



ANNUAL REPORT  
2015-16

ADITYA BIRLA FASHION AND RETAIL LIMITED



**BIG ON GROWTH**  
BASED ON STRONG FUNDAMENTALS



**Mr. Aditya Vikram Birla**

We live by his values.

Integrity, Commitment, Passion, Seamlessness and Speed.

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### **Global Economy**

The global scenario continues to be trapped in a low growth trajectory, despite the steep drop in crude oil and commodity prices. Furthermore, a barrage of monetary stimulus has driven down interest rates close to zero in many of the advanced economies. With the monetary stimulus option by and large exhausted, governments are more likely to turn to fiscal and structural measures to revive growth.

The IMF projects global growth to inch up from 3.1% in 2015, to 3.2% in 2016 and increasing to 3.5% in 2017. Growth in the advanced economies is projected at 1.9% in 2016, with US growth pegged at 2.4%, Europe at 1.5% and Japan at 0.5%. Growth in the emerging markets in 2016, overall, is projected at 4.1%, much of it coming from China, India and the ASEAN region. Growth in Latin America is expected to be only 0.5%, on account of a 3.8% decline in growth in Brazil. No sustained upside is seen in oil and commodity prices in 2016.

The path ahead for the global economy remains challenging, with greater uncertainties thrown in. Concerns persist about the slowdown in China and its ability to shift smoothly from export-led to domestic-led growth. Fiscal pressures will accentuate in the oil producing countries, including the rich Middle-East countries. Financial markets remain nervous and exchange rate volatility has been pronounced. This is reinforced by the impending reversal of the interest rate cycle in the US.

### **Indian Economy**

Against the backdrop of a muted global economy, India's economy is an

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outperformer. For FY 2016-17, GDP growth is projected at 7.5%. This would make it the fastest growing among the large economies. This is particularly creditable in the context of two successive unfavourable monsoons and a decline in exports. Recent data indicate a 5.7% year-on-year growth in eight of the key core sector industries, against 2.3% growth registered last year.

Inflationary pressures have been contained. The rise in the consumer price index averaged 4.9% in FY 2015-16, down from 5.9% in the previous year. The wholesale price index declined 2.5% on an averaged basis, compared to a rise of 2% in the previous year. In FY 2015-16, merchandise exports and imports each fell over 15% over FY 2014-15. The trade deficit in FY 2015-16 was USD 118.5 billion, a decline of 14% over the previous year. The current account deficit narrowed sharply from USD 26.1 billion to USD 22 billion, representing 1.4% of GDP. India's foreign exchange reserves, as at March-end 2016 were USD 360.2 billion. The government is also committed to meeting the current year's fiscal target of 3.5% of GDP. Overall, the economic fundamentals are sound.

There have also been positive moves on the policy front, in areas related to ease of doing business, promoting start-ups, rationalising the tax structure and administration, and opening up more areas for foreign investment through the automatic route. The government is substantially stepping up infrastructure spending.

Having said that, some issues come to the fore. For instance, capital investment will take time to revive, given stretched corporate balance sheets, low capacity utilisation, (at only 72.5% in the organised industrial sector) and competition from imports. Slow global output and trade growth will continue to impact exports. There is also the overhang of non-performing assets in the banking sector. Much more also needs to be done to "monsoon-proof" the Indian economy.

### **Your Company**

I am glad to inform that the Corporate restructuring initiated in May 2015 is now complete.

With this restructuring, ABFRL combines India's leading Power-Brands with India's largest value fashion Retailer to create a Fashion Powerhouse. With over 2100 stores spanning across 5.5 million square feet, ABFRL reaches out to over 13 million discerning customers.

The year under review was a muted one for the apparel industry with most players recording low growths. Consumer spending was subdued which did impact the apparel sector.

Despite this challenging economic scenario, ABFRL recorded a revenue of ₹ 6060 Crore with an EBITDA of ₹ 409 Crore, making it one of the best performing companies in the Apparel sector.

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As part of its planned strategy to play in the emerging fast growing segments of the market, ABFRL acquired the online and offline rights of young women fast fashion brand 'Forever 21'. With this acquisition, ABFRL has created a strong play in one of the fastest growing segments in the Indian Apparel market.

### **Our People: Our Pride**

Our employees have unflinchingly rallied around us. And for this, I would say a big "thank you" to all of them.

### **Outlook**

Going forward, we see a steady rise in income levels coupled with favourable demographics and greater penetration of organised retail. This bodes well for the branded apparel business, which in my view is poised for strong growth in the coming years.

