

Q3 FY2019 Review Note

7th February 2019

Safe harbour statement

Certain statements contained in this document may be statements of future expectations and other forward looking statements that are based on management's current view and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. None of Arvind Limited or any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its content or otherwise arising in connection with this document. This document does not constitute an offer or invitation to purchase or subscribe for any shares and neither it nor any part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

Update on Demerger and consequent accounting disclosures

Demerger Update*

- Branded Apparels and Engineering Business demerged from 29th Nov
- Arvind Fashions and Anup have received in principle approval from Stock Exchange. Approval of SEBI is awaited.
- Likely listing of Arvind Fashions and Anup – February*

Accounting

- Reported financials for this quarter give revenue, expenses and PAT for continuing businesses
- Since Appointed date for Engineering business is January 1, 2018 the company has stopped consolidating engineering business and Anup Engineering from January 1, 2018. As a result, all the figures from January 1, 2018 have been restated.
- Since Appointed date for Branded Apparels business was 29th November, 2018, that company has to stop consolidating Branded Apparel Business and Arvind Fashions from 30th November, 2018.
- PBT & PAT of Discontinued business for current quarter are not comparable as Q3 2017-18 contained PBT and PAT of both the demerged business while Q3 2018-19 contains PBT & PAT for only Brand Apparel for about 2 months.
- Details of Net Assets transferred to the two demerged entities is given in Annexure 1 to this note.

* The timelines are subject to receipt of necessary approvals from various regulatory/statutory bodies and stock exchanges

Agenda

- Q3 FY 18'19 Summary Financial Performance
- Business discussion
- Updated Outlook

Q3 2019 Executive summary: Pressure on Denim business impacted top-line and profitability for this quarter

INR Crs	Q3 FY2019	Remarks
Revenues	1680 (-1%)	
Textiles	1385 (-7%)	Lower fabric (mainly Denim export) volumes Garment grew 11%
Advanced Materials	159 (+32%)	Growth as planned
Others	139 (+65%)	
EBITDA	150 (8.9% vs 10.1%)	
Textiles	10.5% (vs 14.2%)	Lower denim volume; One time losses on account of change in model of Arvind Stores and higher preoperative costs in new projects
Advanced Materials	10.2% (vs -3%)	
Others	0.1% (vs -6.4%)	
PAT (before exception items)	59 (-23%)	
Debt (31st Dec 2018)*	2822	

*Net of of Rs 237 Cr -amount given to demerged businesses which is expected to be returned in Q4

Q3 FY 19: Profit and Loss summary

<i>All figures in INR Crs</i>	Q3 FY19	Q3 FY18	Change	9M FY19	9M FY18	Change
Revenues from Operations	1,680	1,691	-1%	5,281	4,951	7%
EBIDTA	150	170	-12%	532	498	7%
Profit Before Tax	62	85	-27%	266	263	1%
Profit After Tax	59	77	-23%	214	217	-1%
Less : Exceptional Item	19	11		42	22	
Net Profit	40	67	-40%	173	195	-12%
Profit / (Loss) from Discontinued Operations	0	9		-10	5	
Profit for the Period	40	76		162	200	

- Exceptional Item - GST credit Write Off due to change in regulations Rs 18.5 Cr & Retrenchment compensation Rs.1 Cr for Q3 2018-19
- PBT & PAT of Discontinued business for current quarter are not comparable as Q3 2017-18 contained PBT & PAT of both the demerged business while Q3 2018-19 contains PBT & PAT for only Brand Apparel for about 2 months.

Q3 FY 19: Profit and Loss summary (Standalone)

<i>All figures in INR Crs</i>	Q3 FY19	Q3 FY18	Change	Q3 FY19	Q3 FY18	Change
Revenues from Operations	1,507	1,586	-5%	4,787	4,683	2%
EBIDTA	136	158	-13%	485	483	0%
Profit Before Tax	55	78	-30%	237	261	-9%
Profit After Tax	59	76	-22%	207	219	-5%
Less : Exceptional Item	24	11		57	22	
Net Profit	35	66	-47%	151	197	-24%
Profit / (Loss) from Discontinued Operations	-8	-5		-14	-15	
Profit for the Period	27	61		137	182	

- Exceptional Item - GST credit Write Off due to change in regulations Rs 18.5 Cr & Retrenchment compensation Rs.1 Cr and devaluation in value of investment in subsidiary Rs. 5 cr for Q3 2018-19
- PBT & PAT of Discontinued business for current quarter are not comparable as Q3 2017-18 contained PBT & PAT of both the demerged business while Q3 2018-19 contains PBT & PAT for only Brand Apparel for about 2 months.

