



Aditya Birla Fashion and Retail Limited

Performance Highlights – Q1 FY16-17



Strong portfolio of India's iconic brands

- **Top 3 menswear brands in the country**; each of them have a **turnover ~INR 1,000 Cr**
 - Louis Philippe
 - Peter England
 - Van Heusen
- Pantaloons is one of the **largest value fashion retailer**
- Allen Solly is **among the top 3 premium casual brands**

Largest pan-India distribution network

- Presence in **375 cities and towns** with **~5.4 mn sq ft** of retail network space
- **7,000+ POS** and **2,100+ EBOs**

#1 player across both men's and women's wear segments

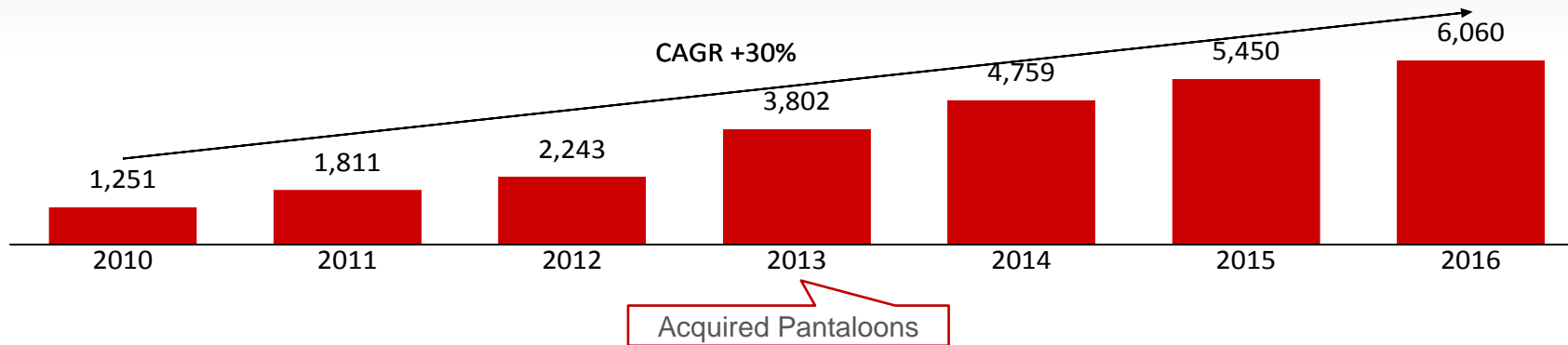
- Menswear portfolio of **~INR 4,300 Cr**
- Womenswear portfolio of **~INR 1,150 Cr.**
- **ABFRL the #1 player in the two largest apparel segments**

