



TWELFTH AGM OF ADITYA BIRLA FASHION AND RETAIL LIMITED **CHAIRMAN'S SPEECH**

The financial year 2019 witnessed a strong business performance that further solidified our position as a leader in branded fashion apparel sector in India.

To begin with, let me briefly touch upon the global and Indian economy before we discuss the performance of Your company. IMF's global economic outlook for 2018 was a bit pessimistic in comparison with the 2017 forecast due to rising trade restrictions, stringent policy measures in China and monetary tightening in advanced economies.

While IMF maintained a favorable outlook towards India's growth potential, forecasting it around 7.3% in 2019, the liquidity crisis in financial markets, resulted in a sluggish pace of growth towards the later part of the year.

Now, let me share my thoughts on the apparel sector.

Global apparel market is close to 2.3% of the world's GDP and grows at 5% annually, with Europe, USA and China being the largest markets. Despite accounting for over one-fourth of the world's population, India and China's contribution to overall apparel consumption is still very low. Their markets are expected to grow at 12% and 10% respectively in the coming years'; much higher than the overall global apparel market. By 2025, China is expected to be the largest apparel market in the world and India will topple Japan to be the fourth largest apparel market.

Global experiences have indicated that the discretionary spends in an economy grow disproportionately once the per capita income crosses USD 2000, a threshold we breached early this year. Apparel being a significant part of this



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spend benefits from this growth, making India an extremely lucrative market for this sector.

The apparel sector in India continues to grow rapidly backed by greater purchasing power, higher discretionary spends, rising aspirations for brands, favorable demographics, rapid urbanization and increased access through technology. Along with this, from the supply side, better quality and availability of products, improved consumer shopping experience, proliferation of digital and deep investments by large strategic players and financial investors has ensured that the organized part of apparel retail grows disproportionately – a trend we saw in the past decade when the share of organized apparel retailing increased from 14% in FY 2007 to 24% in FY 2018. I see this shift continuing at a much faster pace in future with organized retail touching 28% of overall market by 2020; very ably setting up the platform for companies like ours to buildup scale.

It is important to touch upon other favorable demographic shifts as well. Urban India, that formed 31% of our country in 2010 is expected to cover 37.5% in 2025. This will increase our working population and will also propagate a strong urban influence to rural markets – making them ready for brands. Also, with increased participation of women in the work force, women's wear segment which is close to 38% of total apparel sector now will reach 41% by 2025. This will be one sphere wherein organized retailing and brands will gain unprecedented scale as women will start spending more on their branded



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clothing. As the household income rises, kids wear segment will also grow rapidly as more expenditure will get allocated towards buying branded clothing for kids.

Along with the demographic shifts, the market is also witnessing a big shift in the way consumers shop. Emergence of strong online platforms and their value propositions have accelerated the growth of E-commerce as a large channel across product categories. This is particularly relevant in context of fashion apparel and will shape the channel dynamics in the coming years.

Our online sales, which were a mere 2% few years back have also jumped steeply to 7% last fiscal, clearly highlighting this channel shift. Younger, more digitally savvy consumers are experiencing brands digitally first, making the consumer journey traverse across online and offline channels seamlessly.

Now let me take you through your Company's performance for the financial year 2019. With a turnover of Rs. 8118 Crore in FY19, revenues grew 13 % over the previous year. EBITDA for the year was Rs.619 crores, a 24% growth over the previous year of Rs. 501 crores. The PBT of the company has tripled from Rs. 49 crore in FY18 to Rs. 149 crore in FY19. Your company has reported 173% higher PAT of Rs. 321 crore (including deferred tax asset of Rs. 194 crore) as compared to Rs. 118 crore (including deferred tax asset of Rs. 69 crore) in FY18.

These results have been an outcome of our continued focus towards



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strengthening our brands, growing our distribution footprint, building upon our long term relationships with channel partners, expanding our portfolio to cover more categories and wearing occasions and our consistent investment in talent.

Detailed discussion on the performance of your Company has been captured in the Management Discussion and Analysis section of the Annual Report for FY18-19.

