



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

Dear Shareholders,

A very warm welcome to the 14th AGM of your Company.

This AGM holds special significance for me as it is the first time I am addressing the shareholders of ABFRL after taking over as Chairman of the board earlier this year. While the pandemic has blunted the possibility of interacting with all of you physically, technology has enabled us to engage virtually and take stock of our Company's performance. Over the next 15 mins, I will take you through ABFRL's journey in a year that has been truly transformative.

The story of your Company this year has been marked by resilience, grit and triumph against all odds. Despite being in a sector that has been the worst affected due to stringent nationwide lockdowns, your Company marched unfettered, achieving its key strategic milestones while simultaneously undergoing an operational metamorphosis. This, during a period of turmoil which has seen the evisceration of companies in this sector.

Let me begin with briefly sharing my views on the Economy

The pandemic that engulfed the world early last year has had an erratic impact over the course of the year. An initial shutdown was followed by a gradual recovery which was subsequently tempered by a brutal 2nd wave. Vaccination has made rapid progress, and that has infused a new wave of optimism in the economy. The latest GDP growth of over 20% growth in Q1FY22, albeit on a contracted base, signals that a very swift recovery is perhaps in play. In FY22, the Indian economy is poised to grow at a little below 10%. The three factors of a cyclical upswing, conducive policy impulses and an improving global



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backdrop are likely to align themselves to position India for a virtuous cycle of growth and investments in the medium-term.

Let me now share my thoughts on the apparel sector.

In FY21, as the pandemic struck the world, most businesses, including fashion and apparel, had to face temporary disruption as people were forced to stay at home.

Despite the debilitating blow of the pandemic on the retail sector, it was evident that businesses and brands built around the ideas of innovation and consumer centricity would not only survive but, in fact, thrive. Across categories and channels, consumers bought brands that changed with them and stayed relevant with a singular focus on serving their needs.

As we look ahead, the markets are expected to return towards normalcy towards the latter half of FY22. In addition to favourable macro factors, the industry will be further strengthened by the increased adoption of digital technology and the underlying trend of value migration from the unorganized to the organized sector.

On the Financial performance for FY 21

During FY21, your Company recorded consolidated net revenues of Rs. 5249 Cr. and an EBITDA of Rs. 628 Cr.

This performance needs to be seen in the context of the economic standstill induced by the nationwide lockdowns in March 2020. This led to unprecedented



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disruption in the retail sector. The calibrated unlocking of the economy started in June 2020, albeit under stringent safety protocols. However, recovery post resumption was swift, with consolidated sales in Q4 FY21 closing almost as the same levels as in Q4 FY20.

On Cost, Working Capital & Debt Management

Like other retailers globally, the unprecedented disruption at the start of the year posed a very challenging financial situation to begin with. Dwindling revenues on account of the shutdown meant losses were imminent. And this put a temporary strain on the balance sheet as the Company's debt peaked upwards of Rs. 3000 Cr at the end of Q1FY21. True to its character, your Company took some very bold steps to counter this impact and emerge stronger.

Firstly the team reimagined our cost structure and worked closely with our real estate partners and material vendors to realign legacy costs. Our team did an exceptional job pulling this off by reducing our peak cost base as much as ~Rs. 1200 Cr.

Secondly, the team calibrated our working capital position, re-worked our buys and aggressively liquidated our inventory through multiple channels without resorting to any incremental discounting. This enabled a record working capital release of Rs. 750 Cr.

Thirdly, the team also structurally corrected the debt position by carrying out an equity raise of Rs. 2500 Cr. through a combination of Rights and preferential issuance. The Company's net debt as on March 2020 stood at Rs 654 Crs, a drastic reduction of 74% over the previous year levels.



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Strategic Acquisitions & Building a comprehensive Ethnic wear portfolio

Let me now shift to some strategic priorities and update you on our endeavour to build a comprehensive ethnic wear portfolio. Ethnic wear is a clear area of focus for your Company going forward. Ethnic is the largest segment in the fashion and apparel sector with a very significant profit pool. It is also a sector that has strong resilience to apparel cycle fluctuations and is least impacted by competition from global brands.

Over the last two years, your Company has successfully crafted a portfolio that gives it a sizable presence across key price points and sub-segments.

In line with this strategy, Your Company made two investments this year those in Sabyasachi and Tarun Tahiliani

Through acquisitions and partnerships, Your Company now has one of the strongest and most comprehensive portfolio of brands in the Indian ethnic space.

