

# Aditya Birla Fashion and Retail Limited

*Performance Highlights – Q2 FY16-17*



## Strong portfolio of India's iconic brands

- **Top 3 menswear brands in the country**; each of them have a **turnover ~Rs. 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 **~5.8 mn sq ft** of retail network space
- **7,000+ POS** and **2,100+ EBOs**

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

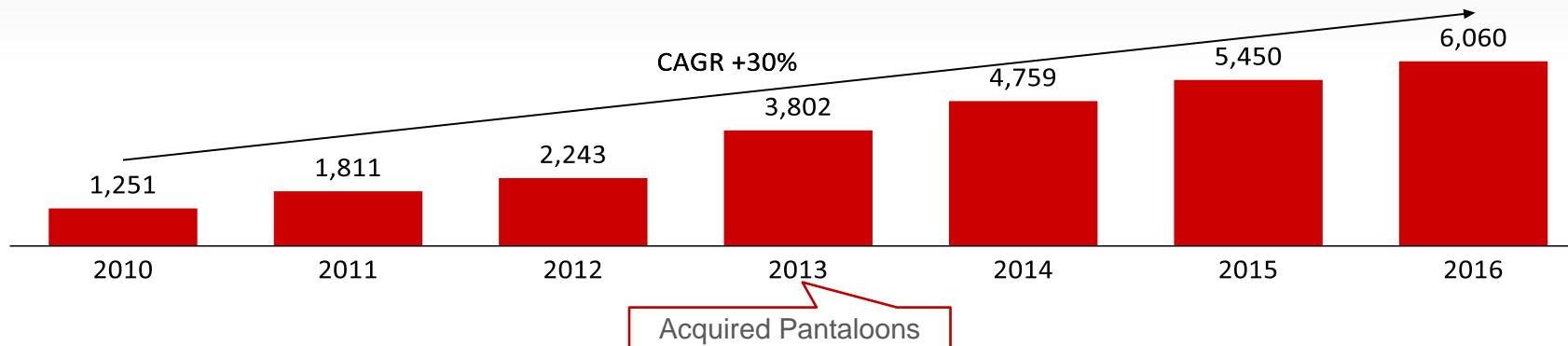
- Menswear portfolio ~ Rs. 4500 Cr
- Womenswear portfolio > Rs. 1200 Cr.
- **ABFRL the #1 player in the two largest apparel segments**

## Strong track-record of organic and inorganic growth

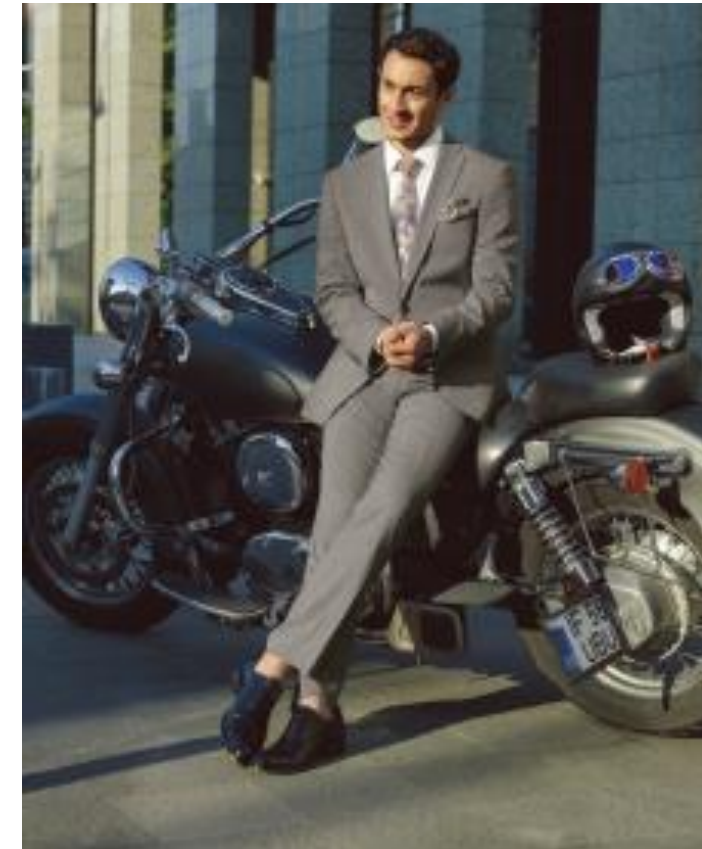
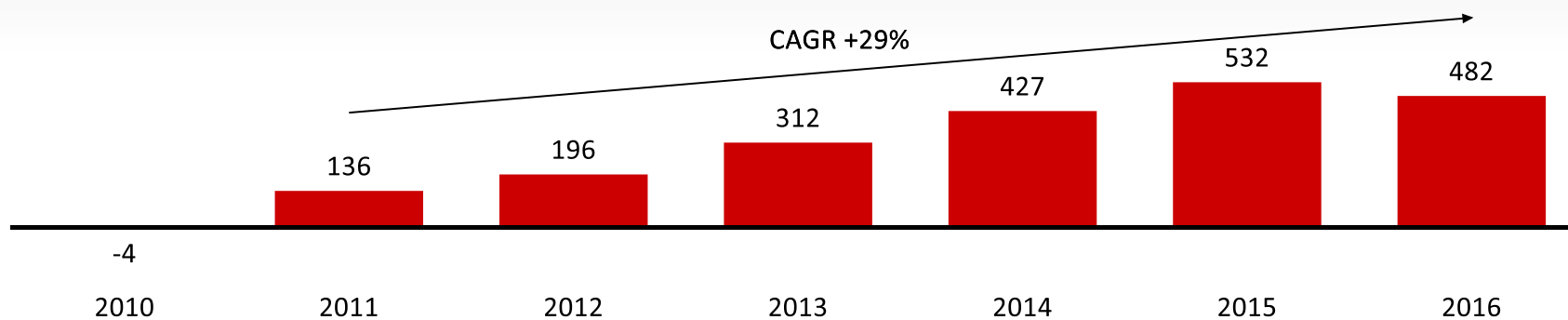
- Growth of brands through extensions and distribution
- Acquisition of Pantaloons in the year 2013
- Acquisition of Forever 21 – Indian rights in 2016

