

MAKING INDIA FASHIONABLE



ANNUAL REPORT
2017-18

ADITYA BIRLA
FASHION AND
RETAIL LIMITED

BIG IN
YOUR LIFE



INDIA'S
MOST
ICONIC
FASHION
BRANDS



Mr. Aditya Vikram Birla

We live by his values.

Integrity, Commitment, Passion, Seamlessness and Speed.

Letter to Shareholders



THE CHAIRMAN, ADITYA BIRLA GROUP

Dear Shareholder,

Global Economy

The global economy is on a rebound. The International Monetary Fund (IMF) estimates indicate that global real GDP grew 3.8% in 2017. This is the highest growth pace over the last six years. It is also the broadest synchronised global growth upsurge, since 2010 as underlined by IMF.

This impetus from a supportive monetary policy was further buoyed by a revival of investment spending in advanced economies. The expansionary fiscal and monetary policies in the US led to improve growth prospects. The US grew at 2.3% in 2017 as against 1.5% in 2016. Growth accelerated in Europe and Asia too.

The global economic recovery is expected to continue. For the current and the next year, a strong growth at 3.9% is projected. This positive outlook is somewhat clouded. Increased trade protectionism, rising international crude oil prices, geo-political risks and the uncertainty about normalisation of monetary policies in advanced economies from highly accommodative conditions in the past, are some of the factors that dim the outlook.

Indian Economy

India's economy is emerging strongly from the transitory effects of demonetisation and implementation of Goods and Services Tax (GST). Although India's GDP growth slowed from 7.1% in FY17 to 6.7% in FY18, the economy recorded a seven-quarter high GDP growth of 7.7% in the exit quarter of FY18. This reflects momentum.

India's macroeconomic indicators remain healthy. The fiscal deficit has been cut to 3.5% of GDP. India's foreign exchange reserves as at March end stood at a comfortable level of \$ 424 billion.

Investors seem to be positive on India's economic prospects. The Foreign Direct Investment (FDI) flows continue to be encouraging. India's global ranking on the ease of doing business notched up to 100 from 142 in barely four years, while that on global competitiveness index has climbed from 71st in 2014-15 to 39th in 2016-17.

The prevailing sense of optimism accentuates India's continuing economic growth in the future as well. It is attributable to the country's solid fundamentals, such as deleveraging by corporates, resulting in much stronger balance sheets, better capacity utilisation with consumption demand becoming stronger, and insolvency and bankruptcy process weeding out non-performing assets, among others. The Government's unwavering push for infrastructure projects – Bharatmala Pariyojana, airports, metros, affordable housing, urbanisation, smart cities and digitisation are excellent stimulators for the economy's growth in the medium-term.

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At the same time, we cannot ignore near-term challenges. The bucket of concerns consist of rising oil prices, hardening inflation, firming bond yields and widening current account deficit. The ongoing global trade frictions, particularly between the US and China, are worrisome and can have a spillover negative effect on countries like India. So the terrain ahead could be a tad bumpy depending on the economic and geopolitical environment.

Your Company’s Performance

Your Company recorded a turnover of ₹ 7,181 crores in FY 2018; a growth of 8.3% over the previous year on the wings of better performance across all of your Company’s businesses. EBITDA grew to ₹ 501 crores vis-à-vis ₹ 476 crore last year, driven by improved profitability in our Value fashion segment. Your Company’s profit after tax doubled at ₹ 118 crores versus to ₹ 54 crores in FY 2017.

The Lifestyle Brands: Louis Philippe, Allen Solly, Van Heusen and Peter England, sustained their leadership position backed by a strong brand equity and an increasing base of discerning consumers. Your Company’s business underwent significant operational transformation with heightened focus on product design, innovation and multiple initiatives centered around driving channel efficiency.

Pantaloons extended through aggressive store additions and higher earnings. Spanning 275 stores across an area in excess of 4 million sq. ft. pan India, Pantaloons ranks amongst the leading players in the Value Fashion segment in India.

Your Company expanded its portfolio of super premium brands, in line with the overall movement of market in this space. Partnerships with iconic international brands like

American Eagle, Polo Ralph Lauren and Fred Perry were inked this year. In turn this has further strengthened its position in the growing segments of Premium and Super Premium brands.

With the launch of men's innerwear in FY 2017 under the Van Heusen brand, your Company entered the large and growing innerwear market. With an already established distribution reach of over 7,000 outlets across 75 cities in a short span, your Company is scaling up this business.