Q3 FY 19: Performance by segments

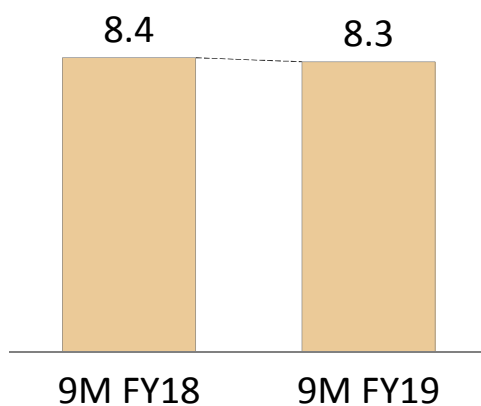
Rs Cr Business	Q3 1819			Q3 1718		
	Revenue	EBIDTA	EBIDTA%	Revenue	EBIDTA	EBIDTA%
Textiles	1385	146	10.5%	1486	211	14.2%
Advanced Material	159	16	10.2%	121	-4	-3.0%
Others	139	0	0.1%	84	-5	-6.4%
Unallocated		-16			-31	
Other Income		27			12	
Inter segment	-4	3		-1		
Total	1680	176	10.5%	1690	183	10.8%

Consolidated Balance Sheet, as at Dec 31st 2018

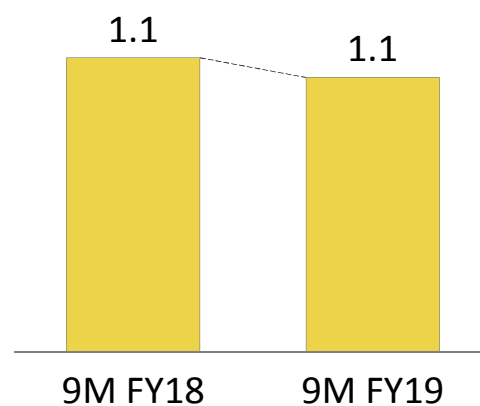
Rs Cr	As at	
	31st Dec 18	31st Mar 18
Shareholders' Fund		
Share Capital	259	259
Reserves & Surplus	2424	2346
Minority Interest	83	82
long Term Borrowings	814	803
Short Term Borrowings	1999	1724
Long Term Liability Maturing in one year	246	137
Borrowings	3059	2663
Other Liabilities	1498	1575
Total	7324	6924
Assets		
Fixed Assets	3540	3425
Non Current Investments	78	76
Long term Loans & Advances	1	2
Other Non Current Assets	174	115
Current Assets	3531	3307
Total	7324	6924

