



THIRTEENTH AGM OF ADITYA BIRLA FASHION AND RETAIL LIMITED
CHAIRMAN'S SPEECH

A very warm welcome to the respected shareholders of our company. It gives me immense pleasure to address you all on the 13th Annual general Meeting of your company.

I have structured my address to you in sections where I would cover the overall economic scenario, an overview of the industry, a quick recap of events in March 2020 following outbreak of COVID and how we responded to the challenge along with an update on performance of your company. Towards the end, I would also like to give a quick update on our resumption activities, while covering our broader strategy and how we are setting your company up to emerge as a really strong player, primed to emerge as a leader in the post COVID world.

Let me first set the context of the business environment which prevailed through most parts of the Financial Year 2020. The global economic outlook for 2019, as projected by IMF, was comparatively more pessimistic than the previous years under the shadow of trade tensions. The prolonged disputes and policy uncertainties caused significant disruptions to international supply chains through the year.

While the economic outlook for India remained favorable, the country saw a slowdown as the GDP growth rate was pulled down due to the stress on our financial sector and weak rural demand. The government announced various initiatives through the course of the year to aid the economic revival, like cutting the corporate tax rate, the situation worsened towards the end of February 2020 as the COVID pandemic struck us. To further help revive the economy post COVID, the government announced the Rs. 20 lakh crore "Self Reliant India"



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package. The package, equivalent to 10% of the country's GDP, was structured around embarking on a path to become self-sufficient. These sought to address issues around liquidity in the market, with focus on the cottage industries and the MSME sector, amongst others.

Now, let me share my thoughts on the apparel sector.

The global apparel market has historically been dominated by US, Europe and other developed regions. However, economic shifts from west to the developing nations are causing a dramatic movement in the demand patterns of this industry. The developed markets are now showing matured characteristics, which is reflected in their saturated growth rates. These markets have already seen deep penetration of organized retail and branded apparel, with online channels too having significantly deepened the penetration.

In contrast, the low penetration level of organized retail and online channels, and favorable factors such as a young demography with a large population in the working age ,place the markets in developing countries like India at a favorable position.

Closer home, the Indian apparel sector is one of the key employment generators. The industry employes about 9% of the total Indian workforce directly, while contributing to the livelihood of a futher 12% of the workforce through allied sectors. While the global markets deal with saturation, India has become a focal point for the fashion industry as rising consumption due to favorable demographics and higher disposable income boost its demand dynamics while



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efficient manufacturing, global sourcing capabilities and improved retail and ecommerce penetration drives access and experience, making it an extremely attractive market. The market is expected to grow at a CAGR of over 10% in the coming years, with the branded apparel sector expected to grow much faster.

Let me now take you through the performance of your Company for the financial year 2020. It is only fitting that I talk about the performance in two parts: firstly, the first three quarters of a near perfect journey and secondly, the final quarter of the year, the month of March 2020 in particular – which saw us witness an unprecedented disruption.

Talking about the first three quarters, an analysis of the trend of 9 months results over the last 3 years exhibits our strong growth trajectory. In this 9-month period of last three years from FY17 to FY20, your Company achieved sales CAGR of 13% and EBITDA CAGR of 31%. The Company's margins expanded from 6% for 9M FY18 to 8.1% for 9M FY20.

The performance trends for January 2020 and February 2020 too continued along a similar trajectory, with double digit Like To Like posted by both Lifestyle brands and Pantaloons.

However, by the beginning of March 2020, as the pandemic spread and panic grew, retail was one of the most impacted sector, as nation wide lockdown induced movement restrictions and shut down of stores.

We too noticed a dramatic slowdown in sales and footfalls during this period.



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The nature of our business is such that it works on a largely fixed cost model. At normal times, it allows the Company to leverage the fixed cost and deliver improved profitability. However, a sudden and steep shortfall in sales, as was the case during the pandemic, didn't allow us to leverage our fixed costs and hence deeply affected our profitability..

The Company took cognizance of the situation and quickly embarked upon measures to **improve liquidity by arranging adequate banking lines.**

We also triggered multiple initiatives around cost rationalization, aiming at making the cost structure optimal for a disrupted sale scenario. Most of this was made possible through the support of our employees, real estate and vendor partners. Important to note that while these initiatives will help in the short term, while in the long term, it's our long standing relationships with our partners and their belief in the strength of our business and operating model that will hold us in good stead when we get back to the normalcy.