Strong track-record of organic and inorganic growth

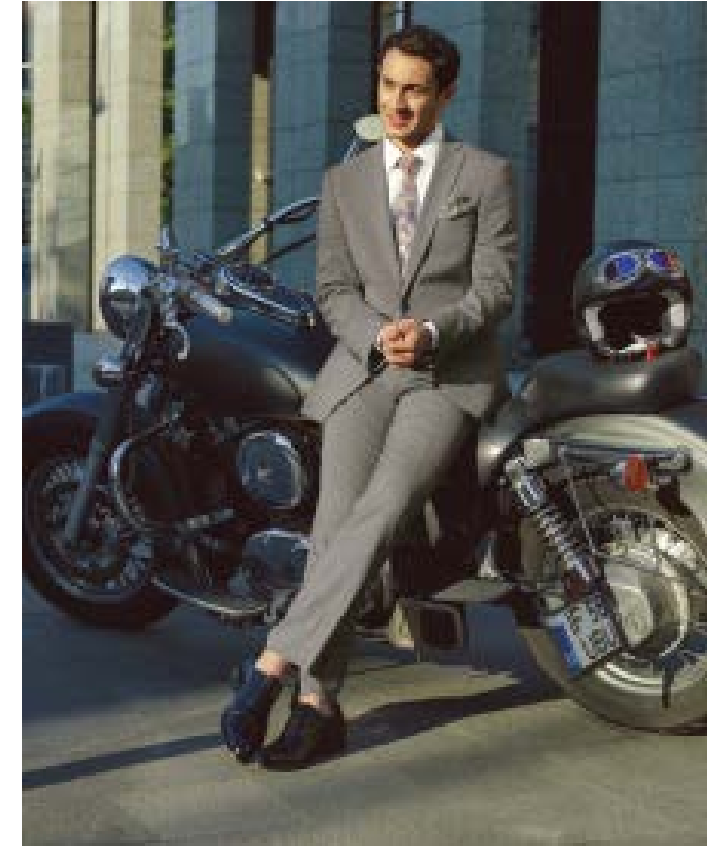
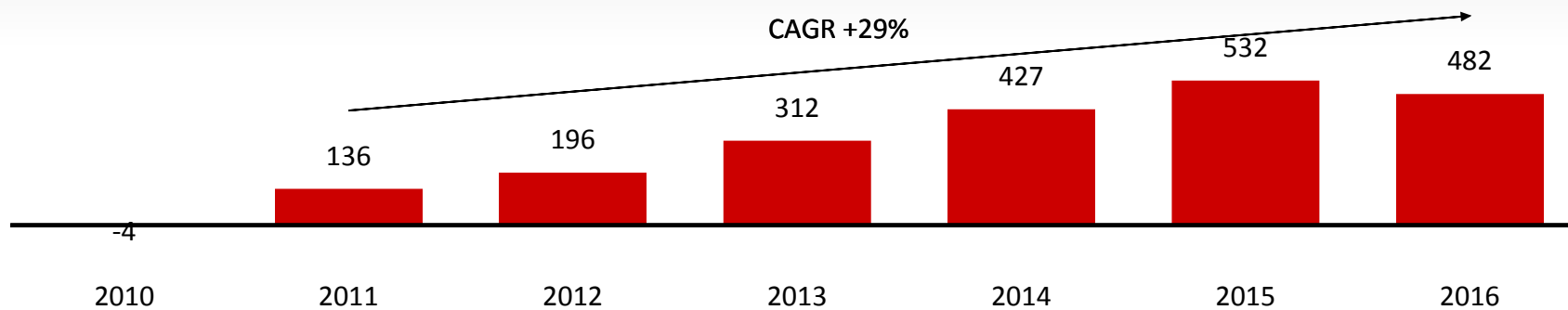
- Growth of brands through extensions and distribution
- Acquisition of Pantaloons in the year 2013
- Acquisition of Forever 21 – Indian rights in 2016

