be around the same number.
- P Jhunjhunwala:** My next question would be on the performance of JV businesses. How is the performance of those businesses in the current year and how would you comment it....
- Jayesh Shah:** Two out of about five joint ventures are in the field of Technical Textiles, they are doing extremely well. One business is in the Garment manufacturing. That business suffered a little bit, it is a suit manufacturing company, suffered a bit because most of its sales were directed to UK which because of the pound there was a challenge there on margin. We switched over to US in that business now, but the damage has been done last year. As far as the joint venture in our Branded Garment, Tommy & Hilfiger and Calvin Klein are concerned, they have done extremely well this financial year.

- P Jhunjunwala:** So you mean to say that the primary decline in the bottom line of joint venture company is because of the business in the UK and not because of branded apparel, I was talking about the bottom line?
- Jayesh Shah:** Bottom line is primarily because of our suit manufacturing.
- P Jhunjunwala:** Could you please guide us on what would be the CAPEX on Textiles and Branded Apparel business and other businesses?
- Jayesh Shah:** Overall, we would be investing close to Rs.100 crores in Ethiopia to set up garment manufacturing plants, it is a phase-1, and it is getting over this financial year. We would be investing close to Rs.200-odd crores in Textiles and Garments in India and we will be investing about Rs.175-crores in our Branded Apparel business.
- Moderator:** Thank you. The next question is from the line of Niket Shah from Motilal Oswal Securities Limited. Please go ahead.
- Niket Shah:** Jayesh bhai, just wanted to know around 40% of our Textiles revenue is exports approximately. How much of this would be hedged, so what is the hedge book looking like, are we 100% hedged?
- Jayesh Shah:** As a policy, we do about between 30% and 50% hedge every year.
- Niket Shah:** So around 50% to 70% will be open approximately from a fluctuation perspective?
- Jayesh Shah:** That is correct.
- Niket Shah:** The second thing just wanted to know, on the taxation part of it, within Brands and Retail, what would be the excise, VAT everything that we would be paying in, if you can just give us that idea so that we can get to know that in GST how the things will really change?
- Jayesh Shah:** In GST, there is one immediate transition related rate and there is one which is a medium term rate, so let me explain to you both. So when you look at the current draft rules say that when you transition from current regime to the GST taxation system, on the opening inventory they would give a set off against the GST in future of VAT as well as excise duty. However, they will not give you set off of service tax or CST.
- Niket Shah:** Which is the input credit which was supposed to be availed in GST, is that right?
- Jayesh Shah:** When you look at post transition situation, so let us say next year or say six months or nine months down the line, you will be paying from current taxes there is an excise of say about 1.2-1.5% on MRP, there is a VAT of about 5.5%, there are some other taxes of about another 0.5. So overall you have about 7% or thereabout as the taxes which are available in transition and available post transition for a set off. On top of it, at a later point, service taxes that you pay, the

CST that we are paying now, all of that will also come. So above 10% would get set off. But in the transition period, you may not get the full set off.

Nikit Shah: Similarly, for Textiles, how will that because Textiles is virtually nothing that we pay today, right in terms of excise and everything?

Jayesh Shah: Yes, Textiles is between 2% and 3%.

Nikit Shah: So if GST rates are coming at a higher rate of say 18% hypothetically, and with cotton price increasing, both of these pressures will be next to impossible to pass entire of them this year, is that the right way to look at it?

Jayesh Shah: So let us talk about Textiles if you are asking. So in Textiles, 90% of our sales are B2B sales which means that a customer who is buying he is going to get a full set off of what he pays. So it does not really matter what the tax rate is.

Nikit Shah: This currency impact, will it largely come in the next year because if I look at this year number we still had some Forex gain in this quarter as well or is there something in other expenditure?

Jayesh Shah: Do not look at that Forex gain, it is more accounting but overall this financial year the currency movement happened only for 15-days. However, there was a little bit impact on mark-to-market of our receivables which come from the balance sheet date. So this quarter financial impact on account of dollar is not a big thing, it was only cotton which sharply rose in Feb and March. Next year the impact of dollar will be felt more, cotton will be felt less for a simple reason that some of the pricing will get adjusted.

Nikit Shah: On the Brand and Retail part of it, if you can just give me some numbers on Brand, the entire total brand sales, what has been the SSSG growth, I presume you have given it for Power brands but you have not given it for the entire brand portfolio, that number if you can give? Which is the largest channel of growth within Brand and Retail in this quarter – was the key counters that you mentioned or there is something else?