**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%

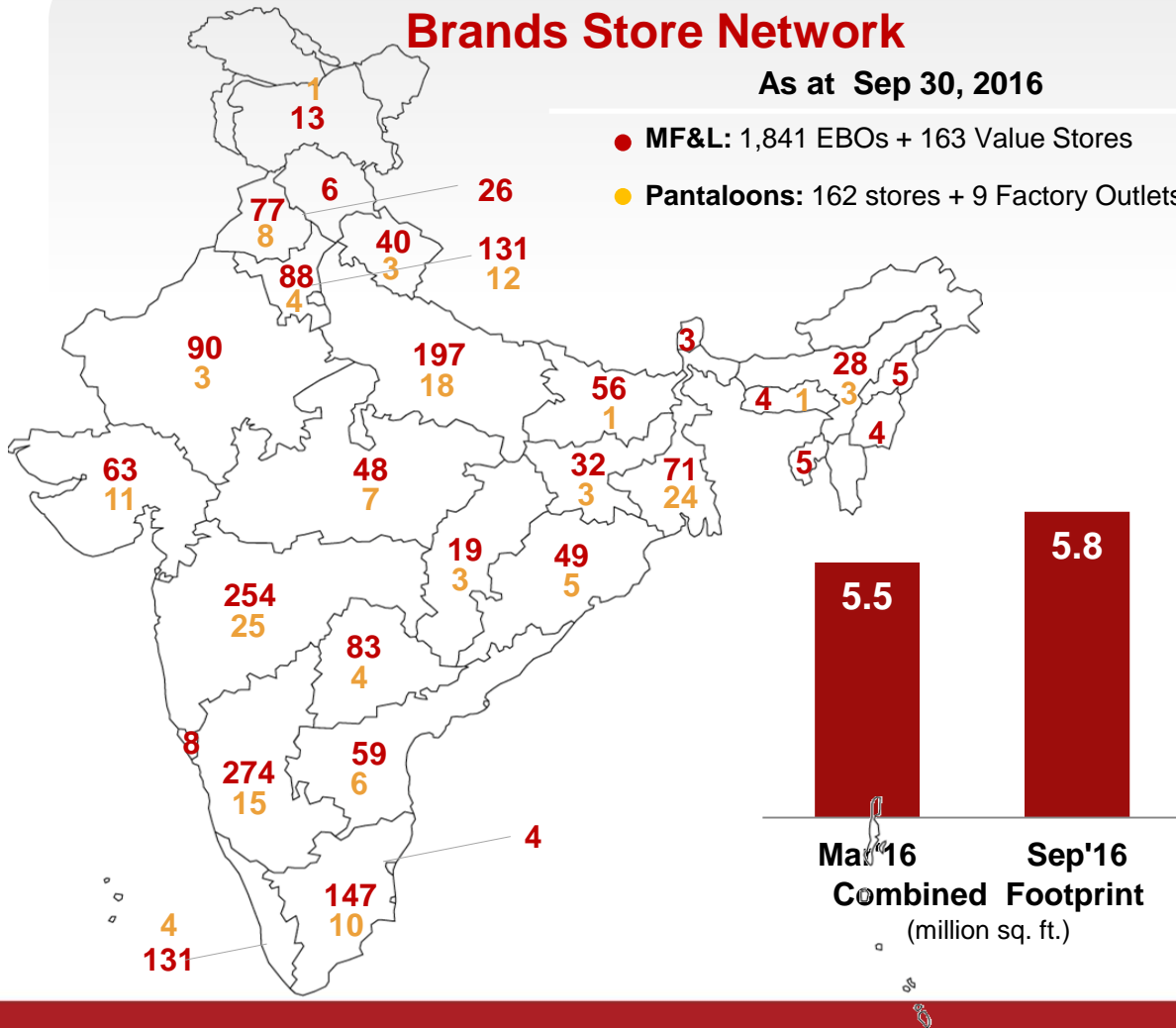


# ABFRL | Widest distribution network in the fashion space

## Brands Store Network

As at Sep 30, 2016

- MF&L: 1,841 EBOs + 163 Value Stores
- Pantaloons: 162 stores + 9 Factory Outlets



## MBOs



- MF&L brands are present in ~4,500 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 Highlights**



**ABFRL Segmental Performance**



**Q2 Financials** (*P&L account and IndAS vs. GAAP*)

## 1 *Update on strategic initiatives*

- Acquired Forever 21 India operations w.e.f. July 1, 2016
- Signed up partnership with Ted Baker, London

## 2 *Operational highlights*

- Sales growth of 11% , EBITDA growth of 20% and EBIT growth of 60%
- Pantaloons posted industry leading growth rate of 22%, while MFL revenues grew by 5% during the quarter
- Moved from 2 to 4 design cycles / year increasing freshness through supply chain agility
- Accelerated Digital Transformation
  - Rolled out Omni-channel capabilities across 410 stores in H1
  - Launched individual brands e-commerce websites






## 3 *New Growth Initiatives*

- Launched Innerwear & Athleisure under VH brand in Chennai, Hyderabad and Bengaluru – available across 400 MBOs

# Key market trends in FY17 – Q2

## Overall Market Scenario

- Market witnessed prolonged EOSS with deep discounting across the industry