The full year revenues reported a growth of 8%, rising from Rs. 8118 Crore to Rs. 8743 Crore. Despite the impressive performance through most of the year.

EBITDA saw negative growth from Rs. 619 Crore in FY19 to Rs. 518 Crore in FY20, due to impact of COVID-19, along with one time write down in the fast fashion segment due to transition of PEOPLE brand. Due to the above, The overall EBITDA margin of the Company shrunk by 170 bps from 7.6% in FY19 to 5.9% in FY20.

Your Company adopted the new lower corporate tax regime which will help Company to save Cash Flow for next 2 years. In this regard, your Company had



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to re-measure its deferred tax assets which had a one-time impact of Rs. 130 Crore in FY20. But for this change, the reported PAT would have been Rs. -15 Crore for FY20.

In the previous year, your Company made strategic investments of Rs. 170 Cr. to venture into the highly lucrative Ethnic wear Segment, through Jaypore and Shantanu & Nikhil. While Jaypore is an ethnic apparel and lifestyle retailer, selling its products both in domestic and international markets through its e-commerce channel, Shantanu & Nikhil are renowned couturiers in the Indian ethnic space.

I think its important to also talk about what Your Company did in the later part of last fiscal when the COVID Pandemic hit our country. Exhibiting highest level of agility and collaboration, Your Company worked with government agencies and initiated production of critical personal protective equipment for our COVID warriors in their fight against the virus. Our facilities team undertook great initiative to re-engineer our factories and machinery, While duly following stringent sanitization and distancing norms for our staff, to produce over 8 lakh coveralls, 10 lakh 3-ply masks and 50 lakh cloth masks, in possibly the quickest turnaround time. .

Along with this, Your Company's response towards its own business was principally focused around employee & customer safety, cost control and cash conservation. The safety of our entire workforce was our first priority and hence your Company became onethe first few Corporates in the Retail space to shut its offices and factories as precaution. During the disruption, your Company



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undertook various initiatives to ensure the physical and mental well-being of all its employees, including their family members. Your Company was also one of the first players in the sector to launch a comprehensive COVID assistance and emergency response program (CAER), to provide medical help and consulting facilities to its employees and their families.

On the cash front, your Company took cognizance of the situation and took quick and drastic measures on cost cuts and cash conservation. Your Company has initiated a deep and comprehensive cost reduction exercise to cut fixed costs - majorly rentals and manpower cost, alongwith other discretionary spends like advertisement, travel etc. Your Company also took various steps around working capital optimisation , through repurposing existing inventory and scaling down new buying. Leveraging its strong parentage, Your Company was able to utilize existing and new banking lines to ensure that the business had ample liquidity. Also, to infuse strength into the balance sheet during these unpredictable times, Your Company successfully completed its rights issue of Rs. 1,000 Cr.. The issue evinced strong interest from promoters, large shareholders, and retail investors. Your Company could mobilize Rs. 496 Cr. in the first tranche during the quarter, adding much needed strength to its balance sheet.

Let me also give an update of the current situation on ground. Post the lockdown was lifted in a graded manner, as on 31st August 2020, close to 90% of our store network is operational. Our resumption has been planned meticulously as in early April 2020 itself, your Company had set into motion stringent



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protocols around safety and hygiene, benchmarked on global best practices and standards, to ensure that our stores are absolutely safe places to shop at.

Stores have also been reengineered to allow a contactless shopping experience with adequate provisions for digital payments, quarantining of returned garments and revised procedures for garment trials. As you could make out, our teams have left no stone unturned to ensure that our customers can continue to visit our stores with no concerns, so that their “shopping never stops”.

Displaying tremendous agility, our brands have not only created products like fashions masks etc which are more contextual in current times, but have also been working closely with our Digital Enablement teams to roll out other innovative ways of reaching out to the customers. Our store staff is assisting their regular customers through WhatsApp Commerce, while kiosks and pop-up shops are being piloted to reach more and more of our customers. The Hyperlocal model too is being implemented to leverage our wide distribution network, utilizing our store inventory and staff to service and deliver customer orders placed online.

Detailed discussion on the performance of your Company has been captured in the Management Discussion and Analysis section of the Annual Report for FY19-20.

