



## **SIXTEENTH AGM OF ADITYA BIRLA FASHION AND RETAIL LIMITED**

### **CHAIRMAN'S SPEECH**

Dear Shareholders,

A very warm welcome to the 16th AGM of your Company.

The past three years have been a period of epochal change and disruption. We are adapting to live with a new geo-political normal that has reshaped everything from supply chains to economies to the relative fortunes of different countries. Against this backdrop, corporations that have been anchored by a clear purpose have consistently created stakeholder value.

Our firm belief in Leading with Purpose and Growing with Responsibility has been unwavering. The foundation of our Group rests on a rich legacy of trusteeship, which imagines corporations as institutions that drive collective prosperity.

In FY2022-23, we articulated our Group's long-held Purpose statement. At its heart is the commitment to enrich lives by building dynamic and responsible businesses and institutions that inspire trust. In an era marked by abundant opportunities but also rapid uncertainties, our Purpose statement stands as our guiding beacon, influencing every business decision we make.

Over the past 25 years, your Company, driven by this resolute purpose, has showcased its remarkable prowess in both nurturing, acquiring and scaling numerous brands. Looking ahead, your Company remains steadfast in its endeavour to expand the portfolio of brands into large businesses, aligning with our primary goal of delivering exceptional value to stakeholders across operations.

**Let me begin with briefly sharing my views on the Economy**

High inflation rates, coupled with successive interest rate hikes, have considerably dampened demand for products across various categories; particularly in the discretionary segment.



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Despite subdued global growth this year, there is room for cautious optimism about an ensuing recovery, given the relatively stable global performance so far. India's sound macroeconomic fundamentals provide comfort amidst global risks.

Fiscal consolidation is on track despite substantial increases in capital expenditure by the government. Public investments, particularly in critical infrastructure, are making the economy future ready. Meanwhile pragmatic industrial policies and innovative schemes such as production-linked incentives plans are poised to stimulate private capex.

Together, these measures, complemented by healthier bank and corporate balance sheets, and the dynamism of the tech-driven 'new economy,' create promising medium- term growth prospects for the India.

India is now the fifth-largest economy in the world, and a key global growth engine. As India's per capita income continues to surge, the discretionary category of consumption is going to benefit disproportionately. Fashion apparel is poised for robust growth amongst other discretionary categories.

Your Company astutely anticipated and capitalized on the growing opportunities for this sector in India. This strategic clarity has not only enabled us to navigate short-term challenges effectively, but has also enabled us to turn these challenges into springboards for next phase of transformative growth.

#### **On the Financial performance for FY 23**

Your Company in FY23 recorded strong revenues at Rs. 12,418 Cr, a 53% growth over last year. Your Company posted an EBITDA of Rs. 1617 Cr. an increase of 34% over the last fiscal. The EBITDA margin stood at 13% for the year.

In line with its distribution strategy, Your Company added a record 500+ stores in FY23 and expanded its network by 1.6 Mn Sq.ft. of retail space. Today, your Company boasts a vast retail presence, encompassing over 4000 stores spanning 10.9 Mn Sq.ft. of retail space.



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I am happy to share that your Company's established businesses of Lifestyle brands and Pantaloons have achieved growth of 50% over the last year. Furthermore, our new businesses, built and nurtured over the last 5 years, contributed more than Rs 2000 Cr. in additional revenue over this period.

Your company is now embarking on its next phase of growth, where both our long-standing, well-established businesses and our new ventures are primed and ready for transformative growth.

#### **Business wise Summary:**

Each of the business segments posted robust performance, demonstrating the strength of their business model.

- The Lifestyle brands segment encompassing the leading brands - Louis Philippe, Van Heusen, Allen Solly, and Peter England grew 46% over the previous year, further solidifying their leadership position within their specific segments. These brands have not only continued to expand their women & kids business but have also fortified their presence in smaller towns, thus strengthening their footprint in these growing markets and segments.
- The Youth Western wear segment of Forever 21 & American Eagle grew by 61% over the last year. Brand American Eagle achieved exceptional 89% growth as it continued to establish a strong distribution presence along with building a strong connect with young Indian consumers.
- The Super Premium brand portfolio continued to be a fast-growing portfolio with sales growth of 59% over the last year on the back of sharp focus on E-com & retail business model.
- Your Company's foray into the innerwear and athleisure segment through its brand, Van Heusen, has been able to build a strong franchisee within a short span of time. Since 2016, the brand has continuously expanded its distribution network, with a substantial presence in over 32,000 multi-brand outlets (MBOs).