Key indicators – 9M FY19 Vs 9M FY18

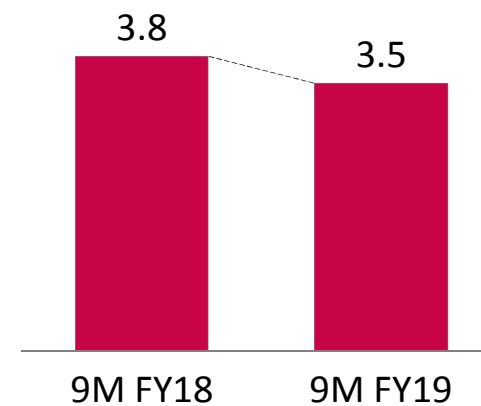
EPS



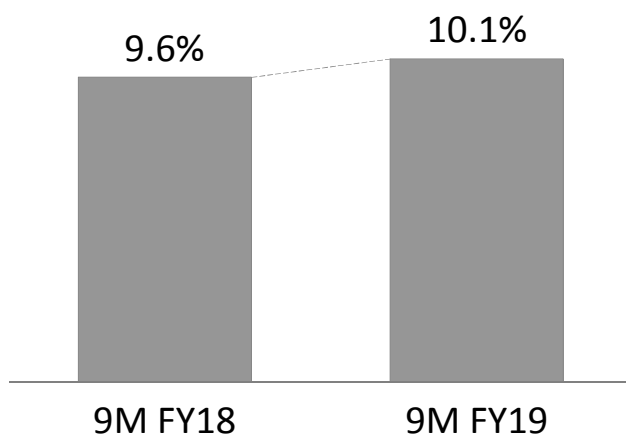
Debt / Equity



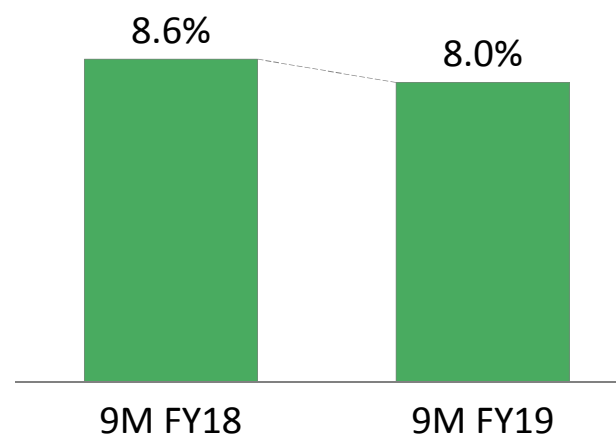
Debt / EBIDTA



ROCE



ROE



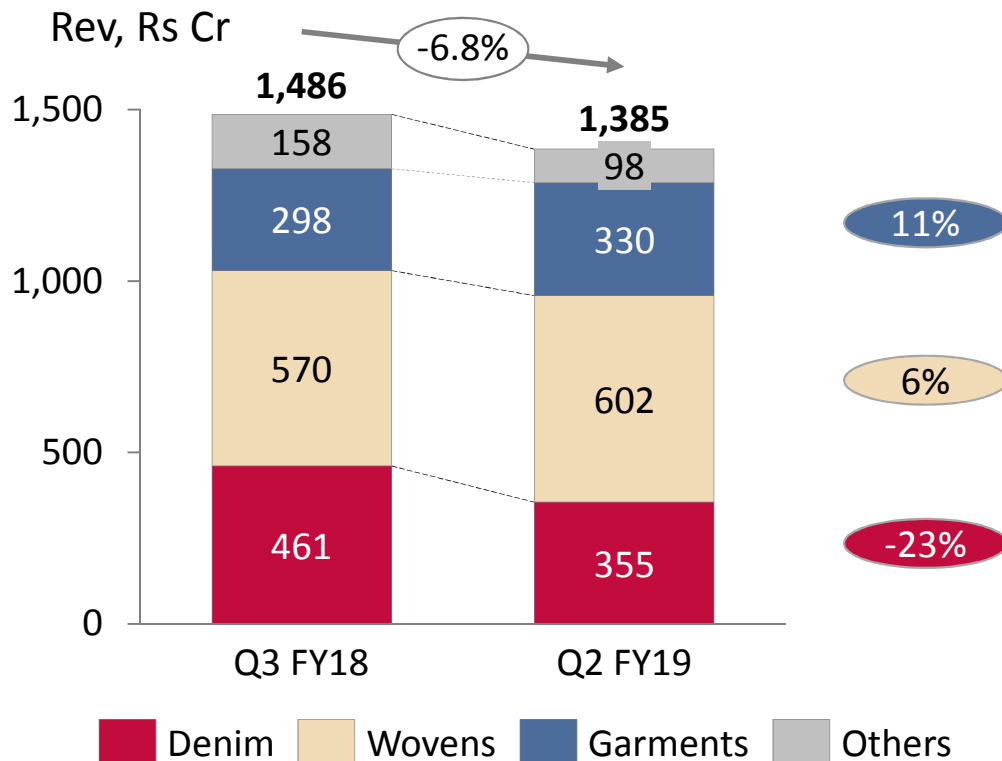
Agenda

- Q3 FY 18'19 Summary Financial Performance
- Business discussion
- Updated Outlook

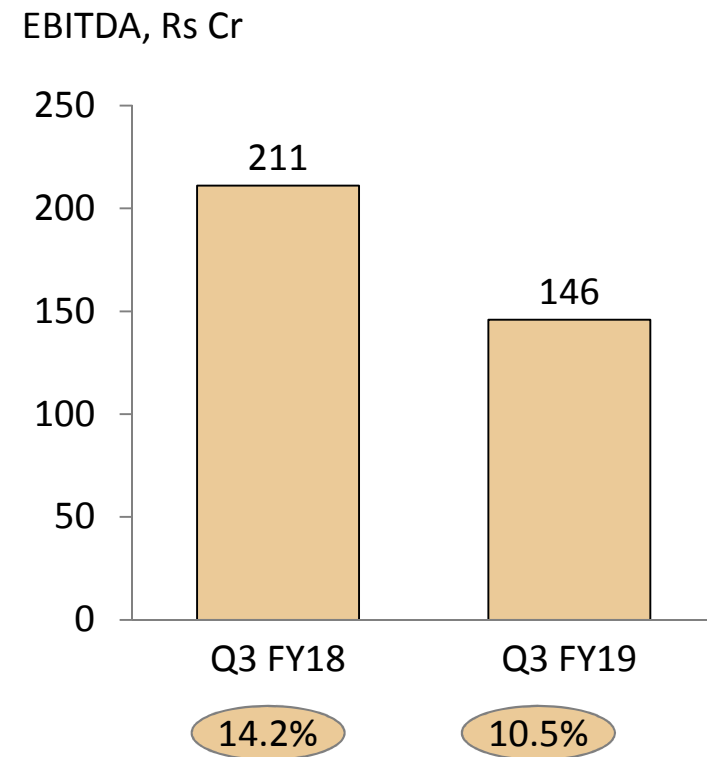
Textiles and Advanced Materials

Q3 2019: Softer demand and over-supply in Denim impacted fabric volumes and performance;

