

# ARVIND FASHIONS LIMITED

A MEMBER OF THE LALBHAI GROUP

**Corporate Office :** Du Parc Trinity, 8<sup>th</sup> Floor, 17, M.G. Road, Bengaluru - 560 001  
Tel : 91-80-4155 0601, Fax : 91-80-41550651  
Website: <http://www.arvindfashions.com>

November 14, 2022

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

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

Security Code : 542484  
Security ID : ARVINDFASN

Symbol : ARVINDFASN

Dear Sir/ Madam,

**Sub: Outcome of the Meeting of the Board of Directors of Arvind Fashions Limited (“the Company”) held on November 14, 2022.**

**Ref: Regulation 30 and 33 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”)**

Further to our letter dated November 08, 2022 for intimation of Board Meeting, and in accordance with the provisions of Regulation 30 of the SEBI LODR Regulations, this is to inform that the Board of Directors of the Company, at its meeting held today (i.e., on November 14, 2022) has, *inter alia*, considered and approved the following business:

1. The unaudited Standalone and Consolidated Financial Results of the Company for the quarter & half year ended on September 30, 2022.

Pursuant to Regulations 30 and 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”), we hereby enclose herewith the following:

1. Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and half year ended on September 30, 2022, along with Limited Review Reports issued by the statutory auditors of the company i.e M/s. Deloitte Haskins & Sells.
2. A copy of the press release being issued by the Company in respect of unaudited financial results for the quarter and half year ended on September 30, 2022.
3. Investor Presentation for Q2 issued in this regard.

The meeting of the Board of Directors commenced at 01:30 p.m. and concluded at 03:15 PM *Lipi Jha*

You are requested to take the above on your record and bring this to the Notice of all concerned.

Thanking you,

For Arvind Fashions Limited

*Lipi Jha*  
Lipi Jha  
Company Secretary



Encl: As above.

**ARVIND FASHIONS**

**Regd Office :** Arvind Limited Premises, Naroda Road, Ahmedabad - 380 025.  
CIN : L52399GJ2016PLC085595



Q2 FY23 RESULTS PRESENTATION

ARVIND FASHIONS

November | 2022

## 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

Q2 FY23 Performance Highlights



02

Q2 FY23 Results



03

Way Forward

# Q2 FY23 PERFORMANCE HIGHLIGHTS

## MARKET & ECONOMY UPDATE



*Retail channel continues to stay strong (compared to pre-Covid levels) leading to sharper recovery across the industry*

*Changing consumer preferences towards pre-Covid with offices opening, marriage & occasion-led demand*

*Premiumization continues to be a key trend across multiple categories*

*Inflation continues to stay elevated while consumer sentiment stays strong*

*Cotton prices are moderating after big spike last year*

## FY23 TARGETS & OBJECTIVES - WHAT WE HAVE SET FOR OURSELVES

<h3>Sales &amp; Profitability</h3> <ul style="list-style-type: none"><li>• Amongst industry leading growth rates (over FY22)</li><li>• Expansion in operating margins with significant growth in PAT</li></ul>	<h3>Inventory</h3> <ul style="list-style-type: none"><li>• Further improvement in inventory turns to &gt;4x</li></ul>	<h3>Omni-channel business model</h3> <ul style="list-style-type: none"><li>• Build scalable omni-channel model with higher contribution of direct-to-consumer (D2C - NNNOW + Marketplace) helping drive higher customer loyalty</li></ul>
<h3>Working capital &amp; Balance sheet</h3> <ul style="list-style-type: none"><li>• Efficient working capital management leading to free cash flow generation</li><li>• De-leveraging to continue</li></ul>	<h3>Return on capital employed (ROCE)</h3> <ul style="list-style-type: none"><li>• Significant improvement in ROCE profile</li></ul>	<h3>Deeper penetration and store expansion</h3> <ul style="list-style-type: none"><li>• Acceleration in store network expansion across smaller towns by opening 200+ stores</li></ul>