Poised to be the first billion dollar pure fashion player in India

Revenue growth of 30% to create the largest apparel company in the country



EBITDA Y-o-Y growth of 29%

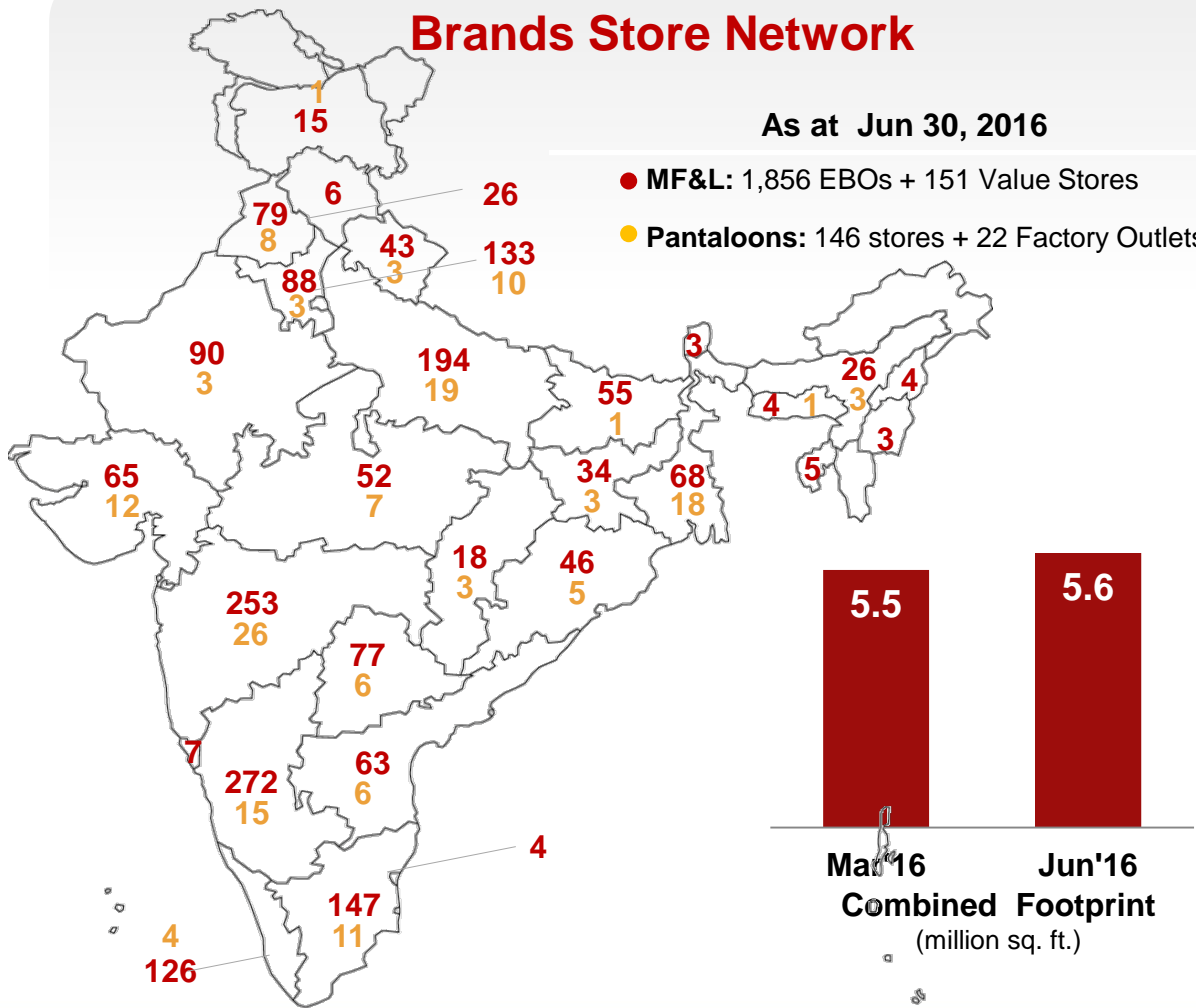


ABFRL | Widest distribution network in the fashion space

Brands Store Network

As at Jun 30, 2016

- MF&L: 1,856 EBOs + 151 Value Stores
- Pantaloons: 146 stores + 22 Factory Outlets



MBOs

- MF&L brands are present in ~4,300 Multi Brand Outlets

- MF&L brands present across all department stores through ~3,200 SISs



Large Format Stores



E-commerce

- MF&L and Pantaloons brands sold on all leading e-commerce websites in the country



Update on strategic initiatives



Market Overview



ABFRL Q1 Highlights



ABFRL Segmental Performance



Q1 Financials (*P&L account, IndAS vs. GAAP, Balance Sheet*)

1 *Update on strategic initiatives*

- Acquired Forever 21 India operations to enter women's fast fashion segment
- Firmed up partnership with Simon Carter, London

2 *Accelerate growth in fast growing value fashion segment*

- Transition of Pantaloons from Department Store to Value Fashion Retailer
- Revenue growth ~ 30% in the quarter
- Introduced concept stores dedicated for kids and women's
- Piloted franchisee model – currently 5 stores in the network

3 *Omni-channel program*

- Key Omni-channel functionalities rolled out across 100 stores



- **Acquisition of Forever21** franchise complete
- Final Business Transfer Agreement signed with DLF on **5th July 2016**
- The **business moved to ABFRL** with effect from **1st July 2016**
- All Store assets, inventory and employees have moved to ABFRL with effect from 1st July 2016
- We have **taken over a network of 12 stores**








Key market trends in FY17 – Q1

Overall Market Scenario

- Overall consumer sentiment remained muted during this quarter
- Discounting and promotions continued to remain high during the full price periods
 - End-of season sales started in the last week of June
- E-commerce discounts continue to remain high