Fabric top-line declined, garmenting grew



Margins got impacted



- Lower off-take and inventory correction by a few international customers resulting in about 5 M lower denim volumes
- EBITDA was impacted due to lower sales, higher pre-ops in new manufacturing plants and write off in Arvind Stores as company decided to convert all the retail stores in to franchise operations.
- Average cotton prices were higher at Rs 122/kg vs Rs 113/kg in Q3FY18

Key Textile business parameters for Q3 & 9M FY2019

	Denim		Woven	
	Q3 18-19	Q3 17-18	Q3 18-19	Q3 17-18
Exports(Mn Mtrs)	8	13	12	10
Domestic (Mn Mtrs)	11	12	24	25
Avg Prices	186	181	171	164
Major Components	Cotton			
Cost in Rs / Kg	122	113		
	Denim		Woven	
	9M 18-19	9M 17-18	9M 18-19	9M 17-18
Exports(Mn Mtrs)	31	39	30	26
Domestic (Mn Mtrs)	32	36	73	69
Avg Prices	189	181	171	171
Major Components	Cotton			
Cost in Rs / Kg	116	118		

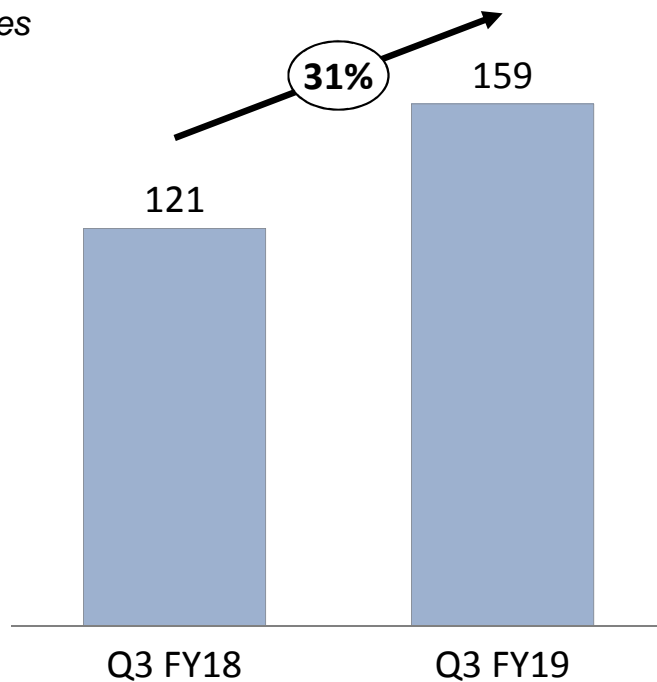
NOTE:

Sales prices and cotton prices for Q1 FY19 are excluding GST, whilst they include VAT in the previous year

Advanced Materials delivered a strong performance both in terms of topline and profitability

Healthy growth in revenues

INR crores



EBIDTA Growth for Q3 Y2Y

- Operating leverage resulting in improving margins as mature part of portfolio starts to hit scale
- Improved realization from higher value added products
 - Start of carbon-fibre products
- Tie-up with a European firm for Cured-In-Place-Pipe technology (CIPP)

Q3 EBITDA

-4

16

Agenda

- Q2 FY 18'19 Summary Financial Performance
- Business discussion
- Updated Outlook

Outlook for FY19

**Arvind Limited
(Demerged)**

Revenues

- **Overall 5% growth (vs 10% planned)**
- Textiles 2% (lower than earlier estimate)
 - Lower Denim sales in Q2 and Q3
 - 3-6 month delay in new garment manufacturing projects*
- Advanced Materials likely to grow at 24% (higher than earlier estimate)
- Water EPC projects spill over to Q1 FY 20

Margins

- **Overall likely to be higher by 0.3% (lower than planned)**
- Textile margin likely to be lower by about 1%
 - Margins to be between 12.5 & 13% in Q4- up from 10.5% in Q3
- Advanced Materials likely to clock 9% (compared to -1% last year)
- Water EPC projects spill over to Q1 FY 20

* New garment capacities planned in Ranchi (9.6m pcs), Ahmedabad cluster (20m pcs), Ethiopia (8.4m pcs), AP (6m pcs)

Annexure 1

Assets & Liabilities transferred to Branded Apparel & Engineering

	Branded Apparels	Engineering	Total
Assets	510	35	546
- Fixed Assets	17	9	26
- Investments	417	7	423
- Current Assets	77	20	97
Liabilities	48	27	75
- Borrowings	19	32	50
- Current Liabilities	29	-4	25
Reduction in Retained Earnings	462	8	470



Thank You!