## Q2 FY23 BUSINESS HIGHLIGHTS



### QUARTERLY SALES

46% sales growth Y-o-Y;  
32% growth vs. pre-COVID (Q2 FY20)

Retail LTL of ~25%; continued strong execution as witnessed in Q1 as well



### POWER BRANDS

Double digit EBITDA margin (pre-IndAS) continued for USPA & Tommy Hilfiger

USPA strengthened its leadership position in casual wear segment with achievement of 1000+ Crs NSV at end-Oct'22

Significant improvement in EBITDA margins by 310 bps (Y-o-Y)



### CHANNEL-WISE PERFORMANCE

70% growth in retail channel Y-o-Y and ~35% growth (vs. pre-COVID); sharp execution continued

~75% growth in online channel (vs. pre-COVID) with revenue mix of 25%+

100% Y-o-Y growth in MBO channel and ~40% (vs. pre-COVID)



### GROWTH DRIVERS (CATEGORY / FORMAT)

50%+ growth each in footwear and kidswear businesses (Y-o-Y)

Successful foray into dedicated outlet model for efficient liquidation strategy for our 5 apparel brands; in-line with industry practice. Opened 20 stores of avg. 3000 Sq. ft. each



### GROSS MARGINS

Record full price sell-thru's across brands for SS'22 and AW'22

Lowering of discounts and better channel mix led to gross margin expansion of 280 bps



### EBITDA & ROCE

~90% growth in EBITDA to ₹ 136 crores (Y-o-Y)

EBITDA margins increase by 260 bps despite higher advertising spends of 70 bps (Y-o-Y)

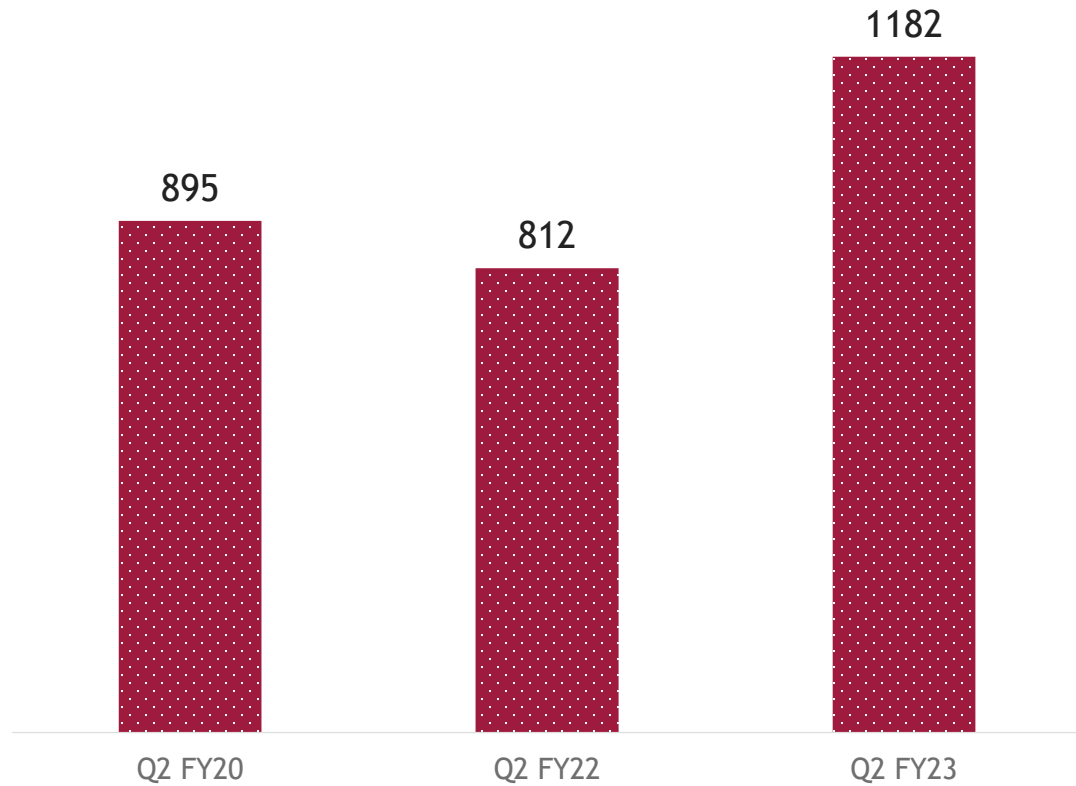
Achieved milestone of ROCE (annualized) at ~15%