J Suresh: 5% is the growth on Branded business and Power brands we have 5.4% and in Unlimited we have 27% LTL growth. So we ended the year with around 9.4% LTL sales growth across all the businesses. So that is the LTL sales growth. To your other question, we get a very good growth from key account counters but having said that we are also growing quite well in other channels like eCommerce and MBO channel as well as our own stores.

Nikit Shah: So which has been the fastest growing channel this year for us?

Jayesh Shah: eCommerce is the fastest growing but on a smaller base.

Nikit Shah: Jayesh bhai, if you look at next year coming to '18 while you have CAPEX target of almost Rs.500-odd crores and with working capital increasing because of cotton price increase, is there

a possibility that you will be neutral on free cash flow or you think we will be negative on free cash flow?

Jayesh Shah: Plus/minus Rs.100 crores neutral.

Moderator: Thank you. The next question is from the line of Dimple Kotak from SKS Capital. Please go ahead.

Dimple Kotak: My question is like in the 'Presentation' it is mentioned that margins will be under pressure though we are seeing expansion in Brand and Retail. So overall for the next two quarters will the margins be similar to Q4 on a blended basis?

Jayesh Shah: We do not forecast quarterly because we have a business of Brand and Retail which is quite seasonal and Q1 being a very low season as a result low revenue and reasonably low percentage of margin. So it will fluctuate quarter-to-quarter not because of cotton, anything else but it is the seasonality that is fluctuating. But if I were to talk about the whole year, we expect a sharp improvement in Brand and Retail. Come to Q4 and improvements in Textiles, for the year reduction in Textiles margin which was 15.8%. So for the year you could expect plus/minus a few points similar margin that we have as a whole of this year.

Dimple Kotak: Sir, any debt repayment for the year?

Jayesh Shah: We have debt repayment which we manage as active treasury but on overall basis we do not see debt changing more than Rs.100 crores or either way is what I just said.

Dimple Kotak: So what you would be comfortable with debt-equity ratio?

Jayesh Shah: We are at a very comfortable level of debt-equity at 0.8; however, the earning-to-debt ratio has come below 3 and our stated objective is to take it to 2.5.

Dimple Kotak: If you can just share the outlook for the Cotton prices going ahead, as the papers are reporting that the acreages increased, the yields have become better, by 15% the acreages increased, the produced increased?

Jayesh Shah: If you look at fundamental for Cotton, the Cotton prices should be much lower than what they are today. But based on speculative activities that have undergone into that, prices have been at a much higher level. We do not believe that this is a sustainable level of Cotton prices.

Dimple Kotak: If you can just lastly give us an update on Ethiopia?

Jayesh Shah: The first plant that we had bought and invested in has gone into commercial production in Q4 and we expect to make a larger shipments starting July 1, almost by October we should be at full levels of production, it is about 6 million garments annual capacity. Another 8-10 million

garments is being as we started implementing that project, it is a cost of about close to Rs.100 crores, and we should be completing that in the month of October.

Dimple Kotak: How much will this add ballpark to your top line by the end of this year?

Jayesh Shah: End of this year it will be very small because it is going to be in phases, but if you were to look at our Garments business we should grow at 20% on top line for the year including from India.

Dimple Kotak: How are you funding the CAPEX which are going to do the entire Rs.500 crores approx.?

Jayesh Shah: As I said, we are not looking at a significant change in the borrowing. So it will all be from accruals.

Moderator: Thank you. The next question is from the line of Kashyap Pujara from Axis Capital. Please go ahead.

Kashyap Pujara: Jayesh bhai, just a couple of questions; first, if I look at your standalone EBITDA, while it looks depressed, but actually the Textiles EBITDA is definitely looking like around Rs.900 crores and the reason for the hit is mainly because we are expensing the Arvind Internet cost not capitalizing it, and you have the cost of others which is also showing up negatively, but when I look at others as a consol level I am seeing a remarkable improvement on YoY basis where the loss figure while it is still showing up at Rs.16 crores, but the difference is actually growth in top line from Rs.360 crores from others to Rs.410 and even the PBIT has gone up from Rs.57 crores to Rs.77 crores. So could you actually give some light as to what this others which is actually showing up better where both top line margins both are improving at that point, so should I actually peg it as Technical Textiles or what should I look at it as?