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Furthermore, the products can now be found in prominent departmental stores and major e-commerce platforms, strengthening its wide distribution.

- The Pantaloons business grew 55% year-on-year despite the value and masstige fashion segments being impacted by sustained inflationary pressures. The business continued to expand its footprint to exit FY23 with more than 430 stores. The business also launched new private labels to enrich its assortment.
- Your company in the last few years has made several inorganic and organic moves to build a very comprehensive ethnic wear portfolio. Your Company's ethnic business grew 84% to reach Rs. 574 Cr as we remain on track to build a sizeable business in the coming years.

#### **Let me turn to Strategic Alliances & Building a comprehensive set of iconic brands**

In previous years, Your Company adopted a strategic approach focused on establishing a comprehensive product portfolio that caters to diverse segments such as ethnic, luxury, and digital-first, spanning various occasions and price points. This strategy was in response to the evolving market dynamics, including the growing demand for branded products and changing consumer preferences. By embracing this portfolio-oriented approach, Your Company has positioned itself to effectively meet the needs and desires of its valued customers.

Ethnic is the largest part of the market where 5 years back we had a very sub optimal presence. We realised that if Your Company wants to build a leadership position in the branded fashion space, having a strong ethnic wear portfolio is an imperative. That's when we embarked on carefully selecting and building a portfolio of ethnic brands through a mix of organic build ups and inorganic moves.

Your Company forged partnerships with designers Shantanu & Nikhil, Tarun Tahiliani, Sabyasachi & Masaba. After building a portfolio of luxury and bridge to luxury brands, Your company forayed into premium men's ethnic wear space with the launch of Tasva in partnership with leading designer Tarun Tahiliani and is now available across 58



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stores within the first year of its inception itself. All these initiatives have been with an intent to build a diverse portfolio of very strong brands with a comprehensive presence across price points and occasions.

As part of the same strategy, Earlier this week, Your Company also completed the acquisition of 51% stake in TCNS Clothing Limited. This follows our earlier announcement where the company, that owns marquee premium women's wear brands W, Aurelia, Wishful and Folksong decided to partner with ABFRL for charting the next phase of its growth. This partnership allows Your Company to expand its existing ethnic wear portfolio into the premium women's ethnic wear segment. With their popular brands adding to the portfolio, your Company now has a complete range of ethnic wear offerings for men, women and kids across price points and occasions.

To further strengthen our youth fashion & activewear portfolio, including sportswear, earlier this year, Reebok India business that was acquired in 2022, was successfully integrated into your Company. With this transition, your Company is well-poised to capitalize on the brand's strength and potential, positioning it to be amongst of the fastest growing brands in our portfolio. The brand has already commenced an aggressive distribution expansion plan and pivoted heavily towards marketing and brand building to establish a leadership position in the sportswear segment.

In line with our portfolio led strategy to comprehensively cover all segments, Your Company entered into a partnership with Galeries Lafayette, a renowned French luxury department store chain. Through this partnership, your Company plans to bring several luxury brands into India, establishing a strong foothold in the luxury market by running premium departmental stores and e-commerce platform in India.

On the digital side, with the incubation of TMRW, Your Company aims to build the next set of power brands in the digital first space and has already made significant progress



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in this regard. TMRW continues to make business model advancements along with driving value chain benefits for its acquired portfolio of brands.

With the apparel industry set to be one of the fastest growing among the discretionary consumption categories, your Company remains well poised to leverage this consumer trend and build large businesses around significant and meaningful categories.

#### **Enhanced Digital & E-Commerce play**

In the past few years, substantial progress has been made in enhancing our digital footprint and capabilities, with a continued emphasis on a brand-centred E-commerce ecosystem that seamlessly integrates with the offline business model.

