

A man with dark hair and a beard, wearing a green jacket over a patterned vest and a white shirt with a red tie, is leaning over a dark ledge. He is looking down at the camera. The background is a high-angle view of a city with many buildings and streets filled with cars.

REVITALISING
GROWTH.

REFRESHING
BRANDS.

REIMAGINING
FASHION.

ANNUAL
REPORT

20
21

Arvind FASHIONS

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Board of Directors

Mr. Sanjay Lalbhai	- Chairman & Non-Executive Director
Mr. Shailesh Chaturvedi	- Managing Director & CEO
Mr. Kulin Lalbhai	- Non-Executive Director
Mr. Punit Lalbhai	- Non-Executive Director
Mr. Suresh Jayaraman	- Non-Executive Director
Ms. Nithya Easwaran	- Non-Executive Director
Mr. Nilesh Dhirajlal Shah	- Non-Executive Independent Director
Ms. Abanti Sankaranarayanan	- Non-Executive Independent Director
Mr. Nagesh Dinkar Pinge	- Non-Executive Independent Director
Mr. Achal Anil Bakeri	- Non-Executive Independent Director
Mr. Vallabh Roopchand Bhanshali	- Non-Executive Independent Director
Ms. Vani Kola	- Non-Executive Independent Director

Audit Committee

Mr. Nagesh Dinkar Pinge	- Chairman
Mr. Nilesh Dhirajlal Shah	- Member
Ms. Abanti Sankaranarayanan	- Member
Ms. Nithya Easwaran	- Member

Nomination and Remuneration Committee

Mr. Nilesh Dhirajlal Shah	- Chairman
Mr. Achal Anil Bakeri	- Member
Mr. Punit Lalbhai	- Member
Ms. Nithya Easwaran	- Member

Corporate Social Responsibility Committee

Mr. Kulin Lalbhai	- Chairman
Mr. Punit Lalbhai	- Member
Mr. Nilesh Dhirajlal Shah	- Member

Stakeholders Relationship Committee

Mr. Kulin Lalbhai	- Chairman
Ms. Nithya Easwaran	- Member
Mr. Nilesh Dhirajlal Shah	- Member

Risk Management Committee

Mr. Suresh Jayaraman	- Chairman
Mr. Shailesh Chaturvedi	- Member
Mr. Nagesh Dinkar Pinge	- Member
Mr. Nilesh Dhirajlal Shah	- Member
Ms. Abanti Sankaranarayanan	- Member
Ms. Nithya Easwaran	- Member

Committee of Directors

Mr. Sanjay Lalbhai	- Member
Mr. Kulin Lalbhai	- Member
Mr. Punit Lalbhai	- Member
Mr. Suresh Jayaraman	- Member
Mr. Shailesh Chaturvedi	- Member

Chief Financial Officer

Mr. Pramod Kumar Gupta

Company Secretary & Compliance Officer

Mr. Vijay Kumar B S

Auditors

M/s. Sorab S. Engineer & Co.
902, Raheja Centre, Free Press Journal Marg,
Nariman Point Mumbai 400-021
Phone: 022-22824811, 22040861
E-mail: sbchokshi@ssec.co.in

Bankers to our Company

ICICI Bank Limited	State Bank of India
HDFC Bank Limited	IndusInd Bank
IDFC Bank Limited	RBL Bank Limited
Kotak Mahindra Bank Limited	Bank of Baroda
Yes Bank Limited	

Registered Office

Main Building, Arvind Limited Premises,
Naroda Road, Ahmedabad – 380025 Gujarat, India.
Website: www.arvindfashions.com

Registrar And Transfer Agent

Link Intime India Private Limited
506 – 508, Fifth Floor, Opp. Municipal Market
Amarnath Business Centre – 1 (ABC-1),
Beside Gala Business Centre,
Near St. Xaviers College Corner, Off. C. G. Road,
Navrangpura, Ahmedabad -380009.
Phone & Fax No : 079-26465179
Email : ahmedabad@linkintime.co.in
Website: www.linkintime.co.in



Message from the Chairman

FY21 was an important year for your company Arvind Fashions Limited (AFL). The company carried forward the initiatives started in FY20 with the rationalization of its portfolio and strengthening its operations in its journey to become a more nimble and agile organization that can respond to economic headwinds at a short notice. FY21 was also a watershed moment in the history of our nation and of your company as well. The pandemic, that started to disrupt the economic activity as early as Mar'20, peaked during the fiscal, including a few months of almost complete standstill in the economy, esp. in discretionary categories.