Outlook

I believe, the overall economic outlook for global and Indian economies is good. This will drive consumer spend in the Indian market, leading to sustained growth in the apparel sector. Your Company is well poised to leverage this opportunity, through its strong brand portfolio, varied product offerings and integrated multichannel play.

What Give Us The Edge

Undeniably our people, their dedication to work, their sense of belongingness and pride in the Group, their putting the organisation first and living our values. I acknowledge their contribution and count on their continued commitment to take our business far ahead.

The Aditya Birla Group: In Perspective

The year 2017-18 has been a momentous year on all counts. We reached a record revenue of \$ 43 billion with an EBITDA of \$ 6 billion. Our Group's market cap crossed the \$ 50 billion mark. These spectacular achievements are a reflection not only of our growing size and scale, the inherent soundness

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of our strategies and operations, but importantly the enormous confidence that investors and other stakeholders have reposed in us.

I am delighted to share with you that Aon Hewitt, a reputed global consulting firm, in the ‘Best Employers 2018’ study conducted by them, have named our Aditya Birla Group as the ‘Best Employer’ in India.

Moving on to our people processes, what strikes me most is that the development and leadership aspects embedded in it, are all futuristic. I believe, we are headed in the right direction. Let me give you a flavour of what we have accomplished and how we are constantly refreshing and reengineering our HR initiatives.

Our Group HR has formulated a unique proposition for leadership development through the 2x2x2 formula. It is structured in a manner that accords opportunities to high talent to work in two businesses across two geographies and in two functions. Such an approach, should give a holistic experience and help prepare our leaders of the future.

I had apprised you earlier on the talent councils led by Business Heads and Directors at Group, business and at the functional levels. So far more than 250 talent council meetings have been held with over 8,000 development conversations and actions initiated for these colleagues. I have attended several of these meetings and am much encouraged by the positivity and enthusiasm they generate among employees down the line. They rightly believe that talent will always bubble to the top.

More than ever before in the people domain two segments that have grabbed the attention of progressive corporates, comprise of the millennials and gender diversity issue. In our Group 52% of our executives are under 35 years of age. They are the leaders of tomorrow whom we need to groom today.

Today, women constitute over 14% of our employee force. Game changing career enabling policies have been introduced. These include work life issues such as maternity, childcare, flexi time, local commute and accompanied travel for the child and the caretaker. Alongside as part of the family support initiative, paternity leave is also being provided.

For younger employees, through our flagship programme, which is the Aditya Birla Group Leadership Programme (ABGLP), we are building a robust talent pipeline at the entry, junior and middle levels who over the years move into senior leadership. From this cadre, over 350 youngsters have been placed across the Group.

Gyanodaya, the Aditya Birla Global Centre for Leadership and Learning continues its commitment to prepare P&L and manufacturing leaders through Accelerated Leadership Development programs. I take great pride in Gyanodaya bagging Gold Award as Best Corporate University – Culture and Brand in Global CCU Awards 2017, “for operating at the highest levels of excellence and creating value for people, business and society”.

The sales, marketing and customer centricity academy, the HR academy enabled 1,765 managers hone their expertise to greater heights. The Gyanodaya virtual campus continues to offer 900+ e-learning modules in multiple languages.

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During the year, nearly 40,000 employees leveraged the e-learning programme.

We are enhancing our HR processes for scale, agility and consistent employee experience. A comprehensive HR assurance and excellence framework, the HR portal to enable the last mile employee anytime anywhere connect, SeamEx, the Group HR Shared Services Center are milestones in this journey, as they enthuse and energise our people.

In sum,

Our Group’s robust revenue growth, healthy EBITDA margins, deploying capital efficiently and generating cash flows, support our ambitious growth plans. Innovation and spirit of entrepreneurship that our employees bring to work is amazing and a major contributant to our Group scaling newer heights year after year.

Yours sincerely,



Kumar Mangalam Birla
Chairman, Aditya Birla Group

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Statutory Auditors

M/s. S R B C & CO LLP
Chartered Accountant
[ICAI Firm Registration
No. 324982E/E300003]

Secretarial Auditors

M/s. Dilip Bharadiya & Associates
Company Secretaries

Registrar and Share Transfer Agent

Link Intime India Pvt. Ltd.

Company Details

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