Let me explain to you the five key pillars of our business strategy -

1. **Portfolio Approach:** Your Company has continuously reinvented itself to evolve with the changing consumer needs. Our endeavor has always been to be the first choice for all fashion needs of our consumers – across segments and wearing occasions. It is with great satisfaction that I can say today that through category and brand extensions and with addition of new brands, we have a meaningful offering across all key segments. Your company has a strong presence across men's wear and women's wear. We have also successfully ventured into new high growth categories like innerwear and our latest acquisitions in Ethnic space are also in line with the same strategy as we plan to build a large business in the largest and one of the fastest growing apparel segment.

As we move forward, Your Company will continue to expand its portfolio keeping pace with changing consumer needs and preferences.

2. **Building Strong Brands:** Your company has been able to create some of



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the most iconic brands in the country. Our portfolio of Lifestyle brands – Louis Philippe, Van Heusen, Allen Solly and Peter England are market leaders in their own spheres. These brands have continuously refreshed themselves by adopting contemporary fashion, launching newer products and creating meaningful sub-brand extensions. Pantaloons continued its journey of consistent improvements in business performance and has significantly increased its brand investments to contemporize the brand in line with its evolving consumers. These brand investments along with upgraded store identity and improved product portfolio has resulted in an all-round improvement in performance last year. Youth brands like Forever 21, American Eagle and People are aimed at targeting the contemporary millennial consumers. Partnerships with super premium global brands allows Your Company to operate in the premium end of the market. Recognizing brands as a crucial lever, we want to keep our focus on it through continuous investments behind brand building, product design, assortment planning and store experience amplifying the appeal of our brands amongst its consumers.

3. **Expanding Distribution footprint:** Apparel as a category continues to be highly under penetrated in this country. Hence increasing our reach and providing access across markets in India forms the third critical lever of our strategy. While we continue to expand in larger cities and markets, over the last few years, our brands have been travelling to smaller cities and forging new relationships with our consumers there. The growth of E-commerce will further accelerate the reach of our brands,



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complementing our physical presence. Through our affordable fashion formats such as small town Pantaloons format, Peter England Red initiative and Style Up, Your Company is reaching out to newer sets of consumers and markets.

4. **Digital Transformation**: The fourth lever is digital transformation which will prepare us to be agile in responding to fast changing consumer needs. Consumers today are increasingly influenced digitally and hence every consumer business, including fashion retail, will have a significant role of digital media and e-commerce in its operations. In practical terms, this would mean that consumers would seek greater variety, more personalized products and services, at any time and through any channel that could be physical or virtual.

Technology has disrupted the apparel sector with E-commerce redefining the conventional channel definitions. Its rapid growth has opened new avenues for Your Company to service its customers through our own E-commerce channel and partnerships with E-commerce platforms. Digital advances have made it easier for consumers today to move seamlessly across online and offline channels. By preparing our stores to handle seamless digital transitions, we have set the platform for an enhanced customer experience driven by our upgraded analytical capabilities. Conventional processes are also being revolutionized by technology and Your Company has made significant advances in adopting newer technology to shorten supply chain lead times, driving freshness and



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greater variety in stores. Rapid digitization has also led to the emergence of newer business models designed around services like personalization and subscription, offering greater flexibility and variety to the consumers.

5. **Our People:** The fifth and perhaps the most critical lever is our People Strategy. The vision of your Company is to Drive a High Performing and Customer Centric Culture with Happy and Value Oriented Employees.

“The Biggest Brands and Best People” is the philosophy that drives ABFRL. Your Company believes that - it is the people behind the brands who have made the Company what it is. It is this belief and an endeavor to continuously develop talent that has led to Your company being a preferred employer for professionals in the industry.

Your Company has a diverse workforce of 23,000+ employees with 52% women employees and with 55% of its employees in less than 30 years of age group. It continues to embed Aditya Birla Group Values of - Integrity, Commitment, Passion, Speed and Seamlessness within the organization

I would take few minutes to talk about one of the important parameters of our business, that is the Sustainable business practices

ABFRL is aligned with the Aditya Birla Group's vision to be the leading Indian conglomerate for sustainable business practices across global operations through the framework of 'Responsible Stewardship', 'Stakeholder



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Engagement', and 'Future Proofing'. Under our Re-Earth program conceived in 2013 - with the **objective to give back more than what we take from our ecosystem**, we have progressively integrated sustainability across our value chain and our products.