## AFL POSTED HIGHEST EVER QUARTERLY SALES

### Sales

(₹ in crores)

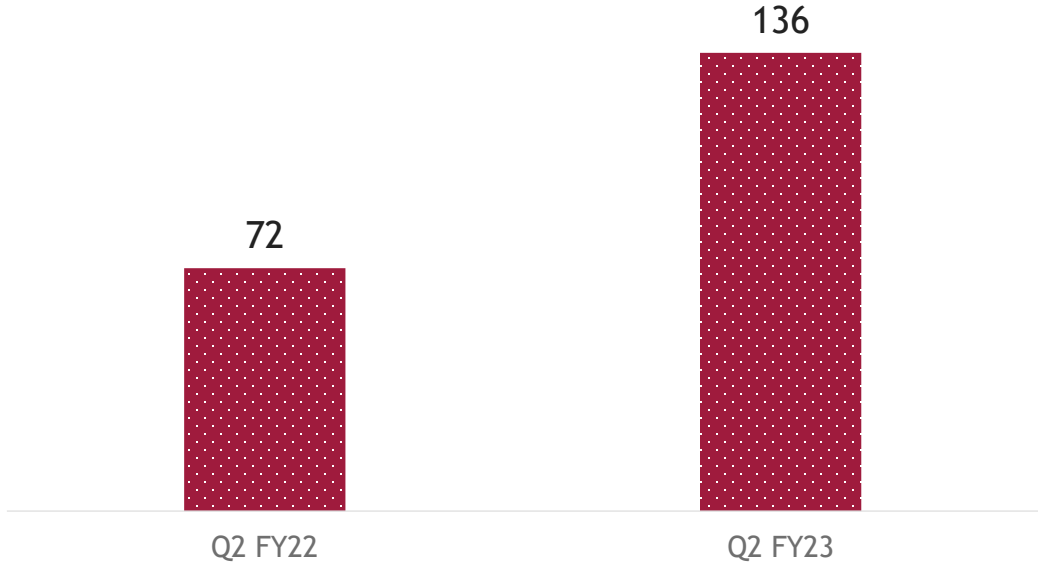


- Recorded highest sales quarter led by continued buoyancy in demand and sharp execution in retail channel resulting in ~25% LTL growth and strong EOSS
- Strong performance in the MBO channel
- Investment in brand advertisement, new retail identities and multi-category play continues to drive higher footfalls and brand loyalty