- E-commerce delivered strong performance with revenue increasing more than 43% to reach 1300+ Cr for FY23. This is a testament to our strong relationship with third party E-commerce platforms and an aggressive investment in our own platforms.
- We launched a new 'Super App of Brands' for Lifestyle brands and will continue to add brands to it.
- Our Omni-channel network has been expanded to more than 2000 stores, and is one of the largest in the country.

#### **On Our People**

The organization's core values of Integrity, Commitment, Passion, Seamlessness, and Speed have guided the actions of Your Company and the development of its unique Employee Value Proposition (EVP) – 'A World of Opportunities'.

Your company's guiding principle, "The Biggest Brands and the Biggest People" serves as the driving force behind its dedication to excellence. While ABFRL boasts numerous renowned brands within its portfolio, it's the individuals who stand behind these brands that truly transform it into a formidable force.



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Your Company remains committed to strengthening its employee value proposition in every dimension – career growth, learning, and development, rewards and recognition, and enrichment of life through a healthy work environment.

#### **Sustainability**

Moving to Sustainability. This is an integral part of our strategy across our businesses. Our commitment to integrate sustainability into our business manifests through our carefully crafted ESG framework that aims at delivering comprehensive value to all the stakeholders.

Your company's sustainability journey began in FY13 with the launch of 'ReEarth for our Tomorrow' – a mission-led programme, aligned to the ABG Vision and Sustainable Business Framework. After a decade of remarkable success, in FY23, your Company is transitioning to Sustainability 2.0 - from process-led to product-led, with a 2025 agenda in which Circularity, Net zero and Digitalisation are the key enablers.

For the coming years, Your Company remains poised to tackle the evolving landscape of the fashion retail industry. Your Company is working towards developing a 'Net-zero' decarbonisation roadmap as part of its commitment to the Science Based Target Initiative (SBTi). Your Company continues to engage in advocacy and strategic collaboration, allowing it to compare and measure its sustainability performance against both domestic and global peers.

I am pleased to share that your Company continued to be rated as 'Asia's Most Sustainable Company' by the S&P Global – Corporate Sustainability Assessment across the textiles, apparel and luxury goods sector.

#### **Beyond Business**

Being a purpose-driven organization, Your Company is deeply committed to serving marginalised communities and enriching the lives of its stakeholders.



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The CSR approach involves empowering community members by prioritizing Education, Health and Sanitation, Sustainable Livelihoods, Water and Watershed, and Digitalization, in sync with the United Nations Sustainable Development Goals ("SDG").

Your company acknowledges the support and trust of the community, which has played a significant role in its achievements. CSR initiatives in FY23 created a positive impact for over 2.3 lakh beneficiaries. More than 4,000 employees volunteered and put in over 29,000 hours to make a meaningful difference in our communities.

#### **Q1 FY 24 Performance**

Let me now briefly touch upon the performance in the first quarter of FY24. ABFRL posted an 11% revenue growth, despite the overall slowdown in discretionary spending. The consolidated revenue reported for the quarter stood at Rs. 3196 Cr., driven by the solid performance of our established businesses and strong uptick in our new ventures. For the quarter, the Company reported an EBITDA of Rs. 353 Cr, with an 11% EBITDA Margin. As the festive season approaches, we anticipate a strong rebound in discretionary spending, which is set to further boost Your company's growth trajectory. Your Company continues to prioritize enhancing its value proposition for customers, investing consistently in brand development and improving operational efficiency.

#### **In Conclusion,**

I would want to extend my deepest gratitude to my Team at ABFRL. In the face of disruption and adversity, they demonstrated resilience, agility, and delivered a robust performance.

On behalf of the board, I extend our deepest appreciation to our cherished customers, dedicated suppliers, committed investors, bankers, and shareholders. Your unwavering support and trust have been the pillars of our success.





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As we look ahead and beyond the near term, we see strong growth opportunities in the Indian apparel industry led by strong economic expansion and a rise in per capita income. With an extensive portfolio of well-established brands, we stand on the threshold of a transformative new phase of growth. We look forward to your continued support on this journey.

Thank you very much!