We have collaborated with forums with common goals towards sustainability like the Ellen Mac Arthur Foundation, Sustainable Apparel Coalition, Cotton 2040 and the '**Circular Apparel Innovation Factory**'. We have embraced digitization with our **sustainability performance data dashboard** which enables greater accuracy, efficiency, deeper analysis and tracking of our sustainability missions and disclosures.

We are very proud to inform you that your Company has been awarded with "Frost and Sullivan Award" for Sustainable Corporate of the year.

We are proud of our commitment in CSR which has resulted in impactful outcomes and won multiple awards such as the Social Impact Award from the **Indian Chamber of Commerce** for '**Empowering the Rural Population**', **ET Now Stars of the Industry Award** (For Excellence in CSR) for **community development**, and **I-Volunteer Award** as the '**Leader in Employee Volunteer**'.

We continue to make significant progress on the identified missions undertaken in our sustainability program. Let me articulate some of our achievements of last year

- We have initiated '**Safe Model Stores**' concept, wherein the stores are assessed on all essential safety aspects.
- We achieved **9.27% reduction in grid electricity consumption against a target of 5%** in FY 19 through energy efficiency leading to a **reduction of 4,215 tonnes of CO2 emissions**. We also achieved a **12% reduction in grid electricity consumption against a target of 15%** in FY19 through



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renewable energy through solar rooftops across 4 factories and 1 warehouse. This led to a **reduction of 930 tonnes of CO2 emissions**.

- Two of our manufacturing facilities, spread across 4.21 lakh square feet, were **certified 'SILVER' by the IGBC** under the Green Factory rating system.
- **Against a target to recycle & reuse 80% of water, we achieved 73%**, i.e., 85.37 '000 m³ of water. **Our second target for FY 19 was to withdraw 50% of water from renewable sources, against which we achieved 37%**, through installation of rainwater harvesting with artificial recharge systems across our own facilities.
- We have **carried forward the pilot programme of 'Zero Waste Retail Stores', across 100+ retail stores in Bangalore**. Through this initiative, **64 tons of waste was collected and diverted from the landfill**.
- 'Sustainable Attributes' is our concept to assess product sustainability, across five categories - raw materials, production, packaging, factories and people. **We also facilitated an internal capacity building workshop with the support of Cotton 2040** – an initiative to enable a shift towards sustainable cotton
- **We pilot tested the Brand Retail Module of the Higg Index**, to include the retail component and a combined environment and social module. Through initiatives in FY 2017-18, we achieved **an outstanding Higg Score of 74 through a third-party audit** conducted at two of our factories.
- In FY 19, our facilities were assessed by the Aditya Birla Group Sustainability Cell, and **attained 93% compliance** to WBCSD's WASH (Water, Sanitation and Hygiene) pledge guidelines.
- ABFRL's social interventions are in the areas of education, health & sanitation, livelihoods, water and digitalization. **In FY 19, our CSR interventions have had a positive impact on 1,87,293 beneficiaries** through initiatives that include academic support, teacher training,



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health and eye camps, pulse polio immunization drive, skill training, water ATM's, borewell recharge and SMART classrooms

We are **increasingly future-proofing our business** from emerging sustainability risks as well as capturing business opportunities created through sustainable raw materials, technological innovations and the circular economy

I would like to Thank you all for being a partner in our journey.

Today, I can very confidently say that Your company has built a very robust business model with a rich portfolio of strong brands across consumer segments, wide multichannel distribution and a talented team with impeccable execution capabilities. We have also consistently invested in future capabilities and systems to build a long term sustainable model.

On behalf of the whole management team and our respectable board members, I take this opportunity to reaffirm our conviction on the future prospects of Your Company in achieving a sustainable and profitable growth over the years to come.

I also like to convey my gratitude towards team ABFRL – whose relentless hard work and unwavering focus and dedication has established us as a formidable organization.

Finally, I would like to take this opportunity to thank all our partners, shareholders and other stakeholders for their constant support in this journey.



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It has been an honor to address you all here today. I wish you the very best.

Thank You!