# RESULTING IN RECORD BOTTOM LINE PERFORMANCE

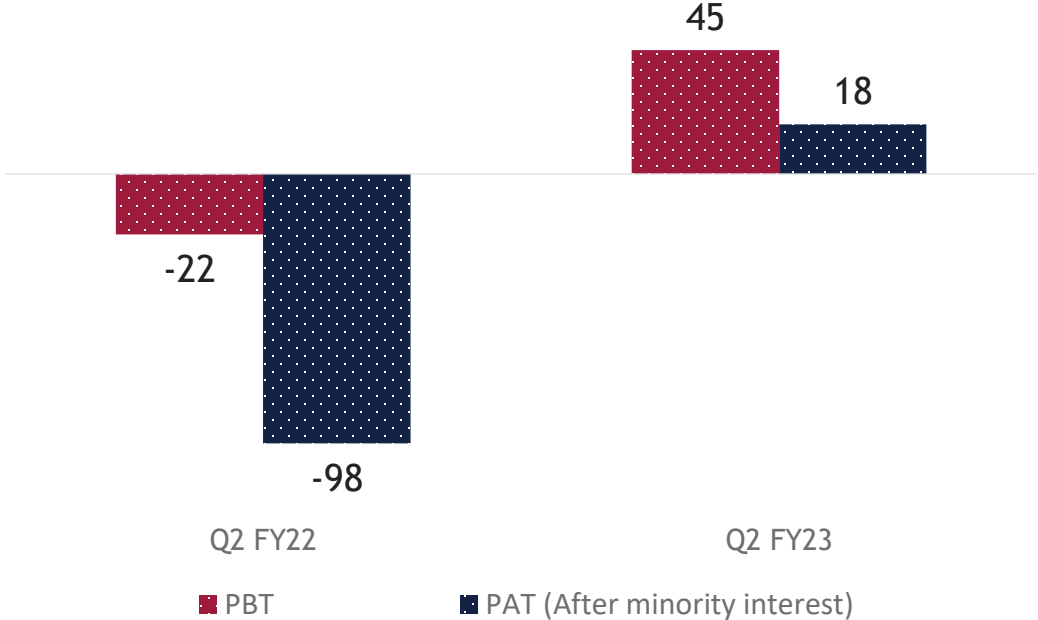
## EBITDA

(₹ in crores)



## PBT and PAT (after minority interest)

(₹ in crores)



*Y-o-Y improvement in gross margin leading to 260 bps increase in EBITDA margin despite higher advertising spends of 70 bps*



U.S. POLO ASSN.  
SINCE 1890



SEPHORA

Q2 FY23 PERFORMANCE HIGHLIGHTS

# BRAND HIGHLIGHTS



U.S. POLO ASSN.  
SINCE 1890

## Brand Highlights

- Q2 FY23 witnessed highest quarterly revenue ever
- Very strong retail sales backed by industry-leading LTL, with sharp reduction in discounting
- Market leader in men's casualwear in India with leadership in online portals, department stores and MBOs
- Reaping results of strategic work done in FY22 - brand refresh, energizing the brand with new retail identity, varied product designs, new visual merchandising standards



- First time ad campaign with Indian celebrity, Bollywood actor Arjun Rampal. Great response to campaign focused on twinning
- With strong execution, brand successfully delivered double digit EBITDA (pre-IndAS) and is poised for rapid growth through expansion of adjacent categories like footwear, kidswear and accessories supported by robust expansion of store network



## Brand Highlights

- Key focus area for us and delivering strong results with brand doubling its NSV in H1 FY23
- EBITDA positive trajectory with 20%+ LTL growth in full price season and >5% reduction in discounting



- Brand refresh involving new retail identity, premium and ceremonial designs in formal line and bigger assortment of smart casual 'Arrow Sports' line post Covid as well as logoization of the brand leading to strong success
- Great response to recently launched super premium 'Arrow 1851' line



## Brand Highlights

- Leading super-premium brand in India, with double digit EBITDA (pre-IndAS)
- Much loved for its consistently high standards of retailing across more than 70 cities in India
- Uniquely wide assortment of product categories ranging from smart casuals for men, women, kids, footwear and accessories



- Leadership in premium watches, eyewear, belts and wallets segments in India
- Fast growing and very profitable online business
- Growth opportunity in recently launched 'Tommy tailored' line



## Brand Highlights

- The fastest growing bridge to luxury fashion brand in India having doubled its revenue in H1 FY23
- Industry leading full price sell-thru and LTL full price growth



- Market leadership of bridge to luxury segment in jeans, Tees and innerwear segments
- Much talked about association with celebrity Disha Patani as brand's key influencer in India



## Brand Highlights

- Strategic partnership with Flipkart group gives brand a unique advantage to reach online first mindset young consumers across India including in small tier towns
- Focusing on re-energizing the brand for young millennials / Gen Z's with upgraded product designs, especially in jeans



