

ARVIND FASHIONS LIMITED

A MEMBER OF THE LALBHAI GROUP

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Website: www.arvindfashions.com

May 30, 2023

To,
BSE Limited
Listing Dept. / Dept. of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

Security Code : 542484
Security ID : ARVINDFASN

To,
National Stock Exchange of India Ltd.
Listing Dept., Exchange Plaza, 5th Floor
Plot No. C/1, G. Block
Bandra-Kurla Complex
Bandra (E)
Mumbai - 400 051

Symbol : ARVINDFASN

Dear Sir/Madam,

Sub: Investor Presentation on audited financial results for the fourth quarter and financial year ended on 31st March 2023

Ref.: Regulations 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulations 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith Investor Presentation issued by the Company in respect of audited financial results for the quarter and financial year ended on 31st March 2023.

You are requested to take the same on records.

Thanking you,

Yours faithfully,

For Arvind Fashions Limited

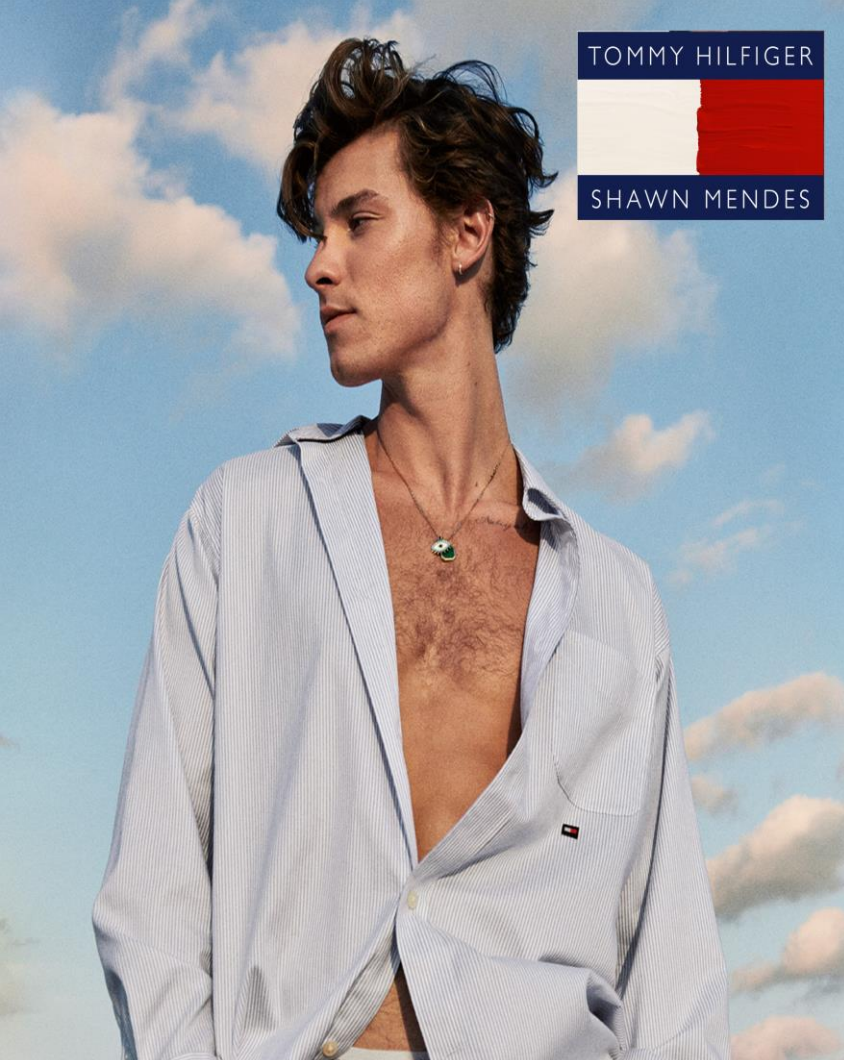
Lipi Jha
Company Secretary

Encl: As above.