- Fast Fashion, womenswear & casualwear business continues to lead market growth, while premium menswear segment grew slower
- E-Commerce players continued with an aggressive sale strategy around peak festive periods




	H1 FY16	H1 FY17	
☐ Revenue	Rs. <b>2,975</b> Cr	Rs. <b>3,302</b> Cr	 <b>11%</b>
☐ EBITDA	Rs. <b>206</b> Cr	Rs. <b>248</b> Cr	 <b>20%</b>
☐ EBITDA Margin	<b>6.9</b> %	<b>7.5</b> %	
☐ EBIT	Rs. <b>85</b> Cr	Rs. <b>136</b> Cr	 <b>60%</b>
☐ Net Profit/ (Loss)	Rs. <b>(7)</b> Cr	Rs. <b>35</b> Cr	

Note: Results for H1FY17 incorporate the financials of F21 acquired in Q2FY17 and the newly launched Innerwear business



# ABFRL | Q2 Performance



	Q2 FY16	Q2 FY17	
☐ Revenue	Rs. <b>1,668</b> Cr	Rs. <b>1,887</b> Cr	 <b>13%</b>
☐ EBITDA	Rs. <b>164</b> Cr	Rs. <b>172</b> Cr	 <b>5%</b>
☐ EBITDA Margin	<b>9.8 %</b>	<b>9.1 %</b>	
☐ EBIT	Rs. <b>104</b> Cr	Rs. <b>112</b> Cr	 <b>8%</b>
☐ Net Profit/ (Loss)	Rs. <b>61</b> Cr	Rs. <b>56</b> Cr	

Note: Results incorporate the financials of F21 acquired in Q2FY17 and the newly launched Innerwear business

# ABFRL | H1 Segmental Performance

In Rs. Crores

Segment	NSV			EBITDA		
	H1 FY16	H1 FY17	Growth	H1 FY16	H1 FY17	
Madura Fashion & Lifestyle	1988	2013	1%	200	162	Note
Pantaloons	1036	1301	26%	34	78	↑
Elimination/Others	-49	-13		-28	8	↑
<b>Total</b>	<b>2,975</b>	<b>3,302</b>	<b>11%</b>	<b>206</b>	<b>248</b>	↑

Note: Results for H1FY17 incorporate the financials of F21 acquired in Q2FY17 and the newly launched Innerwear business