Anticipating the need to have a focused approach towards the well-being of the organization and its constituents, the priorities of the company were repurposed to respond to this once in a century black swan event. Following actions were undertaken to tide over the pandemic induced slowdown:

1. Extended medical care and support to all its employees – Hospital & Bed support, medical help line, critical care support
2. Digital drive to reach to the customer directly at her home – Direct to consumer focus
3. Cost optimization with suppressed revenues – Rent negotiation, manpower optimization, fixed cost reduction
4. Working capital optimization – Reduction of gross working capital by ~500 Cr
5. Recapitalization of the company
6. Strategic partnership with leading e-commerce player for one of the power brand – Flying machine
7. Closing of unviable stores and brands, leading to a lean portfolio of 6 focus brands (USPA, Tommy Hilfiger, Flying Machine, Arrow, Calvin Klein and Sephora)

The above actions helped us to tide over this pandemic and emerge stronger to grow profitably in the years to come.

First half of the fiscal was a wash out because of extended lockdowns, first nationally and then regional. The business started to pick up pace with reduced number of Covid cases and the onset of festival & wedding season in Q3. Q4 saw some impact of Covid second wave in March '21, but given the significantly larger impact of Covid in March '20, our retail channel saw growth over corresponding quarter last year. Our key brands eg. USPA, Tommy Hilfiger, Calvin & Sephora registered high double digit same store growth with improved share of direct to consumer revenue. In addition, the focused

categories like footwear & innerwear emerged as our next growth engines. Footwear more than doubled its revenue in Q4 and grew high double digit year on year basis despite Covid impact.

The company has witnessed a sea change in the consumer behavior in the post pandemic world and believes that most of these changes are going to become the new normal in times to come. There was an accelerated shift towards casualization and a high degree of digital adoption, with e-commerce channel becoming extremely prominent and more relevant than ever.

Your company is well poised to capitalize on the new consumer behavior with its digital eco system & "right for online" casual brands. We are India's leading offline to online apparel led lifestyle organization with a complete tech stack capable of managing own website, market place operations and full on-ground omni operations. Our portfolio of brands is apt for the digital casualization in the post pandemic world. Our portfolio includes U.S Polo Assn. – the market leader among casual brands, Tommy Hilfiger – the leading super premium casual wear brand, Flying Machine – amongst the top three denim brands in the country & Calvin Klein – the leading super premium denim brand. The strategic tie up with Flipkart group last year on Flying machine brand has helped the brand scale up multifold on digital channels.

Your company has been an early adopter of digital with a deep focus on Omni-channel capabilities even before onset of Covid. We were able to further scale up our digital & Omni play by extending our marketplace integrations with all large e-commerce players. Connecting the stores and warehouses to online portals helped manage our inventory turns and store productivity. We also further strengthened our e-commerce fulfillment capabilities with 5 dedicated B2C (Business to customer) warehouses with capacity to service up to ~30000 orders per day, thereby reducing the delivery time for customers. Your company was able to leverage its existing and fresh investments in the digital ecosystem during the pandemic crisis, with digital revenue contributing to ~1/3rd of the annual revenues,

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Your company is really excited about the opportunity that our prestige beauty retailer Sephora presents. With its share of exclusive brands from the global portfolio Sephora has a niche of its own. With scaling up of Omni competence, we believe that Sephora is ready to outpace the growing beauty market in India.

In the year gone by, there was a renewed focus to reduce fixed cost on multiple fronts in order to achieve a leaner cost structure and create a 'Fit for Future' organization. Store rentals were negotiated for the lock down periods and structural changes were made to store costs. Unviable stores were closed down across the brand portfolio. Your company also consolidated B2B (Business to Business) warehouses from 11 locations to 4 locations leading to a large structural cost saving in B2B warehouse operations. Corporate overheads were rationalized significantly. Overall your company was able to save around ~500 Cr of fixed cost for the year. The efforts of the year gone by are likely to result in structural annual cost saving of over 100 Cr on an on-going basis.

Your company put equal emphasis on optimizing working capital needs of the organization. Significant progress was made in FY21 to reduce the inventory levels, especially aged inventory, across brands. We were able to reduce overall Inventory by ~400 Cr to take the inventory COGS turns up to 2.0 (annualized on H2 sales) from 1.5 last year. Receivables also improved markedly by ~125 Cr as we linked customer credit to their credit worthiness. Further processes have been adopted to manage timely inventory flow that allows buying much closer to the market, thereby reducing the inventory holding period and improving response to market

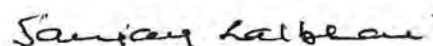
trends. This will help your company to further enhance inventory turns and reduce future capital requirements as we get back on growth path.