Allow me to, however, take you through the broad strategic direction followed by your Company in its endeavor to strengthen its leadership position –

1. **Building Strong Brands:** Over the years, your Company has built some



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of India's most iconic brands. The characteristic feature of these brands has been their ability to evolve with changing customer needs. Our portfolio of Lifestyle brands – Louis Philippe, Van Heusen, Allen Solly and Peter England are market leaders in their own spheres. Each of these brands continue to add increasingly relevant products and categories to their basket of offerings. Our innerwear and athleisure business builds on the brand equity of our existing Lifestyle brands. Collaboration with super premium global brands allows Your Company to operate in the premium end of the market.

Our large apparel retail format brand Pantaloons is taking significant strides in its journey of establishing itself as a leading brand in the value fashion segment. The brand has managed to successfully expand its customer base by appealing to new customers through targeted marketing campaigns and a reinvigorated identity, while venturing into newer categories like home and sarees. For a highly successful brand reinvigoration work that the team has executed over the last two years, Pantaloons has received multiple awards and accolades. Pantaloons recently was recognized as most trusted Fashion retailer by brand equity. In the times ahead, as consumers are likely to opt for trusted brands, your Company endeavors to continuously offer the most desired brands for its customers, each brand continuously evolving to meet the changing needs of the customers.

2. **Portfolio Approach:** While our existing brands always strive to continuously evolve themselves to keep pace with the changing consumer needs, Your Company is always on the lookout for other lucrative areas in



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the apparel sector from an entry perspective. Your company's foray into women's and kid's wear has seen a very favorable response in the market. Our innerwear and athleisure business continues to offer products that delight our customers.

Also, your Company's recent forays into the Ethnic space, through Jaypore and Shantanu & Nikhil are receiving strong consumer traction; supporting our strategy to build a large move in the largest and one of the fastest growing apparel segment.

Our endeavor has always been to be the first choice for all fashion needs of our consumers – across segments and wearing occasions and your Company will continue to expand its portfolio keeping pace with changing consumer needs and preferences.

3. **Reaching a wider customer base:** Organized retail in India still has a huge potential which is yet to be explored. Tapping this opportunity, your Company added over 1000 stores over the past three years. Untapped rural markets present another exciting opportunity for branded players to service newer customer bases. Taking cognizance of this opportunity, Your Company launched newer formats tailor made for these markets, Offering consumers, what could be their first branded apparel experience. Peter England for instance, through their RED format, successfully added over 200 stores in the first year of its operations.

We also ventured into mass brands space through a pilot under a brand Style up, which we have gradually been testing across multiple markets for last 3 years. After successful experimentation, to accelerate it to the next phase, in this large space, we have integrated Style up operations with



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Pantaloons to leverage strength of Pantaloons to gain rapid scale in Tier 4 and 5 markets under the brand Style Up.

Apart from expanding deeply and widely geographically through physical means, Our brands are also aggressively driving reach and access amongst digital channels by significantly accelerating investments in our brand websites and forging deeper and more meaningful partnerships with ecommerce players

4. **Digital Transformation**: The digital capabilities of your Company have been key area of focus for the management. Your Company has tried to adopt technology into various processes, primarily aimed at enhancing the consumer shopping experience. While the Company continues to build its omni-channel capabilities, it is also creating an engaged digital presence across all media channels, which has become a primary source of brand discovery for customers. In the past 90 days, your Company has viewed ramping up its e-commerce play as a key priority, with brands launching apps for all its brands, apart from improving the experience of the brand websites.

On the back end too, Your Company is continuously working towards finding new ways to improve the efficiency of its processes, and build an agile organization. Your Company has made significant advances in adopting newer technology to shorten supply chain lead times, driving freshness and greater variety in stores. Most notable of these changes was your Company's adoption of the 12-month format, which was a first for the industry. Rapid digitization has also led to the emergence of newer business models designed around services like personalization



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and subscription, offering greater flexibility and variety to the consumers. During the disruption, it was these digital adoptions that allowed your Company to continue servicing its customers. Our recent initiatives around alternate ways of reaching customers during the period of lockdown were also fueled primarily through better adoption of technology. While there were more immediate interventions like video selling, whatsapp commerce or hyperlocal delivery models where stores were leveraged as our core assets and merchandise was brought to homes of consumers virtually, more longer term moves such as launch of reinvigorated brand apps, AI enabled styling services, personalization services etc were successfully rolled out.