Arvind FASHIONS

Regd Office: Main Building, Arvind Limited Premises, Naroda Road, Ahmedabad – 380 025.

CIN: L52399GJ2016PLC085595



Q4 FY23 RESULTS PRESENTATION

ARVIND FASHIONS

May | 2023

DISCLAIMER

This document by Arvind Fashions Limited ('the Company') contains forward-looking statements that represent our beliefs, projections and predictions about future events or our future performance. These forward-looking statements are necessarily subjective and involve known and unknown risks, uncertainties and other important factors that could cause our actual results performance to differ materially from any future results or performance described in or implied by such statements. The forward-looking statements contained herein include statements about the Company's business prospects, its ability to attract customers, its expectation for revenue generation and its outlook. These statements are subject to the general risks inherent in the Company's business. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, the Company's business and operations involve numerous risks and uncertainties, many of which are beyond the control of the Company, which could result in the Company's expectations not being realized or otherwise materially affect the financial condition, results of operations and cash flows of the Company. The forward-looking statements are made only as of the date hereof, and the Company does not undertake any obligation to (and expressly disclaims any obligation to) update any forward-looking statements to reflect events or circumstances after the date such statements were made, or to reflect the occurrence of unanticipated events.

AGENDA



01

Q4 & FY23 Performance Highlights



02

Q4 & FY23 Results



03

Way Forward

Q4 FY23 PERFORMANCE HIGHLIGHTS

MARKET & ECONOMY UPDATE



Delayed onset of winter this year helped drive demand of winter wear at attractive sell-thru's in Jan'23

Premiumization across brands emerges as a key differentiator

Expansion across adjacent categories continues to be an attractive growth lever

Retail consumption and discretionary demand continue to remain soft post festive season

FY23 TARGETS & OBJECTIVES - WHAT WE HAD SET FOR OURSELVES AT THE START OF YEAR

	Targets	Achievement
Sales & Profitability	<ul style="list-style-type: none"> • Amongst industry leading growth rates (over FY22) • Expansion in operating margins with significant growth in PAT 	<ul style="list-style-type: none"> • Added 1,350+ Crs in sales; 45% growth Y-o-Y • ~400 Crs swing in EBITDA (FY21-23); margin expansion of 330 bps in FY23 & multi-fold growth in PAT
Omni-channel business model	<ul style="list-style-type: none"> • Build scalable omni-channel model with higher contribution of direct-to-consumer (D2C - NNNOW + Marketplace) helping drive higher customer loyalty 	<ul style="list-style-type: none"> • Grew own direct-to-consumer business by 30%+ with ~35% contribution of online channel
Deeper penetration and store expansion	<ul style="list-style-type: none"> • Acceleration in store network expansion by opening ~200 stores 	<ul style="list-style-type: none"> • Opened ~180 stores and continued momentum around franchisee led expansion
Inventory	<ul style="list-style-type: none"> • Further improvement in inventory turns to >4x 	<ul style="list-style-type: none"> • Inventory days lower by 10 days resulting in turns of >4x; added just ~165 Crs inventory vs 1,350+ Crs sales addition
Working capital & Balance sheet	<ul style="list-style-type: none"> • Efficient working capital management leading to free cash flow generation • De-leveraging to continue 	<ul style="list-style-type: none"> • Lowest debtor days & better inventory mgt. resulted in GWC lower by 22 days (Y-o-Y) • Net debt at similar levels (Y-o-Y)
Return on capital employed (ROCE)	<ul style="list-style-type: none"> • Significant improvement in ROCE profile 	<ul style="list-style-type: none"> • ROCE of ~14% (Q4 annualized; vs negative in FY22)