Jayesh Shah: As I said, Technical Textiles is one of the key portions of our other category or segment. The other businesses which are at a nascent stage which are relatively very small which form part of that segment are two – One is our engineering company which we hold about 93%. That company is growing at 25% revenue, this year was close to Rs.160 crores and a EBIT margin of over 25%. The other business which have got done much better in the previous year because we had a very large Water Treatment projects that we did is our zero discharge patented technology which we do on EPC basis. That is a business which is growing pretty well. We expect that company's turnover to touch about a couple of hundred crores over a period of time and it is a very profitable business because we have our own technology and it is something which we believe has a very strong future, we are in the process of formalizing the business plan there but it is a very large opportunity as a field and we are doing it not only in India but overseas as well.

Kashyap Pujara: So apart from these non-core supposedly businesses which are doing up well, on the Technical Textiles front, for us to what is the sense because would that be the key contributor to losses at the others in the standalone category at the moment?

- Jayesh Shah:** No, I was telling, Kashyap, that because in each of the segments we do something in the company and then we have a joint venture which is a separate company and when you consolidate the segment looks better than what you look at it individual as a company. So I recommended to another gentleman who asked me the question that it is better to see consolidated segment rather than individual company because the segmental profit or loss or revenue will be best reflected when you look at it as a segment rather than a legal entity.
- Kashyap Pujara:** But would you be able to share what the Technical Textiles top line and EBITDA would be for this year?
- Jayesh Shah:** Not so much in detail, I am sorry, is the policy we have taken but it has grown by over 25%, it is going to be close to Rs.700 crores business sometime in this year and we believe that in the next 1, 1.5-years, the plan to make it Rs.1,000 crores with decent margin is we are on core.
- Kashyap Pujara:** On the volume side, would you be able to elaborate what would be the volume in terms of million meters in what we sold say Fabric which is like say across Wovens and Denim?
- Jayesh Shah:** It is there on Slide #17 you will be able to see.
- Moderator:** Thank you. The next question is from the line of Vaibhav Goel from SBI Life Insurance. Please go ahead.
- Vaibhav Goel:** Sir, on the Brand and Retail part, we have seen margin improvement. So it is driven by OPEX reduction leverage or is it the gross margin expansion which has come from?
- J Suresh:** As I was mentioning earlier also that we had always good financials on Power brands that gets impacted by negative of Emerging Brands and Specialty Retail. But now with the volumes of Emerging Brands going up, the negative impact of the Emerging Brands is now coming down, in fact, in last quarter they also reached breakeven, so that actually improves the overall margin. We are also having a similar trend in Specialty Retail of the three, Sephora is already in the positive territory. So the combination of these two, the reduction in negative impact of the new Emerging Brands and Specialty Retail is improving to help margin and of course from Rs.2000 crores company when we move to Rs.3000 crores company there is certain operations leverage which are kicking in.
- Vaibhav Goel:** So primarily it would be driven by operational efficiencies rather than gross margins, gross margins would be in similar range?
- Jayesh Shah:** Gross margin we have improved marginally, we already have healthy gross margin, so that is not the concern.
- Vaibhav Goel:** On this Unlimited brand, now we are seeing consistent 27-28% kind of SSG number. Can you throw some more light on it and probably some more scope, how far it can reach and probably how long it will take to reach stability?

- J Suresh:** We have been a bit careful in our Unlimited expansion because we want to watch it on improving performance before we sort of invest and expand. So as you rightly said, I think we have been now seeing consistent improvement in all the metrics including LTL. So now we are very confident about the model because we have seen a gross margin expansion, we have seen a category mix changing from men oriented to family. So now I think we are quite well placed in terms of expanding this concept and growing it fast and also growing it with profits.
- Vaibhav Goel:** In the Textiles part, whether the contracts remain for two months or the commodity hedges are required for how much period so that there is risk of earning pressure?
- Ankur Arora:** On commodity hedge, we try hedging on international exchanges as much as possible, but as Mr. Shah was explaining, in domestic market the liquidity in the exchange is not very high, so you cannot really hedge too much. Inventory level is maintained around two months level, that is the standard level we have been maintaining.
- Moderator:** Thank you. Ladies and gentlemen due to time constraints, that was our last question. I would now like to hand the conference over to Mr. Ankur Arora for closing comments. Thank you and over to you sir.
- Ankur Arora:** Thanks a lot everyone for joining on the concall. We look forward to interacting with you guys again through the quarter.
- Moderator:** Thank you very much members of the management. Ladies and gentlemen, on behalf of Arvind Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.