# ABFRL | Q2 Segmental Performance

In Rs. Crores

Segment	NSV			EBITDA		
	Q2 FY16	Q2 FY17	Growth	Q2 FY16	Q2 FY17	
Madura Fashion & Lifestyle	1118	1171	5%	136	115	Note
Pantaloons	597	727	22%	29	52	↑
Elimination/Others	-47	-11		-2	5	↑
<b>Total</b>	<b>1,668</b>	<b>1,887</b>	<b>13%</b>	<b>164</b>	<b>172</b>	↑

Note: Results incorporate the financials of F21 acquired in Q2FY17 and the newly launched Innerwear business

# ABFRL | Profit & Loss Statement

P&L Statement (Rs. In Cr.)	Q2- FY16	Q2- FY17	Change	H1- FY16	H1- FY17	Change
Net Sales / Income from Operations	1,657	1,875		2,954	3,275	
Other Operating Income	11	11		21	27	
<b>Revenue from operations</b>	1,668	1,887	13%	2,975	3,302	11%
<b><u>Expenses</u></b>						
Cost of Materials consumed	175	170		303	311	
Purchase of Stock- in Trade	735	769		1092	1173	
Changes in inventories of finished	-142	-63		-25	11	
Employee benefits expenses	165	194		308	359	
Depreciation and amortisation	59	60		121	112	
Rent expenses	230	264		450	517	
Other expenses	348	387		652	695	
<b>Total Expenses</b>	1,570	1,782	13%	2,901	3,179	10%
<b>Profit / (Loss) from Operations</b>	<b>98</b>	<b>105</b>	<b>7%</b>	<b>74</b>	<b>123</b>	<b>67%</b>
Other Income	6	7		11	13	
<b>Profit / (Loss) before Finance</b>	<b>104</b>	<b>112</b>	<b>8%</b>	<b>85</b>	<b>136</b>	<b>60%</b>
Finance Cost	43	47		92	92	
<b>Net Profit / (Loss) before tax</b>	<b>61</b>	<b>65</b>		<b>-7</b>	<b>44</b>	
Tax Expenses	-	-		-	-	
<b>Net Profit / (Loss) after tax</b>	<b>61</b>	<b>65</b>		<b>-7</b>	<b>44</b>	
Other Comprehensive Income	0	-8		0	-9	
<b>Total Comprehensive Income</b>	<b>61</b>	<b>56</b>		<b>-7</b>	<b>35</b>	



# IGAAP AND INDAS RECONCILIATION

Particulars	Q2 FY16			H1 FY16		
	Revenue	EBIDTA	PBT	Revenue	EBIDTA	PBT
As per IGAAP	1,669.7	164.2	61.3	2,990.6	210.6	(1.8)
As per INDAS	1,668.4	163.6	60.7	2,975.2	206.2	(7.2)
<b>Difference</b>	<b>(1.3)</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(15.4)</b>	<b>(4.5)</b>	<b>(5.5)</b>
<b><u>Reclassification</u></b>						
Cash Discount earlier shown as other expenses	(2.1)	-	-	(3.3)	-	-
CRM earlier shown as other expenses	(1.3)	-	-	(0.0)	-	-
Shrinkage earlier shown as other expenses	(1.0)	-	-	(1.7)	-	-
<b>Total Reclassification</b>	<b>(4.4)</b>	<b>-</b>	<b>-</b>	<b>(5.0)</b>	<b>-</b>	<b>-</b>
<b><u>Remeasurement</u></b>						
Security Deposits to Landlords - fair valuation	-	(0.2)	(0.2)	-	(0.3)	(0.3)
Franchisee Deposits - fair valuation	-	(0.0)	(0.0)	-	0.1	0.1
Interest on Convertible Debentures	-	-	-	-	-	(1.0)
Government Grants - EPCG Export Benefit	-	0.0	0.0	-	0.0	0.0
Gratuity - actuarial valuation	-	0.1	0.1	-	0.2	0.2
Lease Incentive - straight lining over rent free period	-	(0.6)	(0.6)	-	(0.8)	(0.8)
SOR sale - where there was a right to return inventory, now derecognised	3.1	(0.3)	(0.3)	(10.4)	(4.7)	(4.7)
Stock Option Scheme - fair valuation	-	0.4	0.4	-	1.0	1.0
<b>Total Remeasurement</b>	<b>3.1</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(10.4)</b>	<b>(4.5)</b>	<b>(5.5)</b>
<b>Total Reclassification and Remeasurement</b>	<b>(1.3)</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(15.4)</b>	<b>(4.5)</b>	<b>(5.5)</b>