Q4 FY23 BUSINESS HIGHLIGHTS



QUARTERLY SALES

24% sales growth Y-o-Y

Retail LTL of 17%; led by sharp rigour on retail operations & good EOSS



POWER BRANDS

Continued **Double digit** EBITDA margins trajectory for USPA & Tommy Hilfiger

USPA continued **domination** in casual lifestyle category; significant momentum in journey towards 2,000+ Crs NSV

Strong improvement in EBITDA margins by **120 bps** (Y-o-Y)



CHANNEL-WISE PERFORMANCE

25%+ growth in retail channel Y-o-Y

60%+ and 50%+ growth Y-o-Y in department stores & MBO channel respectively

~15% revenue mix from Online; 75% growth in direct-to-consumer business (marketplace + NNNow)



GROWTH DRIVERS

50%+ growth in footwear and ~25% growth in kids wear business (Y-o-Y)

Footwear business demonstrating strong growth momentum with its leadership; delivering attractive margin profile



EBITDA

47% growth in EBITDA to ₹ 138 crores (Y-o-Y)

EBITDA margins higher by **190 bps** led by gross margins and operating leverage (Y-o-Y)



WORKING CAPITAL

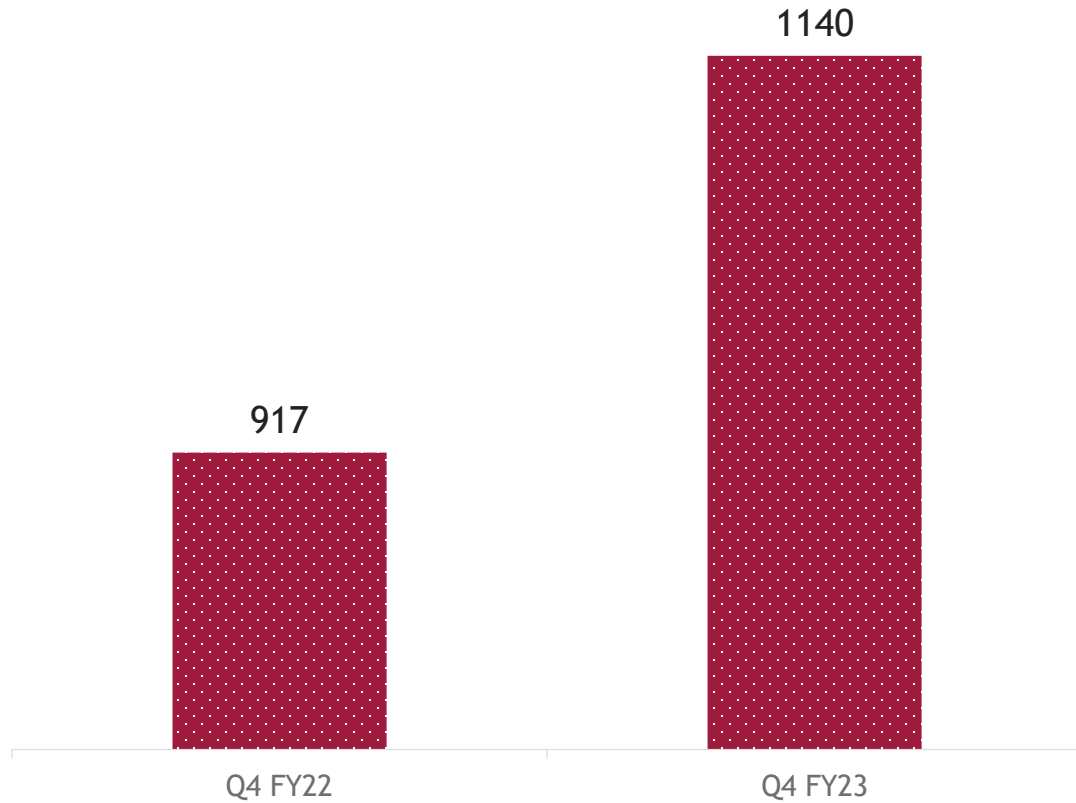
22 days improvement in gross working capital (GWC)