- Fueling of growth through adjacent categories across footwear, innerwear and kidswear in the medium term
- Investing in omni capabilities for strengthening business with key consumers in both online and offline channel



---

# 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 categories like fragrances, haircare and skin care through launch of multiple brands during the quarter like Hanz De Fuko, MAC and Too Faced
- Delivers industry leading sales density per sq. ft. in malls across India

## Q2 FY23 - GROUPWISE PERFORMANCE

(₹ in crores)

	Sales			EBITDA		EBITDA %	
	Q2 FY23	Q2 FY22	% Growth	Q2 FY23	Q2 FY22	Q2 FY23	Q2 FY22
Power Brands	998	674	48%	131	67	13.1%	9.9%
Emerging Brands	184	138	34%	6	5	3.0%	3.7%
<b>Total</b>	<b>1182</b>	<b>812</b>	<b>46%</b>	<b>136</b>	<b>72</b>	<b>11.5%</b>	<b>8.9%</b>

***Strong scale of ~1000 Crs in power brands in a single quarter with huge improvement of 310 bps in EBITDA margins***

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

## H1 FY23 - GROUPWISE PERFORMANCE

(₹ in crores)

	Sales			EBITDA		EBITDA %	
	H1 FY23	H1 FY22	% Growth	H1 FY23	H1 FY22	H1 FY23	H1 FY22
Power Brands	1746	936	87%	214	55	12.3%	5.9%
Emerging Brands	356	195	82%	16	(8)	4.5%	(4.1)%
<b>Total</b>	<b>2102</b>	<b>1131</b>	<b>86%</b>	<b>230</b>	<b>47</b>	<b>11.0%</b>	<b>4.2%</b>

Note:

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

## CONTINUED FOCUS ON INVENTORY & WORKING CAPITAL MANAGEMENT

( ₹ in crores)

	Sep'22	Sep'21	June'22
Inventory	1221	948	1013
Inventory days	86	94	98
Receivables	686	622	549
Debtor days	52	69	54
Payables	1342	1093	996
Creditor days	102	121	97
NWC	566	477	566
NWC days	36	42	54

*Inventory control continues to be key monitorable; resulted in >4x turns  
Improvement in inventory & debtor days drove efficient NWC cycle; generated higher cash flows*

# Q2 FY23 RESULTS

## Q2 FY23 - PERFORMANCE SNAPSHOT

(₹ in crores)

	Q2 FY23	Q2 FY22
Revenue from Operations	1182	812
Other Income	20	16
<b>Total Income</b>	<b>1202</b>	<b>828</b>
EBITDA	136	72
PBT	45	(22)
Discontinued operations	-	(69)
Minority Interest	10	3
PAT	18	(98)



*Strong financial performance with huge improvement in operational profitability*

## BALANCE SHEET AS ON 30-SEP-2022

( ₹ in crores)

Particulars	30-Sep-22	30-Sep-21
Net Worth*	1041	886
Borrowings	573	843
<b>Capital Employed</b>	<b>1614</b>	<b>1729</b>
Inventory	1221	948
Receivables	686	622
Creditors	1342	1093
<b>Net Working Capital</b>	<b>566</b>	<b>477</b>
Net Fixed Asset	262	297
Other Assets	781	913#
Discontinued Business	5	42
<b>Capital Employed</b>	<b>1614</b>	<b>1729</b>

# Includes preferential issue funds

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



# WAY FORWARD



## WAY FORWARD

### AFL

*Growth momentum to stay strong led by festive demand, build-up of adjacent categories across brands, LTL growth and multi-channel play*

*Expanding the retail network into smaller towns through the franchisee model*

*Focus on improving profitability further through operating leverage and sharper execution through lower discounting, higher productivity & efficient channel mix leading to higher ROCE*

*Strong balance sheet through improved inventory turns and working capital control*

ARVIND fASHIONS

THANK YOU