Accelerated Digital transformation

FY21 was also marked by our accelerated steps towards executing a comprehensive digital strategy across the value chain.

Through the course of the year, we adopted a three-pronged strategy towards digital acceleration:

(1) We revamped our brand & consumer digital connect



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(2) We aggressively pushed our e-commerce play through deeper partnerships with third-party e-commerce platforms and also by investing in our own brand.com

(3) We digitized the backend operations.

As a result of these shifts, our digital channel sales grew 40% over the previous year.

With 3000 Exclusive Brand Outlets or EBO's, your Company's physical network is one of the largest and most widely distributed. And now, given the omnichannel impetus, I can proudly say that your Company is the second largest fashion omnichannel network in the country, with 1/3rd of its distribution base being fully omnichannel enabled.

Our People

We recognize our people as our biggest strength, and the focus on employee safety and wellbeing has been the top priority during this pandemic. Your Company put in place a COVID action and assistance program, which covered all of its 35000+ employees and their families. More than 5000 employees and their loved ones availed the services under this program over the last year.

Your Company has been running vaccination drives for the last 5 months to inoculate all eligible employees and their families. As of today, we have ~100% of employees vaccinated with single doses and more than half of them fully vaccinated.



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Sustainability

Being part of the Aditya Birla Group, Sustainability is fundamental to all our endeavours. Being a customer-centric and future-focused organization, Your Company recognises that consumers increasingly demand products with a better environmental and social footprint. Hence, Sustainability is at the core of our business strategy.

Our sustainability program, called ReEarth, is a movement where we have committed to giving back more than what we take from our ecosystem. The program is centred around 10 critical missions, tracking and improving key sustainability parameters such as carbon footprint, energy conservation, waste management and sustainable product and processes. We have been consistently improving across all these missions over the years. You can get more details in our annual sustainability report.

The circularity of materials and also reducing & recycling of wastages is our key priority. With this in mind, ABFRL is now part of the 'Circular Apparel Innovation Factory,' an industry-led platform that focuses on building a circular apparel and textile industry in the Country.

For its unwavering focus and consistent work on sustainability, your Company received many notable awards during the year, including Asia's 'Most Sustainable Company' in its category in the Dow Jones Sustainability Index 2020 and the Golden Peacock Award for Sustainability for 2020.



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Caring corporate citizen

Your company's actions over the years have always been guided by the principles of good corporate citizenship. In this fiscal, your Company joined the national fight against COVID-19. Your Company promptly dedicated its manufacturing capabilities to making essential medical supplies such as surgical masks & PPEs for the frontline warriors. More than 1 mn masks and PPEs were made in record time. Alongside, your Company continued to provide the necessary support to its 1.5 lakh community members under its COVID response program.

Beyond COVID relief, your company's CSR focus continued unabated on the 5 pillars of Education, Health & Sanitation, Sustainable Livelihood, Water and Digitisation.

Q1 FY 22 Performance

Let me now briefly touch upon the performance in the first quarter of FY22.

The brutal 2nd wave of COVID-19 disrupted store operations for the entire quarter. Consolidated revenue reported for the quarter was at Rs. 812 Cr., 150% higher than last year on the back of a higher number of operational days and continued aggression on e-commerce. For the quarter, the Company reported a loss of Rs. 352 Cr. as against a loss of Rs. 410 Cr. in the same quarter last year.

Conclusion

Before I conclude, I would like to acknowledge the tremendous work done by Team ABFRL over the last 18 months. Our employees have worked with



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unwavering focus and determination to navigate all the challenges posed by the pandemic and emerge stronger.

On behalf of the board, I would also like to take this opportunity to thank all our franchisee and vendor partners, bankers, shareholders and other stakeholders for their constant support.

Like I said at the start of my address, this has been a truly transformative year not just for your Company but for the entire retail sector.

Through this dramatic period of turmoil that saw business models getting upended and consumer preferences getting rejigged, your Company has been able to propel itself forward.

Your Company is now poised to strengthen its leadership position in the industry even further. This is an outcome of a robust portfolio of iconic brands, one of India's widest distribution network, a digitally advanced organizational setup, a consumer-centric & innovation-focused culture and a balance sheet re-crafted to fuel growth.

The plumbing work is done. And now is the moment for a big leap to unlock the full potential of this business. We recognize the opportunity. And we will, for sure, make it count in a manner that creates value for all stakeholders.

Thank you very much!