



FIFTEENTH AGM OF ADITYA BIRLA FASHION AND RETAIL LIMITED

CHAIRMAN'S SPEECH

Dear Shareholders,

A very warm welcome to the 15th AGM of your Company.

The turn of the decade felt like a moment of departure. The COVID-19 pandemic made 2020 an unprecedented year. Then the supply chain whiplash made 2021 feel unprecedented. And now, the Russia-Ukraine war and global stagflation are making 2022 feel unprecedented. Disruption now feels like *'business as usual'*.

The fashion industry globally has been buffeted by the winds of disruption on account of the pandemic. Here in India, the disruption caused by the first wave of COVID was further exacerbated by an even stronger 2nd wave in 2021. And this resulted in significant value destruction across the entire apparel industry.

As these tectonic shifts get normalized, businesses with deep reserves of resilience and agility are the ones that are emerging even stronger. Your Company is undoubtedly one of them. We don't just offer high-quality clothing and fashion products. We breathe life into the aspirations of our consumers. And we inspire them to become the best version of themselves.

Your Company's journey has been punctuated by bold bets, dogged determination, and incredible dynamism. This even as it maintained a razor-sharp focus on core business fundamentals such as costs, productivity, customer intimacy and brand building. All these facets were more than visible in its performance over the last 2 years.



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Before I talk in detail about your Company's performance, let me first focus on the economy. As we stand here in September, the macroeconomic picture shows a merging of various trends. Let's analyse them.

Economy overview

2022 saw global economies recovering from the pandemic shock on the back of supportive fiscal and monetary policies and mass vaccination programmes. However, in recent months, the war in Ukraine and looming fears of a global recession have posed macro headwinds.

There are two major concerns around the current global crisis. One is the tightness in energy markets and the fallout on energy security of some regions. Secondly, elevated energy prices have spurred a chain reaction, fueling inflationary impulses and volatility. Global supply chain disruptions that were triggered by pandemic-induced lockdowns in China have continued because of the war in Ukraine. This has dented consumer confidence and dampened risk sentiment in financial markets.

We are also seeing greater turbulence in currency markets. The dollar has strengthened, while the euro and emerging economies have witnessed downward pressure on their currencies.



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The Indian economy has not remained unscathed by these global developments. India has also witnessed upward pressures on inflation, rate hikes by the RBI and a widening trade deficit.

Nevertheless, there are several bright spots in India's overall economic narrative – and these support us to stay steady through the broader global economic turmoil. First, the economic recovery cycle in India remains strong thanks to the significant progress on vaccination and the upswing in public capex. Activity indicators are now well ahead of the pre-Covid levels, and most estimates peg India's likely economic growth during FY23 at 7%-plus. Second, while India's inflation rate has been above the RBI's tolerance range for some time, the overshoot has not been as severe as in many other countries. Monetary and fiscal authorities have taken steps to dilute the inflationary pressures, and a normal monsoon this year should help soften these pressures further. Third, even with a rising trade deficit, India's external indicators remain supported – with robust foreign exchange reserves.

With these silver linings, India appears to be well placed to ride through an uncertain global economic environment. India has a robust pipeline of infrastructure projects. In addition, the government's pragmatic policies such as the production-linked incentive schemes are helping. Many industries have witnessed fresh project investment announcements. Foreign direct investment flows have remained strong. The burden of non-performing assets in the banking sector has eased. Start-ups and technology-based new age enterprises have acquired critical mass in India. These sectors are exhibiting a strong momentum – providing new jobs and enhancing customer experiences. Dynamism in India's digital ecosystem, diversification of global supply chains



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away from China and the greater emphasis of investors on sustainable finance also offer new opportunities for India.

Thus, while businesses will need to remain on guard regarding financial market volatility and cost pressures this year, one expects the economy to show medium-to-long term growth recovery.

Let me now talk about your Company's performance in FY22

On the financial front, while we lost nearly one quarter to the COVID Delta wave, your Company registered a strong recovery in subsequent quarters. At the end of FY22, most businesses have either come back or exceeded the pre-COVID levels, which is also visible in the strong Q1 FY23 results that we declared a few months ago.

During FY22, your Company's revenue stood at 8,136 Cr, with a 55% growth as compared to last year's 5,249 Cr. It recorded an EBIDTA margin of 14.8 percent.

The strong revenue recovery resulted in improved profitability over the previous year. Several initiatives encompassing cost management, supply chain optimization and smart procurement were taken up by the business teams that contributed to the sharp improvement in profitability. The business delivered more than Rs 500 Cr in cost savings, on top of around Rs 1000 Cr delivered in the previous year.



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A Robust budget and expense control mechanism complemented by a reduction in working capital, through inventory and payables management, led to the release of cash from operations. These actions have further strengthened your Company's balance sheet. ,

Your Company's net debt as on 31st March 2022 stood at Rs 504 Cr, a drastic reduction from the peak in the middle of FY 21.

Business wise Summary:

All our businesses have either come back or exceeded the pre-COVID levels, demonstrating their intrinsic strength.

- The Lifestyle brands segment comprising our 4 power brands - Louis Philippe, Van Heusen, Allen Solly and Peter England grew nearly 60% over the previous year, extending their leadership position in their respective segments.
- The Super Premium brand portfolio exceeded pre-pandemic levels on the back of a sharp focus on building our own E-commerce channel and ensuring a high degree of customer delight.
- The Fast Fashion segment of Forever 21 & American Eagle grew by 36% over last year. This is even as we continue to improve our operating model to achieve the desired level of profitability in the segment.
- The Innerwear business has been a clear beneficiary of the shift in apparel habits of consumers during this era of work-from-home, as casualwear and athleisure categories gained share. Van Heusen Innerwear has established



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itself as the clear No 2 in the premium category. This is a significant achievement.