ABFRL is well positioned to exploit this growth with its strong brands, distribution reach and product offerings across various categories and price points for varying consumer needs.

### **The Aditya Birla Group: In perspective**

At the Group level, we have done well both in terms of revenue and earnings. As a matter of fact, the EBIDTA attained has been the highest ever.

Having worked extensively on the people front for over a decade, I am happy to state that our leadership processes are now mature. At the management level we have built quality bench strength.

The Chairman's Series launched last year for senior leaders in the areas of business strategy, finance and personal leadership saw 150 of our senior most leaders recourse to these learning interventions.

To create a leadership pipeline to the Business Head roles within the next couple of years, we have created the Aditya Birla Fellows programme. The managers who have won this recognition are put in charge of critical Group- wide projects under my personal oversight. Up until now, we have named 14 managers who have tremendous potential to rise to the stature of Business Heads, going forward.

A slew of other initiatives have been set afoot to grow leaders from within. To do so, we have announced a hiring freeze at the middle and senior management levels for the next 3 years. It paves the way for accelerated talent growth.

In this context, I am happy to state that our accelerated leadership programme Cutting Edge, which prepares high potential leaders for P&L positions across our Group is gaining traction. It was launched last year. Up until now, 20 of the 35 graduates of this programme have already moved roles to take on higher responsibilities.

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Furthermore, the 250+ youngsters who joined us over 6 years ago as Group Management Trainees, in our Leadership Associate Programmes (Lead) and Leadership Programme for Experienced youngsters (Leap), are shaping well. In the last 2 years nearly a 100 from this lot have moved across functions and businesses. Additionally, we have 25 mid-career participants who have joined us in the Group Manufacturing Leadership Programme. They too are making significant contributions in our manufacturing business units.

The first batch of 14 participants in “Spring Board”, (a programme designed specially for high calibre women) graduated commendably to higher roles. The second batch of 39 women leaders is making good progress on their way to greater responsibilities. As of now, we have nearly 5,000 women-14% in the managerial cadre.

In the last 3 years, we have had more than 1,100 inter-business and over 1,000 intra-business transfers of employees across levels.

At Gyanodaya, the Aditya Birla Global Centre for Leadership Learning over 2,000 managers enrolled for learning programmes. With a mix of academics and live case studies, these programmes enable our people to keep abreast of the developments in their area and stay contemporary.

Side by side, the Gyanodaya Virtual Campus hosts more than 500 e-learning modules in multiple languages. During the year, over 25,000 employees chose to access these programmes.

The Aditya Birla Group Leadership Programme aimed at securing young talent from the top tier Business Schools of India has become aspirational.

I am happy to record that our Group’s brand attractiveness has taken a quantum leap across 35 top B-Schools in India. Our Group features among the formidable Top-5 in the A C Nielsen – CRI Campus Recruitment India Index 2015.

### **In sum**

All these moves are a testament to our commitment to accord a World of Opportunity for our people and they are leveraging it. Our people are fully aware of what business needs to succeed. They are committed to contribute their best to our values based, performance driven, meritocratic culture. We are future ready.

Your’s sincerely,



**KUMAR MANGALAM BIRLA**  
Chairman, Aditya Birla Group

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# THE LARGEST FASHION RETAIL NETWORK IN INDIA

**375+**

cities & towns

**7000+**

points of sale

**5.5 million**

square feet of retail space

**2**

customers styled  
every second



# INDIA'S LARGEST PURE-PLAY FASHION & LIFESTYLE COMPANY



**SPANNING 7000 OUTLETS AND HOME TO THE COUNTRY'S FIVE BIGGEST FASHION LABELS, ADITYA BIRLA FASHION AND RETAIL LIMITED IS INDIA'S LARGEST BRANDED APPAREL PLAYER.**

For the discerning Indian shopper, we cover the fashion spectrum, from luxury to fast fashion, with the leading brands of Madura F&L and Pantaloons.

We draw on award-winning in-house design and product development capabilities, with nine state-of-the-art manufacturing facilities backed by a seamless global supply chain.

Madura is India's no. 1 menswear player, with 2025 retail stores and 7000+ additional points of sale, covering a retail footprint of 2.9 million square feet.

For the global fashionista, we have The Collective, a super-premium retail chain for iconic global brands, and Planet Fashion, a multi-brand retail

chain with 300 stores and a strong network across metros and smaller towns alike.

Pantaloons, our value fashion division, is India's no. 1 womenswear and value fashion retailer. Its 163 stores span 78 cities, with 2.6 million square feet of retail space. Its unique design-to-retail approach has created a rich portfolio of western and ethnic brands. With a loyalty programme of 5 million members, Pantaloons is one of India's favourite shopping destinations.