Higher **cash flow generation** on account of stable net working capital position

AFL POSTED ANOTHER QUARTER OF STRONG PERFORMANCE

Sales

(₹ in crores)

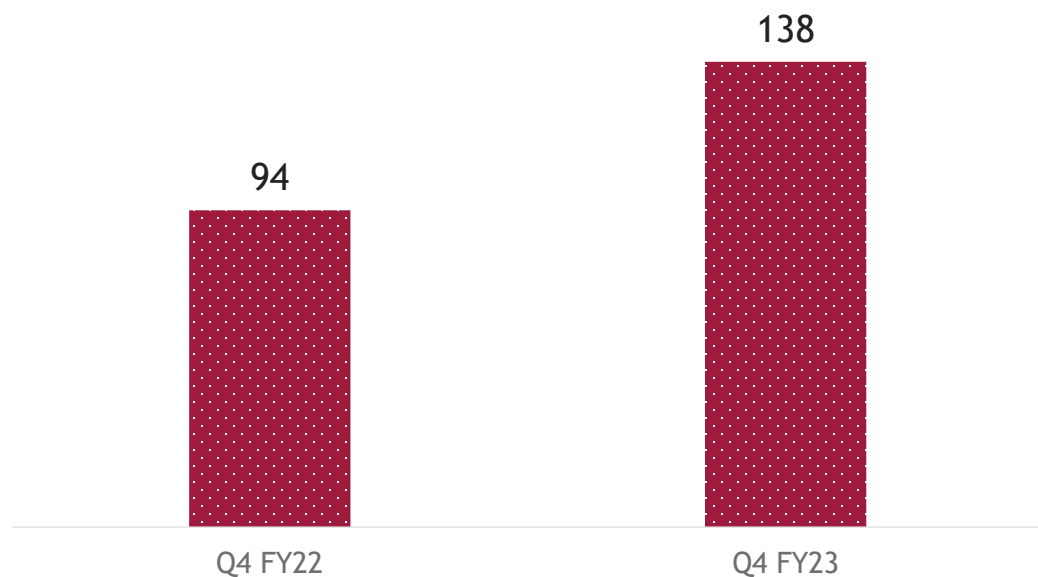


- Witnessed 24% sales growth led by robust winter wear business aided by late onset of winter and good EOSS
- Strong performance in retail, MBO and department stores channel
- Sharper retail rigour in SS'23 helped deliver 17% like-to-like (LTL) growth