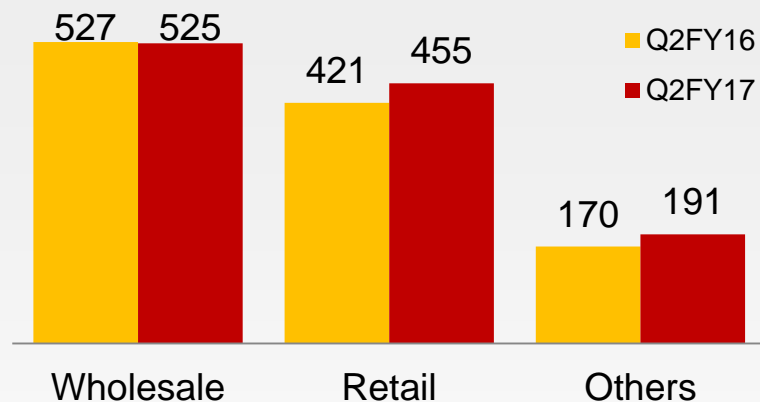
**MADURA FASHION & LIFESTYLE**

# Madura Fashion & Lifestyle – Performance Summary Q2 FY17

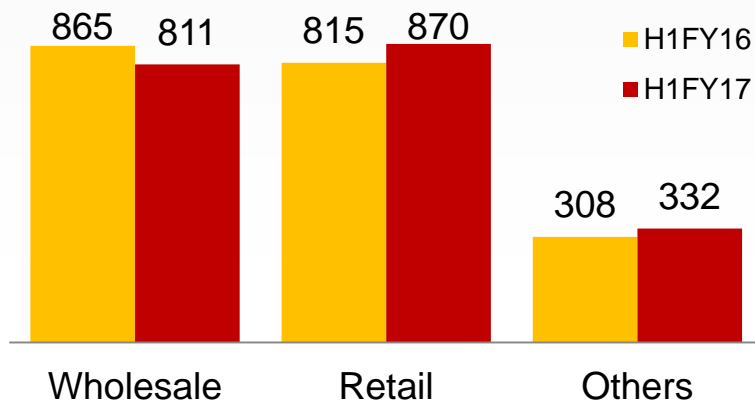
- **This quarter experienced prolonged EOSS combined with deep discounting.**
- **MFL continued to pursue its strategy of calibrated discounting and inventory correction**
  - Resultantly, revenues grew marginally by 5% to Rs 1171 cr
  - Gross Margins have improved marginally due to controlled discounting
  - EBITDA for the quarter was Rs. 115 cr as against Rs. 136 Cr LY after absorbing the expenses of new businesses - innerwear and Forever21
  - We have rolled out Omni channel features across 400+ stores currently.

# Madura Fashion & Lifestyle – Channel Performance

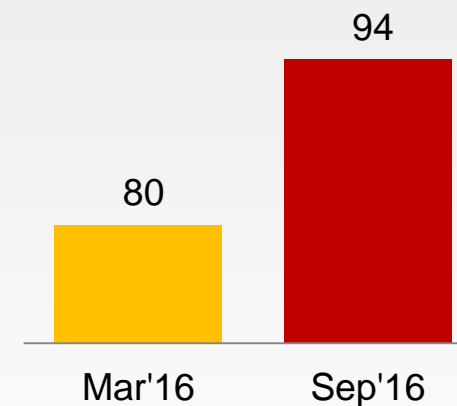
## Channel-wise Q2 Revenue (Rs. in Crs)



## Channel-wise H1 Revenue (Rs. in Crs)



## Loyalty base (in lacs)



**~51% of sales comes from loyal customers**



# Expanded portfolio with launch of VH Innerwear



Impactful launch across 3 cities – Chennai, Bengaluru and Hyderabad

Available across leading MBOs and EBOs of Van Heusen

# Tie up with Ted Baker for Indian territory



- UK's most successful fashion brand spanning across apparels & accessories for men & women
- Known for the perfect mix of distinctive design, beautiful quality and unconventional approach to fashion, combined with Ted's irreverent sense of humour and a firm ***commitment to good old-fashioned values***



# PANTALOONS



# Pantaloons – Performance Summary – Q2 FY17

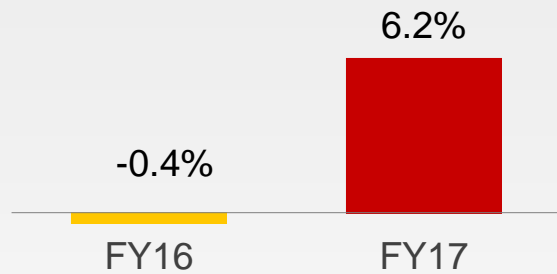
## Pantaloons

- Successful execution of the Value Fashion strategy led to:
  - Like-to-like revenue growth @ 6.2%
  - Increase in Own brands Mix to 62%
- Added 16 new stores to our network
  - Expanded franchisee network - currently 9 franchisee stores
- Leveraging brand 'Pantaloons'
  - Currently have 7 Woman and 2 Kids stores operational