We continue to introduce leading global brands in India. In May 2016, we launched the premium British designer Simon Carter in India. In July 2016, we acquired the local rights of the California-based, global fast-fashion chain Forever 21.

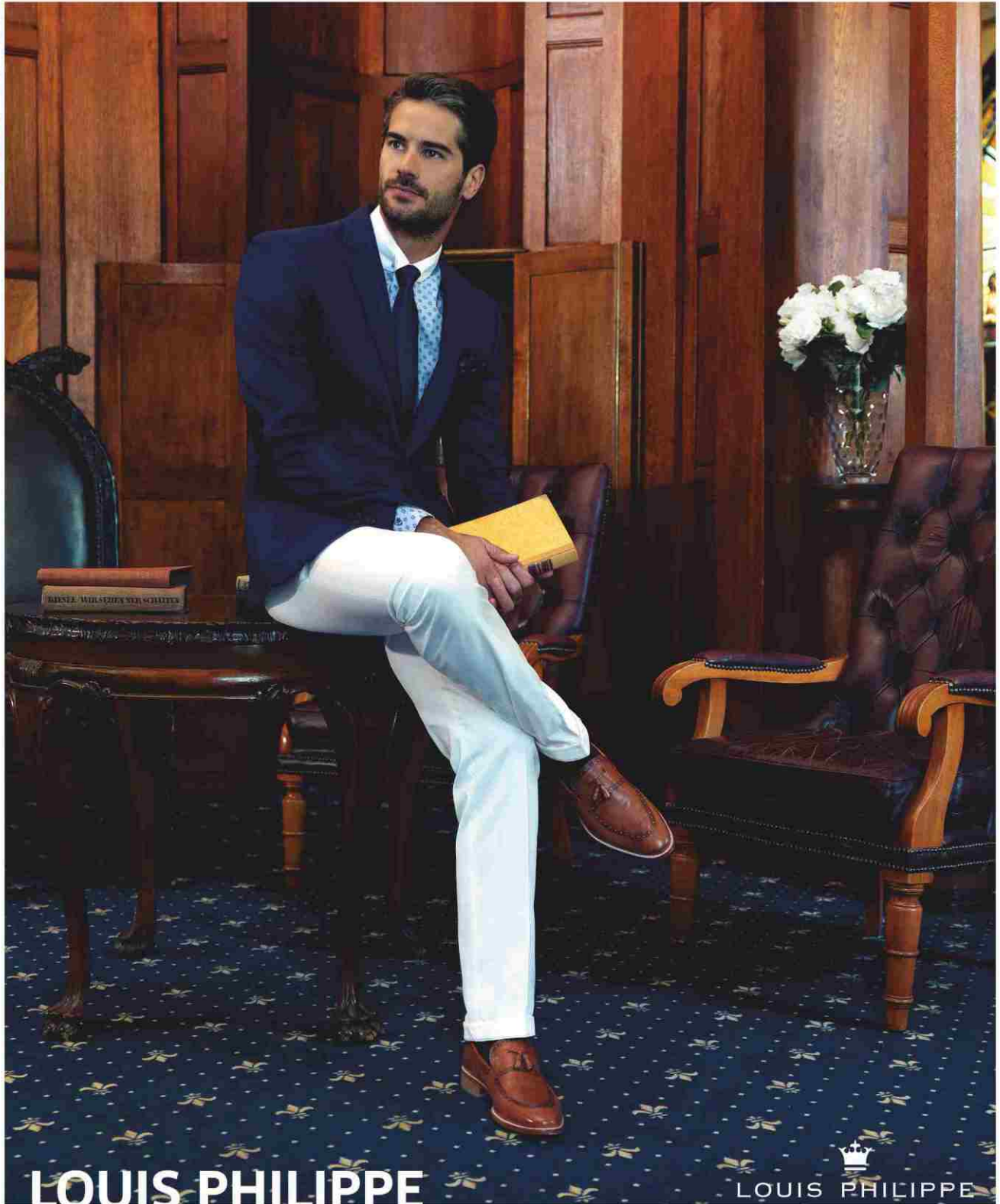
With trendy designs, superlative customer service and an acclaimed store ambience, we are dedicated to bringing the best of fashion to India.