Your company has also raised non-debt funds of Rs 760 Crs during FY21 through a combination of rights issue and strategic investment from Flipkart into Flying Machine. With this funds infusion, coupled with the release of Rs. 525 Crore in inventory and debtors, your company was able to reduce the debt by ~300 Cr

For the financial year ending March 2021, Arvind Fashions posted revenue of Rs 2,201 Crs and an EBITDA profit of Rs 121 Crs. Expectedly, revenue and even more so profitability was significantly impacted by Covid pandemic.

In summary, with a focused portfolio of six strong brands and significant Omni eco system capabilities, your company is in a strong position to leverage the opportunities available in the new post pandemic world, where consumer buying behavior is strongly moving towards direct to consumer channels. With low fixed cost structure and working capital optimization, we are a more capital efficient organization. Moving forward we will invest behind our high-conviction brands and ensure that we significantly enhance our profitability and return ratios in the years to come.

Warmest regards,



Sanjay Lalbhai
Chairman





About Arvind Fashions

Arvind Fashions Limited aspires to be India's leading casual lifestyle company, defining how India dresses up in the new post pandemic world. With a powerful portfolio of leading global brands - we have something for every occasion & everyone. From entrepreneurs to millennials to value conscious families, and from the office going to work from home dressing, our brands are for the India of the present and the future.

The Company has an unmatched portfolio of renowned brands, both international and indigenous, like U.S. Polo Assn., Tommy Hilfiger, Calvin Klein, Arrow, Flying Machine etc. With Sephora, AFL is the leading player in India in prestige beauty. AFL also plays in the value segment through its own retail chain 'Unlimited'.

U.S Polo Assn., has defined casual dressing in India and is now the leading casualwear brand in its price segment across multiple product categories. We also brought to India the 2 most successful designer brands – Tommy Hilfiger & Calvin Klein, in the premium casual wear space. These brands are the top 2 brands in their segment. Fueling India's booming fashion aspiration, we launched India's first denim brand – Flying Machine as early as 1980. Today Flying Machine is the top digital-first youth brand of India. With Arrow, India's first premium international men's wear brand, we raised the bar of excellence. Today Arrow is not only the go-to work wear of choice for everyone from corporate honchos to the bold and young professionals, it has also defined work from home dressing with its Sports & New York offering. AFL has successfully been able to extend into category adjacencies such as premium innerwear, kidswear, footwear and accessories across its portfolio of brands.

At Arvind Fashions, we care about our employees. Our 'One AFL' culture and our humane approach to people attracts and retains the top talent in the country. Our HR practices focus is on the wellness & holistic growth of our employees. Customers & consumers first is our philosophy and that is the reason why we are India's first choice in fashion and retail since our inception.



U.S. Polo Assn, #1 casual wear brand in India. This sport inspired lifestyle brand is the authentic and official brand of the United States Polo Association, the governing body for the sport of polo in the United States since 1890. The brand speaks to what is authentic about the sport, honours the tradition and grandeur of polo. It embraces the genuine spirit known throughout the world as Classic American Style promoting its core value as "Live Authentically". This power brand has a multi category play in men casual, footwear, innerwear, kids & accessories.



TOMMY HILFIGER

Cities
38Stores
96

Tommy Hilfiger is one of the world's leading designer lifestyle brands with an American spirit. Communicating the universal language of style through top of line global brand ambassadors. The brand is internationally recognized for celebrating the essence of classic American cool, featuring preppy designs with a twist. Founded in 1985, Tommy Hilfiger delivers premium styling, quality and value to consumers with a wide portfolio of categories including men's, women's and kid's sportswear, denim, accessories and footwear. The brand has had its presence in India since 2004 and is the #1 international premium casual wear brand in the country



Catering to the coolest digital natives in the country, Flying Machine is Arvind's home-grown and India's digital first, youth brand with significant small town potential. Driven to innovate, Flying Machine has gained popularity with its attitude of pushing boundaries and innovating much like today's millennials. The brand is a trendsetter rather than a fad-follower and this attitude is reflected in each one of its 3 well defined segments. Incredible prices, strong market presence across India and with stores in all major cities, Flying Machine is an exciting brand in the Arvind Fashions portfolio.