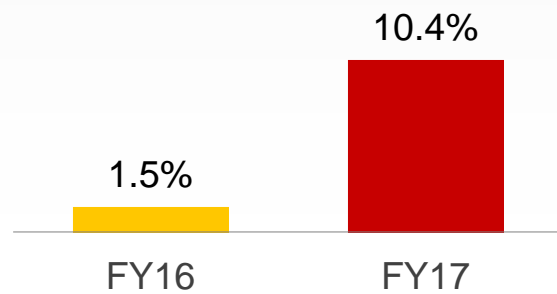


# Pantaloons – Strong Retail Performance

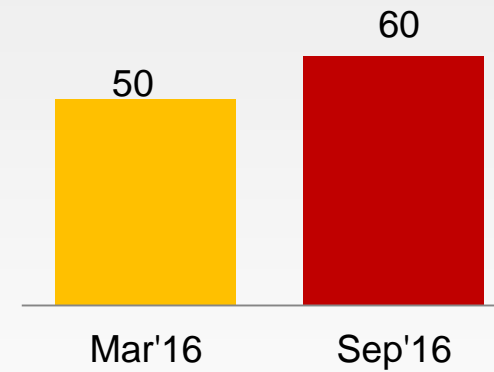
## Q2 L2L Growth %



## H1 L2L Growth %



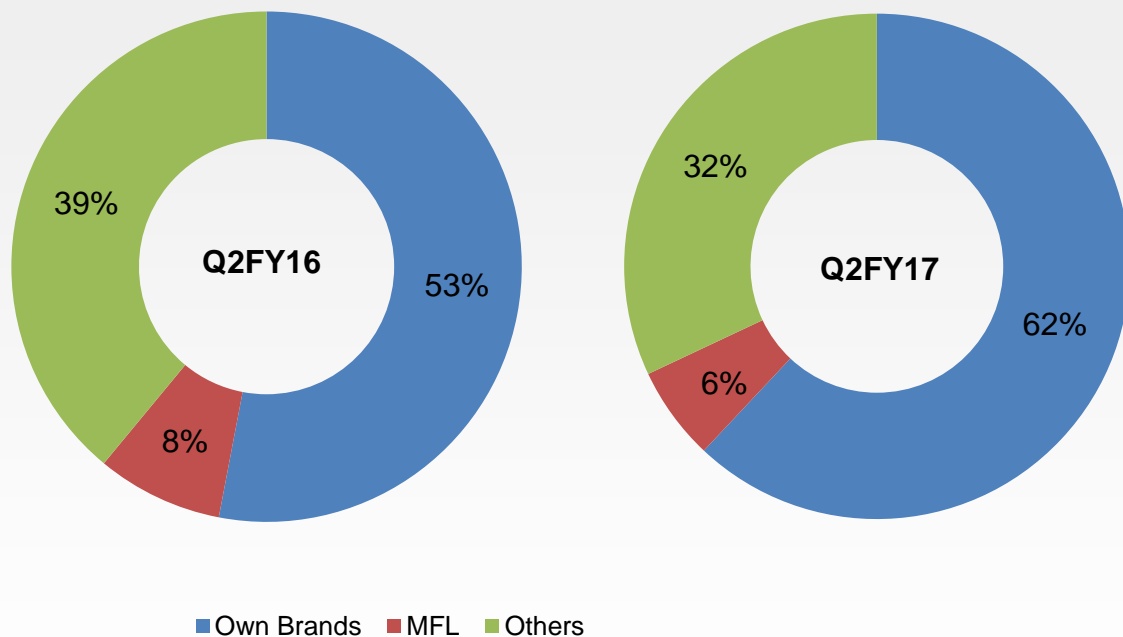
## Loyalty base (in lacs)