## 5000 STYLES 200+ BRANDS



# OUR BRANDS

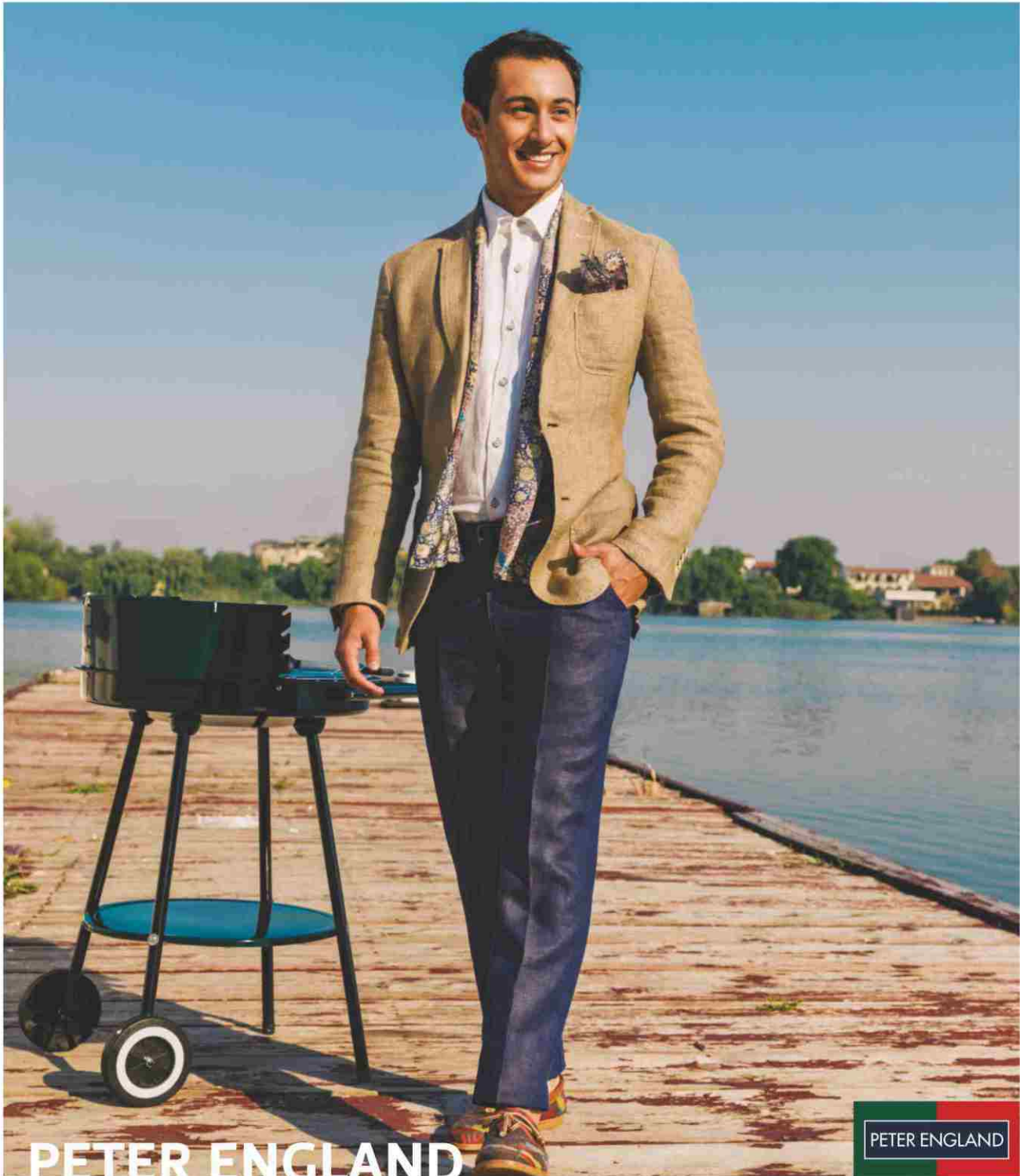
MADURA F&L



**LOUIS PHILIPPE**

  
LOUIS PHILIPPE

Known for turning a passion for excellence into fine menswear for over 25 years, Louis Philippe's 'Embellished Crest' is regarded as a symbol of exquisite craftsmanship and sophistication. The collection includes both classic fits and contemporary designs, covering formals, semi-formals, custom-made clothing and accessories; with product ranges including suits, shirts, trousers, T-shirts, timewear, footwear and accessories.



**PETER ENGLAND**

Peter England is India's largest, most loved and trusted men's apparel brand, offering unmatched value to a young and dynamic India. The brand offers contemporary work formals for young professionals. Its range includes shirts, trousers, suits, blazers and accessories for every occasion, and it also has an eclectic casual line of washed cotton shirts, denims, cargoes, jackets, sweaters and accessories. The brand mirrors the youth and encourages them to "Be Everything You Love".