Segmental trends

- Casuals & Womenswear categories growing faster than the market
 - Value fashion growing rapidly as consumers upgrade from unbranded products
 - Women's fast fashion segment growth driven through rapid expansion by international brands
- Formalwear segment is experiencing slower growth

	Q1 FY16	Q1 FY17	
☐ Revenue	Rs. 1,307 Cr	Rs. 1,415 Cr	
☐ EBITDA	Rs. 43 Cr	Rs. 76 Cr	
☐ EBITDA Margin	3.3 %	5.4 %	
☐ EBIT	Rs. (19) Cr	Rs. 24 Cr	
☐ Net Profit/ (Loss)	Rs. (68) Cr	Rs. (21) Cr	

In Rs. Crores

Segment	NSV			EBITDA		
	Q1 FY16	Q1 FY17	Growth	Q1 FY16	Q1 FY17	
Madura Fashion & Lifestyle	870	842	-3%	64	47	↓
Pantaloons	439	574	31%	4	26	↑
Elimination/Others	-2	-1		-26	3	↑
Total	1,307	1,415	8%	43	76	↑

ABFRL | Profit & Loss Statement

P&L Statement (Rs. In Cr.)	Q1- FY16	Q1- FY17	Change
Net Sales / Income from Operations	1297	1,400	
Other Operating Income	10	15	
Revenue from operations	1307	1,415	8%
Expenses			
Cost of Materials consumed	128	141	
Purchase of Stock- in Trade	358	404	
Changes in inventories of finished goods, work-in-progress & stock-in-trade	117	75	
Employee benefits expenses	142	165	
Depreciation and amortisation expenses	62	52	
Rent expenses	220	253	
Other expenses	305	308	
Total Expenses	1331	1,397	5%
Profit / (Loss) from Operations before Other Income, Finance Costs and Exceptional Items	-25	18	175%
Other Income	5	6	
Profit / (Loss) before Finance Costs and Exceptional Items	-19	24	227%
Finance Cost	49	45	
Profit before tax	-68	-21	69%
Tax Expenses	-	-	
Profit (Loss) for the period	-68	-21	69%

IGAAP AND INDAS RECONCILIATION

Particulars	Rs. Cr.		
	Q1 FY16		
	Revenue	EBIDTA	PBT
As per IGAAP	1,320.9	46.4	(63.1)
As per INDAS	1,306.9	42.6	(67.9)
Difference	(14.0)	(3.8)	(4.8)
<u>Reclassification</u>			
Cash Discount earlier shown as Other Expenses	(1.2)	-	-
Customer Loyalty Provision earlier shown as Other Expenses	1.3	-	-
Shrinkage Provision earlier shown as Other Expenses	(0.6)	-	-
Total Reclassification	(0.5)	-	-
<u>Remeasurement</u>			
Security Deposits to Landlords - fair valuation	-	(0.1)	(0.1)
Franchisee Deposits - fair valuation	-	0.0	0.0
Interest on Preference Shares	-	-	0.0
Interest on Convertible Debentures	-	-	(1.0)
Government Grants - EPCG Export Benefit	-	0.0	0.0
Gratuity - actuarial valuation	-	0.1	0.1
Lease Incentive - straight lining over rent free period	-	(0.1)	(0.1)
SOR sale - where right to return inventory, now derecognised	(13.5)	(4.3)	(4.3)
Stock Option Scheme - fair valuation	-	0.6	0.6
Total Remeasurement	(13.5)	(3.8)	(4.8)
Total Reclassification and Remeasurement	(14.0)	(3.8)	(4.8)