~75% of sales comes from loyal customers

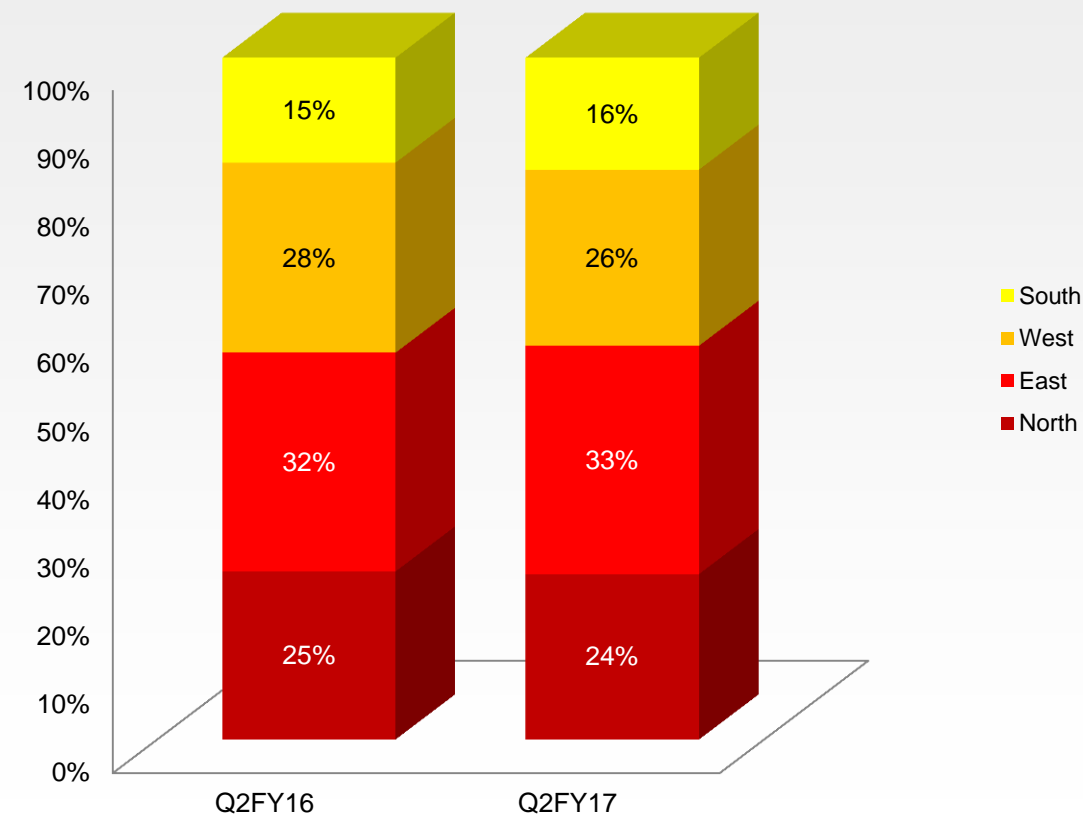
# Pantaloons Revenue Mix – Q2

## Pantaloons Ownership Mix



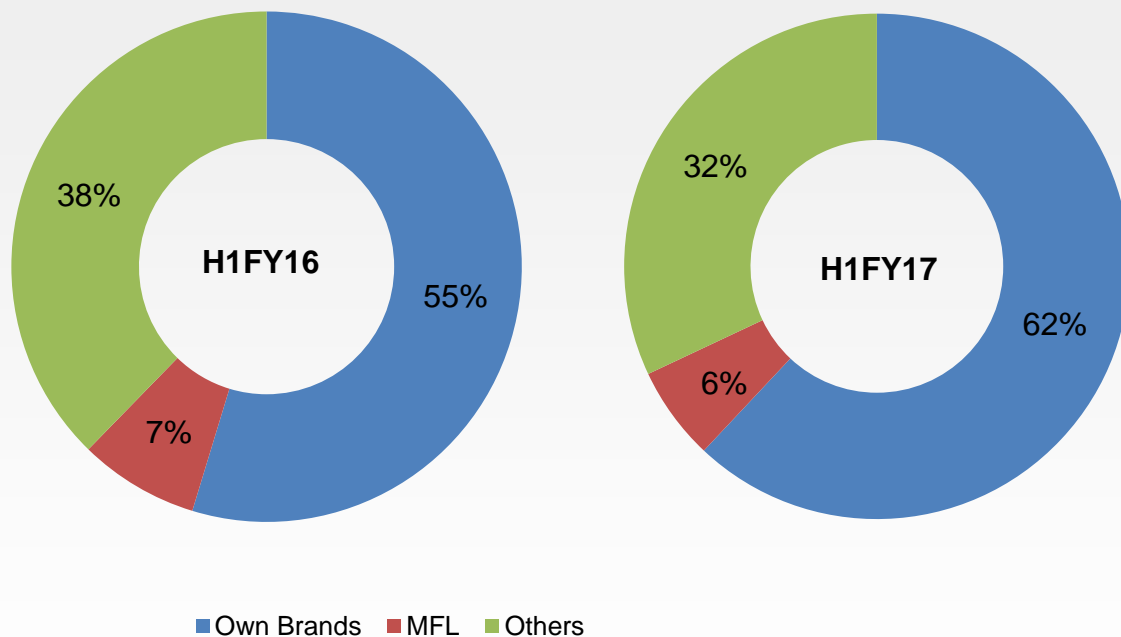
**Own brands contribute to 62% of the revenue**