CONTINUING WITH IMPROVED PROFITABILITY

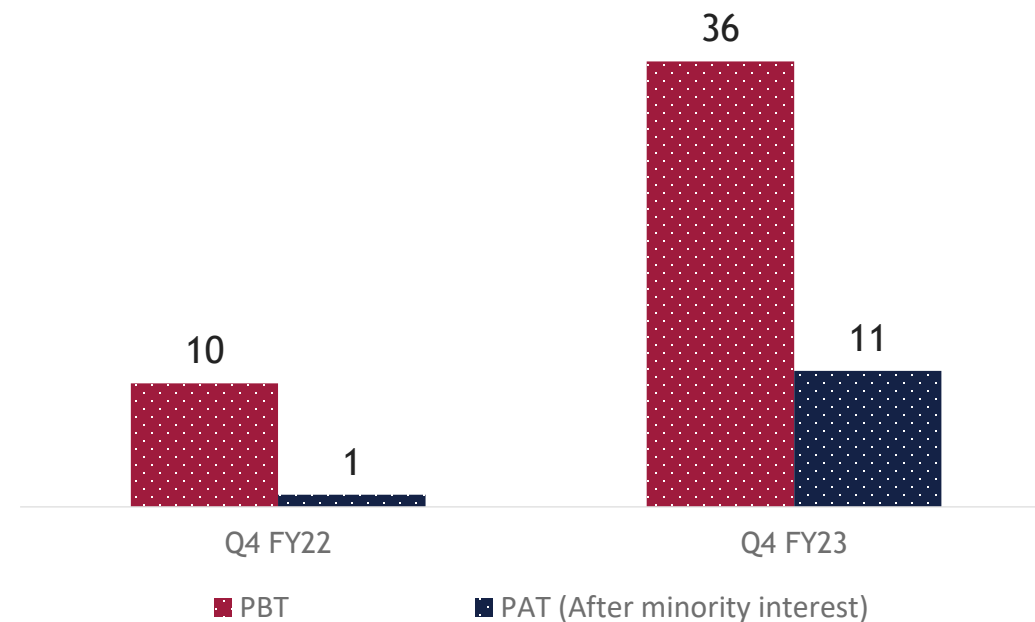
EBITDA

(₹ in crores)



PBT and PAT (after minority interest)

(₹ in crores)



190 bps improvement in EBITDA margins on account of lower discounting, higher sell-thru's and operating leverage

Q4 FY23 - GROUPWISE PERFORMANCE

(₹ in crores)

	Sales			EBITDA		EBITDA %	
	Q4 FY23	Q4 FY22	% Growth	Q4 FY23	Q4 FY22	Q4 FY23	Q4 FY22
Power Brands	924	732	26%	122	87	13.1%	11.9%
Emerging Brands	216	185	17%	17	7	7.9%	3.7%
Total	1140	917	24%	138	94	12.1%	10.3%

Strong growth in power brands leading to margins higher by 120 bps; significant improvement in emerging brands profitability

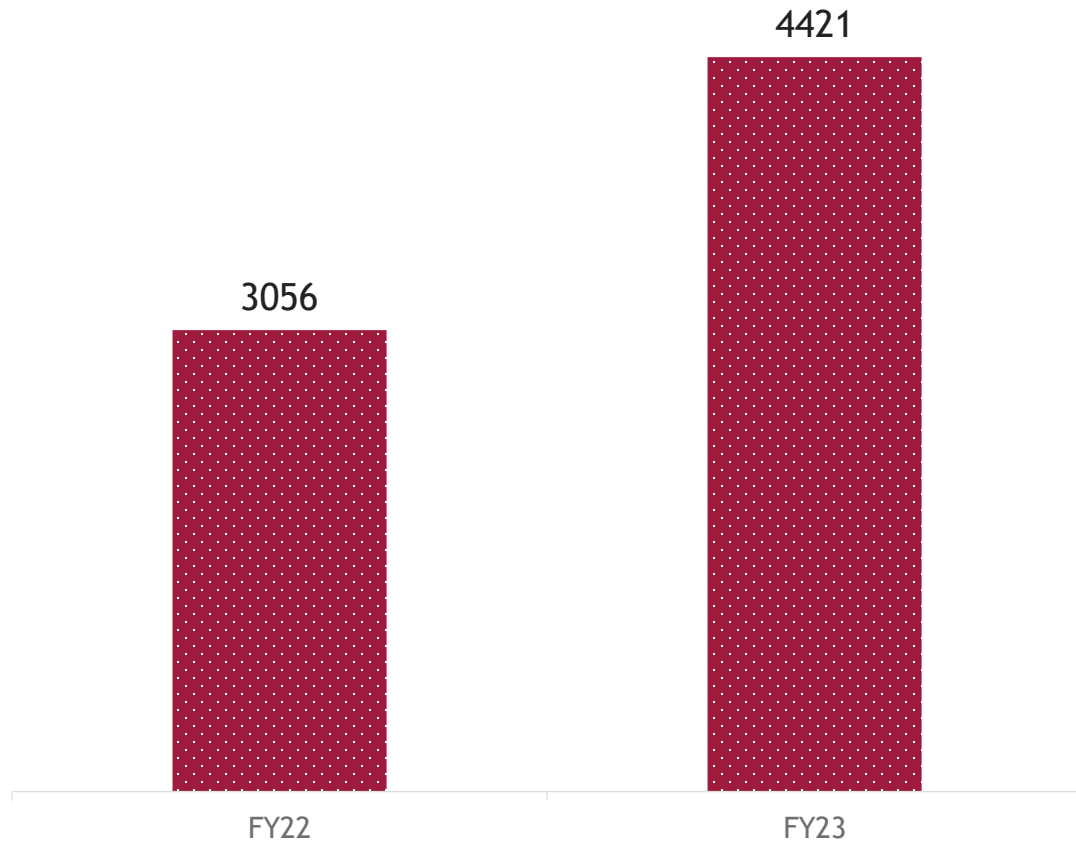
Note:
Power Brands - US Polo Assn., Tommy Hilfiger, Flying Machine and Arrow
Emerging Brands - Calvin Klein, Sephora, Ed Hardy, Aeropostale and Others