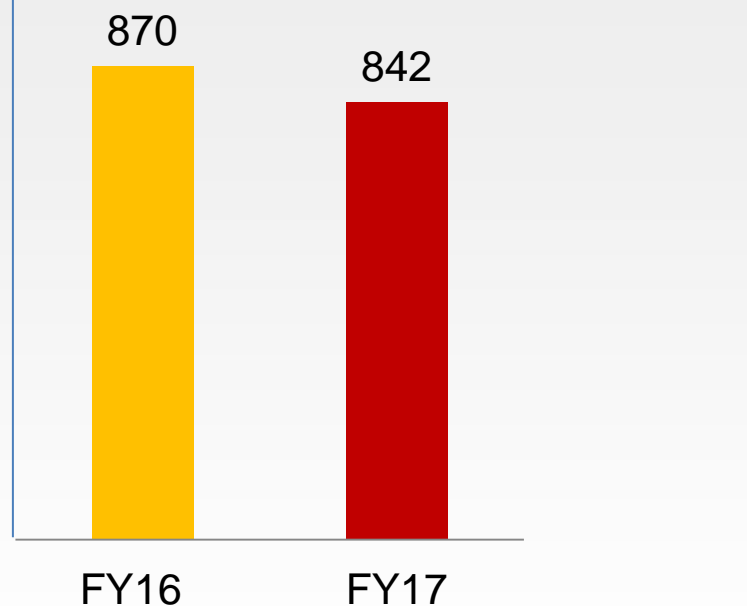
MADURA FASHION & LIFESTYLE

Madura Fashion & Lifestyle – Q1 FY17

- **Apparel market is currently characterized by deep discounting and continuous promotions, impacting profitability of the industry**
- **Our strategy is focused on building a healthy, sustainable, future ready business**
 - Maintaining ‘intrinsic’ brand premium through calibrated discounts
 - Investment in Brand building
 - Continuously rationalizing cost structure
 - Driving digital transformation through Omni channel program
- **In the short term, this strategy would result in lower sales and profits, but would create a more ‘profitable’ business going forward. Q1 results reflect the impact of this strategy**
 - Revenues were Rs 842 in Q1, 3% lower than LY
 - While Gross Margins improved, EBITDA for the quarter declined to from Rs 64 Cr to Rs 47 Cr
 - We rationalized the retail network by shutting down 76 stores to improve the network health
 - We have rolled out Omni channel features across 100 stores in June and will roll out across 400 stores by Q2 FY17.
- **We expect the strategy to start resulting in improved revenue and profit trajectory from H2 FY 17**

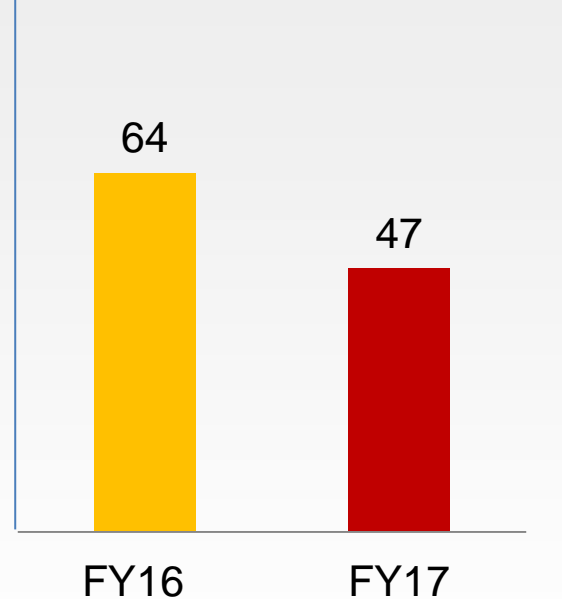
Madura Fashion & Lifestyle Revenue & Margins

Quarter 1 Revenue (Rs. Crore)



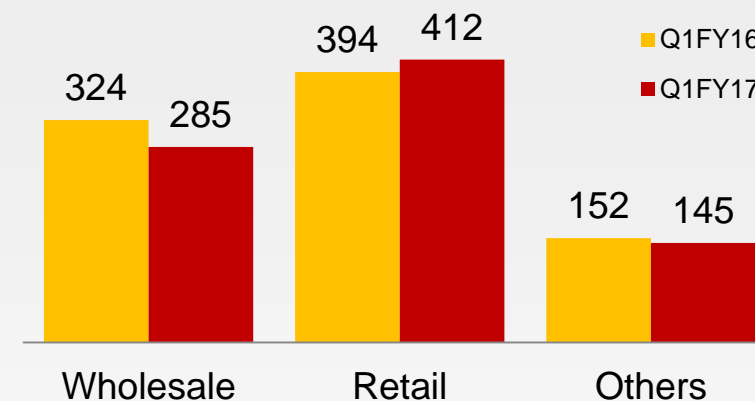
Revenue impacted due to lower discounting and excess inventory in wholesale