## Pantaloons Regional Mix



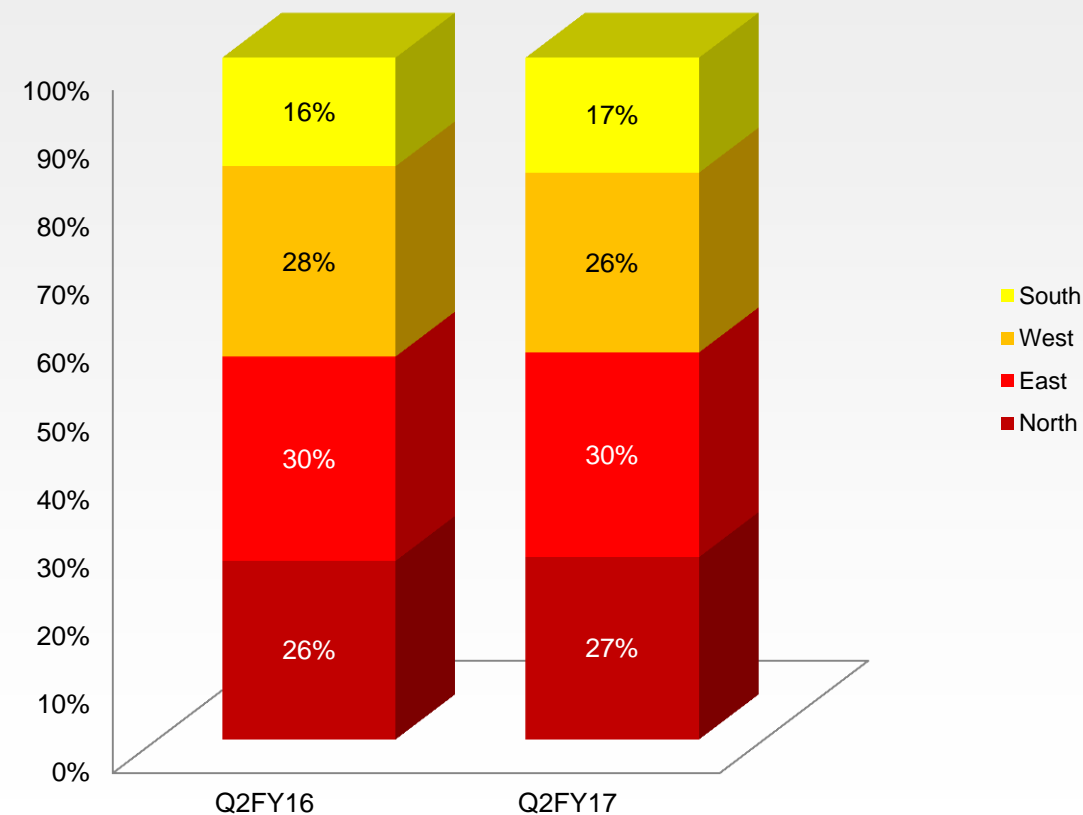
# Pantaloons Revenue Mix– H1

## Pantaloons Ownership Mix



**Own brands contribute to 62% of the revenue**

## Pantaloons Regional Mix



- **ABFRL will continue to build on its leadership through investments in key strategic themes**
  - **Brand development** through investment in brand building, merchandise and refreshed store experience
  - **Building agile design & supply chain** by shifting from 2 to 4 season cycle
  - **Enhancing capital productivity** & focus on **cost optimization**
  - **Digital Transformation** through own & partnered E Commerce through strategic partnerships and execution of Omni channel program across Pantaloons and MFL stores
  - **Enriching the portfolio** to build leadership presence across all critical product & consumer segments
- **Recent demonetization has affected the business across the industry.**
  - We have experienced a sharp dip in cash sales & slowdown in overall consumption.
  - Impact likely to persist for at least one quarter.



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**Aditya Birla Fashion and Retail Limited. Corporate Identity Number L18101MH2007PLC233901**  
**Regd. & Corporate Office:** 701-704, 7th Floor, Skyline Icon Business Park, 86-92, Off A.K. Road, Marol Village, Andheri (East), Mumbai-59  
**Website :** [www.abfrl.com](http://www.abfrl.com) **Email:** [invrelations.abfrl@adityabirla.com](mailto:invrelations.abfrl@adityabirla.com)