FY23 PERFORMANCE HIGHLIGHTS

STRONG SCALE UP WITH ~4500 CRORES SALES

Sales

(₹ in crores)

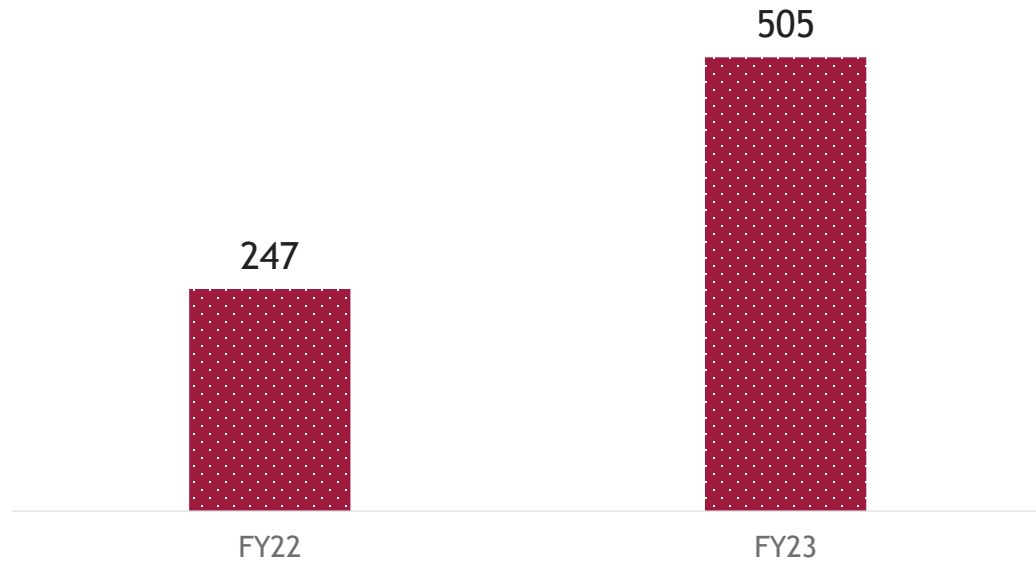


- Industry leading growth of 45% led by multi-channel performance with focus on retail execution
- Retail channel mix higher by 400+ bps Y-o-Y to 43% delivering strong LTL and record sell-thru's
- Robust bounce back in offline channels was the key highlight
- Continued investments in adjacent categories becoming strong growth levers for future - footwear, kids wear etc.