Q1 EBITDA (Rs. Crore)

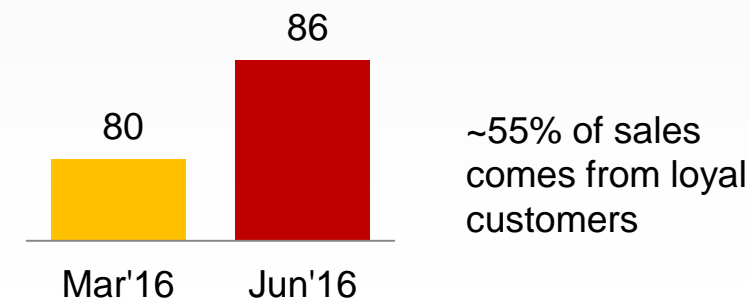


Lower revenues resulted in profit decline

Channel-wise Q1 Revenue



Loyalty base (in lacs)



~55% of sales comes from loyal customers

PANTALOONS

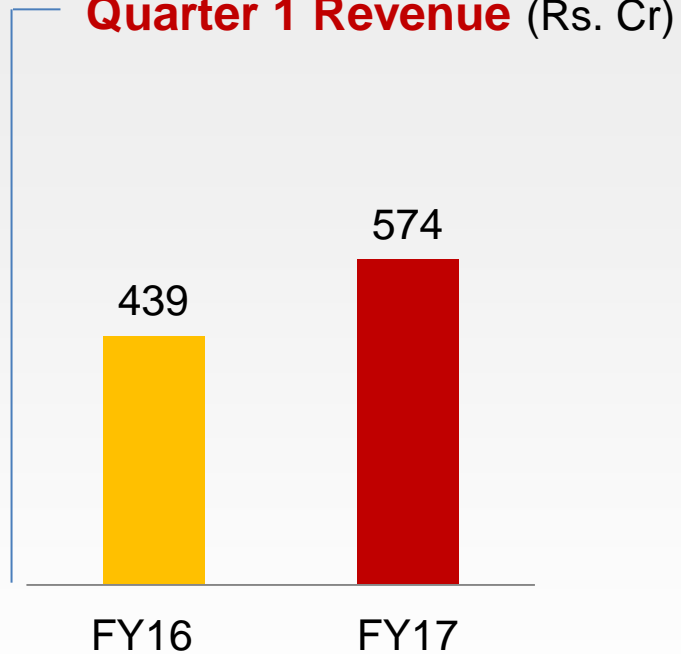


Pantaloons

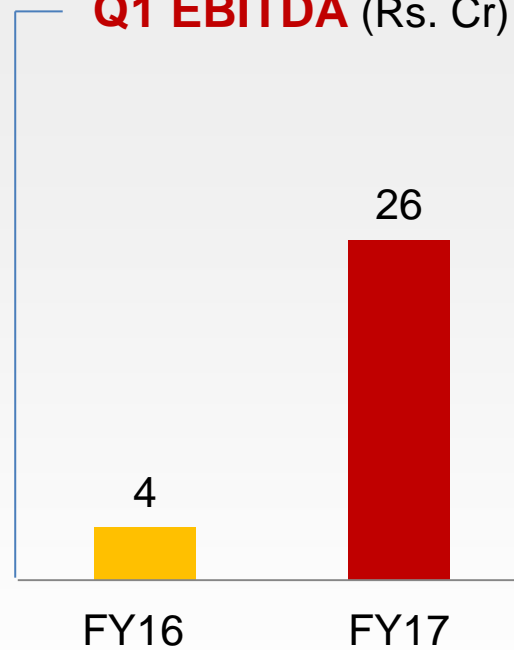
- Successful execution of the Value Fashion strategy led to:
 - Double digit like-to-like revenue growth @ 16%
 - Strong Volume growth across categories @ 65%
 - Increase in Own brands Mix @ 63% (an improvement of ~650 bps)
- Added 12 new stores to our network
 - Closed the quarter with 4 franchisee stores in the network
- Leveraging brand ‘Pantaloons’
 - Currently have 3 Woman and 2 Kids stores operational

