



Aditya Birla Fashion and Retail: Structural shifts countering pandemic impact in Q1; poised to emerge amongst strongest of the pack

Performance Highlights

1. Q1 Sales and PAT impacted by unprecedented disruption on account of COVID-induced shutdowns
2. 80% of stores had resumed operations by the end of the quarter. 90% of stores have now reopened; Expect full normalcy of business operations by Q4FY21
3. Successful capital raise of Rs. 1000 Cr; Balance sheet strengthened
4. Deep cost re-engineering underway; Business reduced costs by more than Rs. 450 Cr against Q4 FY20.
5. Accelerated digital pivot: Doubling of sales seen on third party e-commerce platforms and manifold jump in own website sales
6. Piloted new innovative routes to reach customer (Pantaloons on wheels, video shopping, WhatsApp commerce and hyper local delivery models)

Financial Performance

The Board of Directors of the Company at its meeting today approved the results for the quarter ended 30th Jun 2020. These financials are post factoring in necessary adjustments under Ind AS 116.

Consolidated Financials

<i>In Rs. Cr.</i>	Q1 FY21
Revenue	323
EBITDA	-182
PAT	-410

The June quarter has been one of the most challenging quarters for the Company, and for the overall Indian apparel industry. The operations of the Company were severely impacted due to the unprecedented economic standstill induced by the pandemic. In the months of April and May, most of the retail network was closed, while e-commerce sales too restarted only in the 3rd week of May, when the restrictions on non-essential products were lifted. Stores started to open during the month of June, although operational hours were restricted in many places which slowed down the return to

normalcy. By the end of June, nearly 80% of our network had re-opened. The results of this quarter should be seen in the above context. In Q1 FY21, the sales of the Company were at Rs. 323 Cr.

As the pandemic struck, the Company embarked on a series of cost reduction initiatives. These include renegotiating rentals at stores, offices, and warehouses; cutting discretionary costs along with curtailing overhead expenses with a clear focus on productivity enhancement and efficiency improvement. These measures were topped up with comprehensive liquidity management through new financing facilities, inventory optimization and deep capex reduction. The Company managed to bring down costs by more than Rs. 450 Cr. over the previous quarter, on account of these measures. The results for this quarter capture a lot of these efforts on both the cost and cash front. The full impact of these measures will be seen in subsequent quarters. These efforts during the quarter limited the EBITDA loss for the period to Rs. 182 Cr., significantly cushioning the impact of the loss in sales. The focus on correcting the cost structure in line with the scale of business this year is an ongoing journey that shall relentlessly be pursued during the remainder of this year, enabling us to emerge out of this crisis stronger.

The Company displayed tremendous agility in serving its consumers by creating products that they truly needed during this period, including masks, work from home collections, and an all-new athleisure range. With the lockdown easing out, the Company has ensured that stores are opened with the highest safety and hygiene protocols, making shopping absolutely safe for both customers and employees. The Company also accelerated its digital transformation through a series of moves. Firstly, refreshing its brand websites to ramp up own e-commerce sales. Secondly, introducing omni-channel features such as video call sales, WhatsApp commerce, and buy-online-ship-from-store to leverage its distribution network. Thirdly, building huge scale through deeper partnerships with all the leading third party e-commerce players. The Company also piloted new routes to market such as Pantaloons on wheels, personalized catalogue through mailers, and hyperlocal models in this quarter, demonstrating its quest to serve its customers even during this crisis.

Furthermore, the Company plans to continue distribution expansion with its franchisee partners and also leverage the attractive real estate opportunities coming through during the crisis, in line with its strong conviction regarding the untapped potential of the fashion business in India.

The Company successfully completed its rights issue of Rs. 1000 Cr. by offering 9.05 Cr. shares at Rs. 110 per share. The issue evinced strong interest from promoters, large shareholders, and retail investors. The Company could mobilize Rs. 496 Cr. in the first tranche during the quarter. This fundraising will add significant strength to its balance sheet.

The Company is confident of consistent improvement in business performance over the next two quarters and expects to achieve full normalcy by Q4 FY21.

The Company's reassessment of its cost structure during this quarter, continued strength of its brand portfolio, and accelerated digital transformation, along with successful completion of the rights issue, will help create a strong foundation to retain its position as the leading apparel player coming out of this crisis.

About Aditya Birla Fashion and Retail Limited

Aditya Birla Fashion and Retail Limited is India's largest pure-play fashion and lifestyle company with a strong bouquet of leading fashion brands and retail formats. The Company has a network of 3,004 stores, presence across approximately 23,700 multi-brand outlets with 6,700+ point of sales in department stores across India.

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