RESULTING IN STRONG PROFITABILITY METRICS

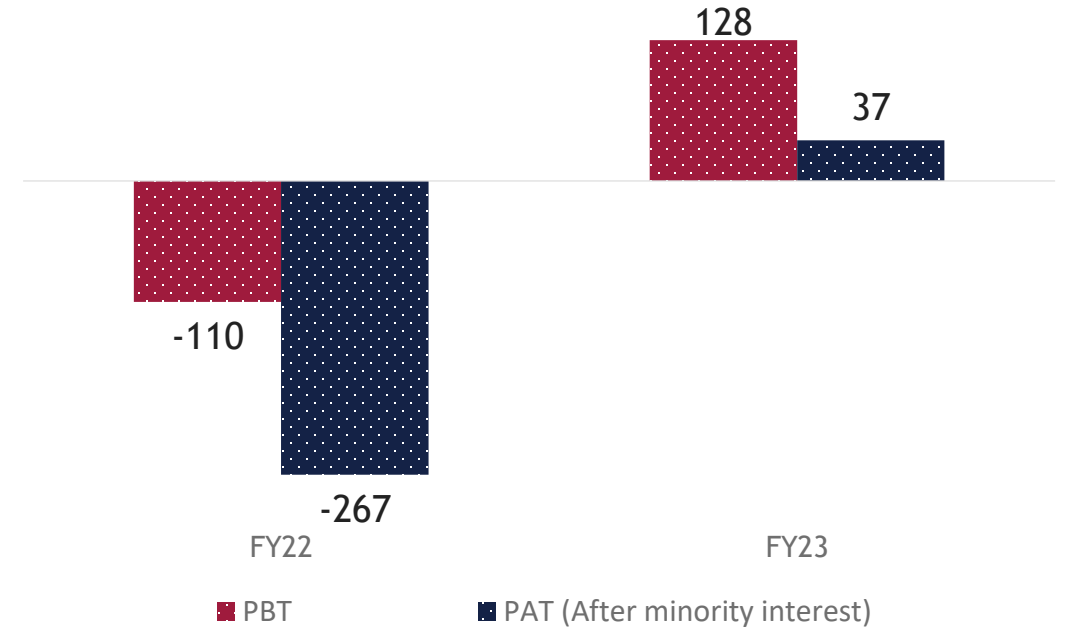
EBITDA

(₹ in crores)



PBT and PAT (after minority interest)

(₹ in crores)



330 bps EBITDA margins improvement led by operational efficiencies, sell-thru improvement and scale leverage

FY23 - GROUPWISE PERFORMANCE

(₹ in crores)

	Sales			EBITDA		EBITDA %	
	FY23	FY22	% Growth	FY23	FY22	FY23	FY22
Power Brands	3623	2475	46%	458	236	12.6%	9.5%
Emerging Brands	798	581	37%	47	12	5.9%	2.0%
Total	4421	3056	45%	505	247	11.4%	8.1%

Strong sales growth resulting in >2X growth in EBITDA; margin improvement in power brands by 310 bps

Note:
 Power Brands - US Polo Assn., Tommy Hilfiger, Flying Machine and Arrow
 Emerging Brands - Calvin Klein, Sephora, Ed Hardy, Aeropostale and Others



U.S. POLO ASSN.
SINCE 1890



FLYING MACHINE



ARROW
USA • 1851



SEPHORA

Q4 FY23 PERFORMANCE HIGHLIGHTS

BRAND HIGHLIGHTS



U.S. POLO ASSN.
SINCE 1890

Brand Highlights

- Annual growth of 600+ Crs NSV in FY23
- Continued domination in casual lifestyle category; significant brand momentum in its journey towards 2,000+ Crs NSV
- Top ranked across multiple online portals and department stores
- Multiple initiatives to premiumize the brand including better retail experience, product innovation and strong marketing efforts



- Focused investment in bottom wear leading to strong growth Y-o-Y
- Adjacent category expansion continues to positively aid sales & profitability performance



Brand Highlights

- Exceptional swing in sales growth & EBITDA profitability led to completion of brand turnaround
- Rollout of super premium '1851' line yielding excellent consumer response
- Continued focus on superior retail experience resulted in higher full price sell-thru and reduction in discounting