5. **Our People:** Your Company takes pride in its immense talent pool and believes in constantly nurturing and building this talent, which gives it a formidable competitive edge. Building on the principles of a professional, meritocratic and progressive organization, the Company focusses on people development at the core of its business strategy, with a vision to drive a High Performing and Customer Centric Culture with Happy and Value Oriented Employees.

"The biggest brands and best people" is the philosophy that drives ABFRL. Your Company has well-known brands in its repertoire and it is the people behind the brands who have made the brands what they are. The unique employee value proposition of Your Company – "A World of Opportunities" makes it a preferred employer for professionals in the industry. ABFRL is committed to strengthen its employee value proposition in every aspect – career growth, learning and



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development, rewards and recognition and enrichment of life through healthy work environment and well-being programs, with the aim of benefitting each and every member of our 25000 strong workforce.

I would now take few minutes to talk about Sustainable business practices, one of the important parameters of our business

As a part of the Aditya Birla Group, sustainability is fundamental to all our endeavors, and your Company echoes ABG's responsibility towards society, environment, and every stakeholder in constructing a stable and responsible foundation for the enterprise. Your Company is committed to integrate sustainability in business decisions across our value chain, with an aim to redesign the future of business.

Over the past decade, we at ABFRL, have been pioneers in driving sustainability to the forefront of the Fashion and Retail Industry. This year is slated to be an important milestone in our 'ReEarth' journey with the commencement of 'Sustainability 2.0'. Through this initiative, your Company plans to widen the scope of its sustainability initiatives from operational efficiencies and product life cycle, to developing a product centric approach.

We as a responsible organization aim to provide thought leadership and establish, disseminate and accelerate the sustainability drive in the industry. To achieve this, we continue to strengthen our collaboration with like-minded entities like Sustainable Apparel Coalition, Ellen MacArthur Foundation and Cotton 2040. In the reporting year, we progressed in our intent towards building



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a circular economy. Our strategic collaboration with 'Circular Apparel Innovation Factory' (CAIF) is a significant move that will drive circular business practices across India's textile and apparel industries.

We continue our unflinching efforts towards community development with our unique 'Village Development Programme' built on the Sansad Adarsh Gram Yojna (SAGY) guidelines. This program is run across Karnataka, Tamil Nadu and Odisha to bring about holistic development of villages on multiple fronts such as education, health, livelihood, digitization and water

We are very proud to inform you that your Company was ranked 8th globally in the Dow Jones Sustainability Index (DJSI) – Corporate Sustainability Assessment in the textiles, apparel and luxury goods sector. Your Company was also awarded Sustainable Corporate of the year 2019 by Frost & Sullivan and Teri, and the CII-IGBC Green Champion of the year 2019.

Your Company continuously reviews the progress of its sustainability missions and related projects & initiatives, while ensuring all environmental and social risks are well covered to provide strategic inputs in driving sustainability goals.

I would like to Thank you all for being a partner in our journey.

I can very confidently say that Your company has built a very robust business resting on key strategic pillars such as (1) a portfolio which boasts of some of the



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country's most Iconic brands (2) one of the widest distribution network, (3) a digitally advanced organizational setup and (4) credible management and capable team continuously working towards delivering excellent products and offering enhanced shopping experience to its customers.

On behalf of the whole management team and our respectable board members, I take this opportunity to assure each one of you that our belief and conviction on Indian consumption story and the large opportunity that Indian apparel sector has, stays unflinched and so does our aim and aspiration to build

I also like to convey my gratitude towards team ABFRL – whose relentless hard work and unwavering focus and dedication has seen us through these tough times and has always enabled us as a formidable organization.

I would also like to take this opportunity to express our gratitude on behalf of the Board and Shareholders, to Mr. Pranab Barua, Mr. Arun Thiagarajan and Mr. Sanjeeb Chaudhuri who have ceased to be Directors of the Company in the past year. Their wise counsel and technical expertise have played a significant role in enriching the Board and we are truly grateful for the same.

We are also pleased to have with us, Mr. Sunirmal Talukdar and Mr. Nish Bhutani. Their addition will go a long way in complementing the skills and expertise of the Board. We are confident that their effective guidance and perspective will help enhance value for all of our stakeholders.



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Finally, I would like to take this opportunity to thank all our franchisee and vendor partners, bankers, shareholders and other stakeholders for their constant support and faith in our abilities, specially during these trying times.

It has been an honor to address you all here today. I wish you the very best.

Thank You!