Pantaloons Revenue & Margins

Quarter 1 Revenue (Rs. Cr)

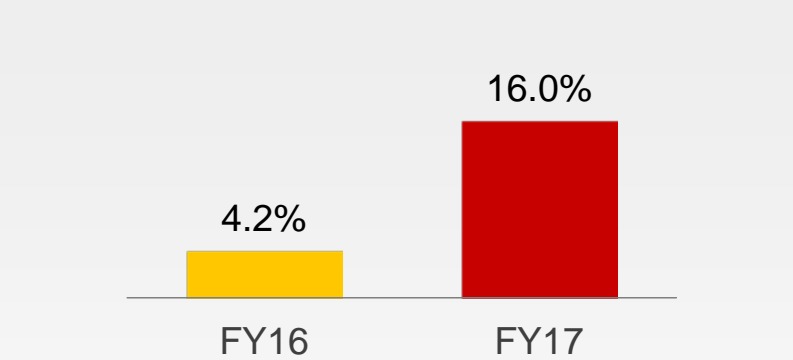


Q1 EBITDA (Rs. Cr)

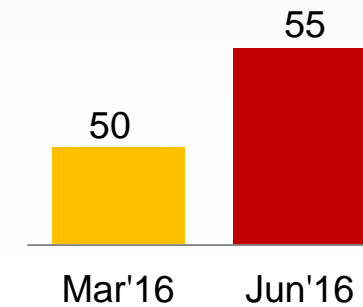


Best Ever Q1 Performance Since Acquisition

Q1 L2L Growth %



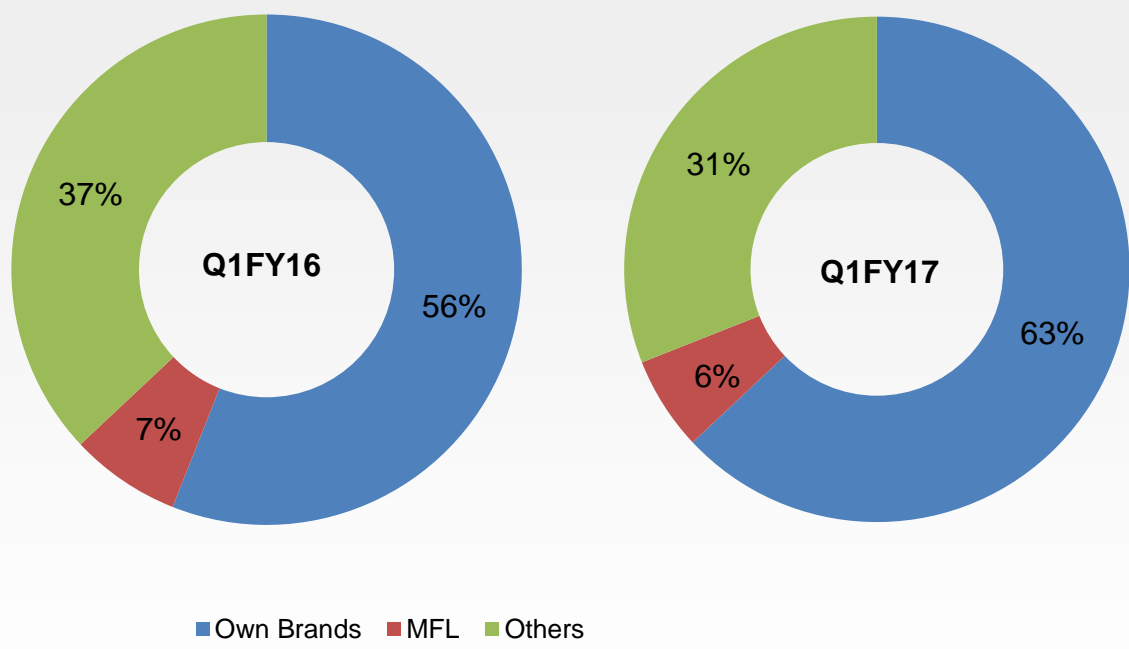
Loyalty base



~75% of sales comes from loyal customers

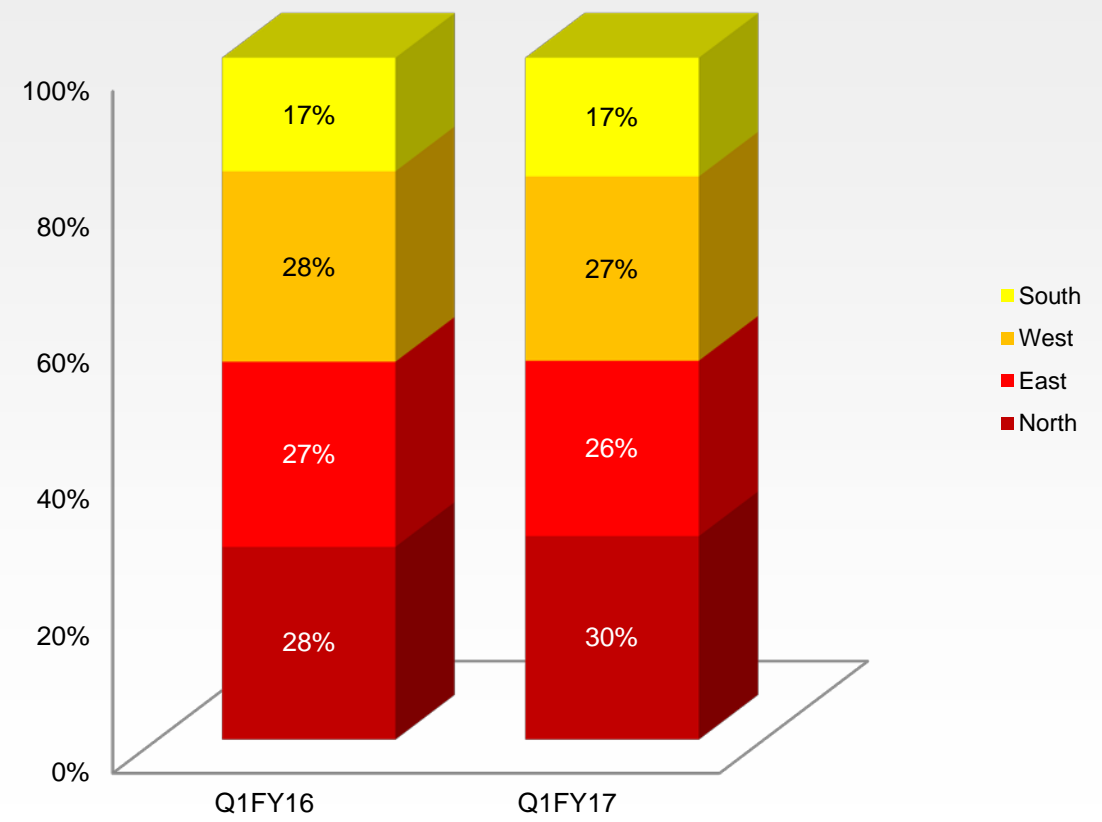
Revenue Deep Dive – Q1

Pantaloons Ownership Mix



Exclusive brands contribute to 63% of the revenue

Pantaloons Regional Mix



- **We expect consumer sentiments to recover in H2**
 - Pantaloons growth momentum to continue through the year
 - Madura brands will recover their growth trajectory in H2

- **We will continue to invest in enriching the portfolio to build leadership presence across all important product & consumer segments**
 - Transition Forever 21 India operations to grow women's fast fashion segment
 - Simon Carter, London to be launched in Q4 FY17.
 - Exploring various partnership opportunities with several brands to address white spaces
 - Entry into men's innerwear and active-wear in Q2 FY17
 - Leverage E Commerce through deep partnerships with large players and execution of Omni channel program across Pantaloons and Madura stores

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