- The Pantaloons business was perhaps most affected by the pandemic, given the aversion of consumers towards visiting stores and malls. Despite these challenges, the business grew by nearly 40%, particularly recording a strong performance during the festive period.

Strategic Alliances & Building a comprehensive set of iconic brands

We followed up our first designer partnership with Shantanu & Nikhil by forging new alliances in FY21 with two of India's most iconic designers - Tarun Tahiliani & Sabyasachi. Both these partnerships will further strengthen our presence in the luxury wedding & designer wear market. In FY22, your Company also announced a tie-up with one of India's youngest next-gen designers Masaba Gupta. Brand Masaba, with its distinctive bold expression and prints, will enhance your Company's play in the young women's segment, an important part of any fashion market.

Through such acquisitions and partnerships, Your Company now has one of the strongest and most comprehensive ethnic portfolios of brands in the Indian apparel industry and is now ready to expand exponentially. In FY22, your Company also launched a premium ethnic wear brand, Tasva, in partnership with Tarun Tahiliani. The brand has received a stellar response so far. 6 stores were opened in FY22, and the brand is expected to add around ~ 70 stores in FY23, making it one of the fastest expansion stories in the premium ethnic space in the country.



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In continuation of the strategy to further strengthen its play in the Athleisure and Activewear segment, your Company acquired rights for Reebok's India business. This helps bolster your Company's credentials in the sportswear segment.

Your Company further announced its entry into the D2C segment with the launch of a 100% subsidiary TMRW. This business will build and acquire a portfolio of digital-first brands to accelerate ABFRL's presence in the emerging digital ecosystem.

To support this growth agenda in new emerging areas such as ethnic, athleisure, and D2C, your Company announced an equity infusion of Rs. 2,195 Cr from Singapore's sovereign wealth fund, GIC. This investment from a marquee sovereign fund signals the strength of your Company's business model and its growth prospects.

Your Company remains confident of fortifying its market position, leveraging technology and its superior execution excellence to consistently build a strong, profitable and future-ready brand portfolio.

We had projected a revenue of Rs. 21000 cr for the year 2026 during our annual investor day held in March 2021. I am very confident that we will be able to surpass that target and set even higher milestones for the business going forward.



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Enhanced Digital & E Commerce play

Your Company's digital play has been expanding over the last few years.

- E-commerce delivered strong performance with revenue scaling to more than 2 times pre-COVID levels. This is a testament to our strong relationship with third party E-commerce platforms and aggressive investment in our own platforms.
- Our own E-commerce channel will be driven by investment in Brand.com, which is currently under further development.
- Our Omni-channel network has expanded to more than 1600 stores and is one of the largest in the country.

Our People

Your Company's people vision is to "To drive a High Performing and Customer Centric Culture with Happy and Value Oriented Employees". Your Company remains committed to strengthening employee value proposition in every aspect – career growth, learning and development, rewards and recognition, and enrichment of life through a healthy work environment.



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We recognize our people as our biggest strength and continue to focus on their health and well-being. Your Company established a helpline for health counselling. More than 10,000 lives of employees and their families were covered under voluntary insurance cover, and over 4800 beneficiaries were covered under the COVID action and assistance program.

Sustainability

We see sustainability as a prerequisite for our economic success. Increasingly, our stakeholders, including customers and shareholders, expect products with a better environmental and social footprint.

Through our sustainability program, ReEarth, your Company continues to build on its commitment to fostering a sustainable tomorrow. This entails a comprehensive focus across several dimensions such as product sustainability, resource efficiency, energy-efficient supply chain and customer advocacy. This journey embeds sustainability across the whole spectrum of product life cycle and recommends circularity, recycling, and upcycling across the value chain.

For the second year in a row, ABFRL has been rated as 'The Most Sustainable Company' in Asia across the textile, leather, apparel, and luxury goods sector by the Dow Jones Sustainability Indices. Your Company was also included in the S&P Global Sustainability Yearbook 2022, the world's most comprehensive publication on corporate sustainability.



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Q1 FY 23 Performance

Let me now briefly touch upon the performance in the first quarter of FY23. Continuing the strong trajectory of revenue recovery and sharp improvement in profitability in the second half of last year, ABFRL delivered its best Q1 performance at a consolidated as well as business level. Consolidated revenue reported for the quarter stood at Rs. 2875 Cr., a 39% growth over pre-COVID levels, on the back of improved consumer confidence. For the quarter, the Company reported a profit after tax of Rs. 94 Cr, compared to a profit of Rs. 22 Cr in Q1FY20.

This is the third consecutive quarter that your company has delivered robust growth, and we strongly believe this momentum will sustain in the remainder of the year. This also demonstrates the intrinsic strength of our brands and the company's unparalleled execution capability.

Conclusion

Before I conclude, I would like to convey my appreciation for Team ABFRL, who stepped up, stayed agile, and delivered solid results in a challenging environment.



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On behalf of the board, I would also like to thank all our valued customers, suppliers, investors, bankers and shareholders for their consistent and resolute cooperation and trust.

Innovation is the key to growth. It is our driving force and fuels our success. The uncertainty and disruption of the last two years have paved the way for rapid transformation. This is a moment of renewal. I am confident we will march ahead much stronger and create stakeholder value on the back of our iconic brands, aggressive expansion agenda and razor sharp focus on digital transformation. An exciting journey beckons.

Thank you very much!