- Strong momentum led by refreshed retail identity, premium and ceremonial designs in formal line and larger assortment of 'Arrow Sports' as well as logoization of the brand
- Record growth in MBO channel of 75%+ for FY23



Brand Highlights

- Re-energizing the brand through new logo, design and brand positioning
- Launched new retail identity in Bengaluru
- Building stronger consumer connect with sharper focus on young millennials / Gen Z's with upgraded product designs, especially in jeans
- Launched footwear category across online channel



- Improvement in full price sell-thru's in SS'23 despite slowdown in the market
- Fueling of growth through adjacent categories (footwear, innerwear and kids wear) in the medium term

Brand Highlights



- With its market leadership position in super-premium segment, growth in sales by nearly 50% in FY23 with high profitability
- Superior customer retail experience along with high quality product designs across 100+ stores in India
- Growth opportunity in recently launched 'Tommy tailored' line; tied-up with Guru Randhawa as category ambassador





Brand Highlights

- Strong traction in super premium category aiding brand's robust performance with industry leading full price sell-thru, retail LTL and lower discounting
- 35%+ growth in sales and profitability in Q4 FY23



- Market leadership in bridge to luxury segment in Jeans, Tees and Innerwear segments
- Continued strong partnership with brand ambassador - Disha Patani

SEPHORA

Brand Highlights

- Leading player in the prestige segment with presence in 26 EBOs across key malls in the country
- Unique engagement with women consumers through top of the line shopping experiences at its large sized offline stores



- Strengthening of multiple categories - fragrances, haircare & skin care
- Delivers industry leading sales density per sq. ft. in malls across India



Q4 & FY23 RESULTS

Q4 FY23 - PERFORMANCE SNAPSHOT

(₹ in crores)

	Q4 FY23	Q4 FY22
Revenue from Operations	1140	917
Other Income	14	21
Total Income	1154	938
EBITDA	138	94
PBT	36	10
Taxes	6	(12)
Minority Interest	18	22
PAT	11	1



Consistent financial performance across all parameters

FY23 - PERFORMANCE SNAPSHOT

(₹ in crores)

	FY23	FY22
Revenue from Operations	4421	3056
Other Income	53	67
Total Income	4474	3123
EBITDA	505	247
PBT	128	(110)
Taxes	40	(6)
Minority Interest	50	31
PAT	37	(267)



Strong improvement in profitability leading to sharp turnaround in bottom line performance

BALANCE SHEET AS ON 31-MAR-2023

(₹ in crores)

Particulars	31-Mar-23	31-Mar-22
Net Worth*	1092	996
Borrowings	598	502
Capital Employed	1690	1498
Inventory	1131	965
Receivables	560	572
Creditors	1020	1048
Net Working Capital	671	489
Net Fixed Asset	259	273
Other Assets	760	731
Discontinued Business	-	5
Capital Employed	1690	1498

* For FY22 - Includes Compulsorily Convertible Preference Shares issued by AYBPL and sold to FK, presented in the books as financial liability



WORKING CAPITAL EFFICIENCY LEADING TO STRONG CASH FLOW GENERATION

(₹ in crores)

	Mar'23	Mar'22	Dec'22
Inventory	1131	965	1041
Inventory days	87	97	88
Receivables	560	572	572
Debtor days	45	57	44
GWC	1691	1537	1613
GWC days	132	154	132
Payables	1020	1048	1038
Creditor days	82	104	80
NWC	671	489	575
NWC days	50	50	51

Sharper control on debtors helping generate higher cash flows
Tight inventory management resulting >4x turns

WAY FORWARD

WAY FORWARD

AFL

Demand environment remains very soft; expect trends to improve gradually by festival season

Momentum on retail network expansion across brands through the franchisee model

Continue decisive focus on scaling existing brands through cash accruals; improve profitability further by better full price sell-thru's, operating leverage etc.

Strengthening balance sheet through FCF generation leading to higher ROCE

ARVIND fASHIONS

THANK YOU