

# jindian TERRAIN 'makes you feel. good 

Q4\&FY20<br>PERFORMANCE HIGHLIGHTS

JUNE 2020

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TERRAIN fool

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## $\chi^{\text {Indian }}$ TERRAIN



## COVID-19 IMPACT

 \& RESULT HIGHLIGHTS
## INDUSTRY IMPACT

* As per Clothing Manufacturing Associations of India (CMAI) due to the national lockdown from $24^{\text {th }}$ March, 2020 the expected Ioss in India's apparel industry is approximated to be $\sim$ Rs 1,000bn
* Revenues had been impacted from the early March, 2020.
* Among the worst hit has been the India's leading export destinations of apparels which accounts for more than $50 \%$ of its exports
* Strong voices have gone out requesting the government for stimulus packages in the from of consider wage and working capital subsidies
* Brick and Motor Apparel operations have found it difficult to cope up with the shocks from the pandemic owing to the demand slump, inventory pile up and due to this receivables stagnated and collections deferred
* Major turbulences witnessed by the domestic apparel industry are the deferment of shipments, logistical issues and order cancellations
* All the above have left the industry in doldrums and have had a drastic economic impact on companies within the industry


## COMPANY IMPACT

* Due to the national lockdown imposed, business operations began to slowdown from the beginning of March month owing to subdued demand thus impacting on revenues and profits
* In reference to the above, Decline in the financials was witnessed in Q4 and the full year numbers
* Monthly fixed cost expenses such as staff cost, Rent and electricity charges incurred without revenue due to lockdown
* The Sharp Revenue drop (especially in high contribution Channels) had deep impact on the Contribution Margins and with fixed costs more or less at full levels for the quarter had a big impact on Operating EBIDTA.


## POST COVID MEASURES

* Indian terrain aims in making few of its cost aligned to sales, thus helping it in cost rationalization during unprecedented times like these
* Faster conversion of Inventory to sales via various sales channels which enables further cash releases and conserve working capital
* As E-commerce has been growing faster and unaffected, Indian Terrain is objectively considering to close down stores which are unviable with high cost structures
- Company is taking strong steps to shift from fixed rent cost model to revenue sharing model in proportion to the sales.


## QUARTERLY - RESULT HIGHLIGHTS

Sales (Rs. Cr)


- Q1FY20 - Q2FY20 - Q3FY20 - Q4FY20

Gross Margins (\%)


- Q1FY20 - Q2FY20 - Q3FY20 - Q4FY20

Gross EBITDA (Rs. Cr)


- Q1FY20 - Q2FY20 - Q3FY20 - Q4FY20

PAT (Rs. Cr)


- Q1FY20 - Q2FY20 - Q3FY20 - Q4FY20


## Sales (Rs. Cr)



Gross Margins (\%)


Q Q1FY19 - Q2FY19 - Q3FY19 - Q4FY19

Gross EBITDA (Rs. Cr)


- Q1FY19 - Q2FY19 - Q3FY19 - Q4FY19

Channel Revenues (Rs .cr)


* Consumer sentiment that was improving in the later part of Q3 and post EOSS took a pause immediately post
* A big impact on MBO Distribution Channel and LFO Dept Stores since all dispatches from first week of March got held up and orders put on hold
* Sharp Drop in Q4 since Inventory build up got impacted with the shutdown.
* Continued Focus on Small Town Retail Expansion through franchisee model
* Planning to expand Boyswear presence to more stores
* Distribution Channel Focus on Tertiary Sales and Key Doors. Focus on down stocking to reduce inventory to optimal levels
* Department Stores focus on aligning inventory levels to optimal levels, Continue to strengthen partnership with Reliance with addition of Boyswear
* Big Thrust on E Retail and Omni Channel Commerce through own IT.Com platform
* Kidswear segment seeing steady demand and greater "brandedness". Hence focus on expansion in this segment through Distribution and E-Retail
* New Channels of Sales - "Direct to Home"
* Increased Digitization across all parts of the business - Design and product development, Sampling, Selling and Distribution. This will help drive efficiency and reduced time and cost

Moving to a closer to season 4 cycle routine to drive freshness and reduce overall inventory levels


SUMMARY
Q4FY20

| Particulars (Rs. Crs) | Without IND AS 116 | Impact | With IND AS 116 |
| :---: | :---: | :---: | :---: |
| Net Revenue | 118.74 | - | 118.74 |
| EBITDA | -18.69 | 5.88 | -12.81 |
| EBITDA Margin \% | -15.74 |  | -10.79 |
| Depreciation | 1.65 | 4.83 | 6.48 |
| Interest Cost | 2.85 | 2.68 | 5.53 |
| PBT before exceptions | -21.49 | -1.64 | -23.13 |
| PBT Margin \% | -18.10 |  | -19.48 |

FY20

| Particulars (Rs. Crs) | Without IND AS 116 | Impact | With IND AS 116 |
| :---: | :---: | :---: | :---: |
| Net Revenue | 369.66 | - | 369.66 |
| EBITDA | 7.55 | 20.51 | 28.06 |
| EBITDA Margin \% | 2.04 |  | 7.59 |
| Depreciation | 6.40 | 16.39 | 22.79 |
| Interest Cost | 11.57 | 9.05 | 20.62 |
| PBT before exceptions | -6.56 | -4.94 | -11.50 |
| PBT Margin \% | -1.77 |  | -3.11 |


| Rs. Crs. | Q4FY20 | Q4FY19 | Change (\%) | FY20 | FY19 | Change (\%) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Revenues | 77.98 | 118.74 | -34.33 | 369.66 | 422.37 | -12.48 |
| Cost of Materials | 2.04 | 0.42 |  | 1.90 | 1.85 |  |
| Purchase of Finished Goods | 59.18 | 86.30 |  | 238.62 | 239.46 |  |
| Change in Inventories | -4.50 | -16.64 |  | -8.38 | 10.68 |  |
| Garment Processing Costs | 0.27 | 0.35 |  | 1.13 | 2.24 |  |
| Employee Benefit Expenses | 5.04 | 6.51 |  | 21.65 | 27.78 |  |
| Other Expenses | 28.76 | 29.17 |  | 86.68 | 89.53 |  |
| Total Expenses | 90.79 | 106.11 | -14.44 | 341.60 | 371.54 | -8.06 |
| Operating EBITDA | -12.81 | 12.63 | -201.43 | 28.06 | 50.83 | -44.80 |
| Other Income | 1.69 | 1.27 |  | 3.85 | 2.98 |  |
| Gross EBITDA | -11.12 | 13.90 |  | 31.91 | 53.81 |  |
| Finance Costs | 5.53 | 1.97 |  | 20.62 | 8.46 |  |
| Depreciation | 6.48 | 1.51 |  | 22.79 | 5.54 |  |
| Profit Before Tax | -23.13 | 10.42 | -321.98 | -11.50 | 39.81 | -128.89 |
| Tax Expenses | -4.46 | 3.82 |  | -1.16 | 14.10 |  |
| Profit After Tax (before other comprehensive income) | -18.67 | 6.60 | -382.88 | -10.34 | 25.71 | -140.22 |
| Other Comprehensive Income (net of tax) | 0.09 | 0.05 |  | 0.00 | -0.06 |  |
| Total Comprehensive Income | -18.59 | 6.65 |  | -10.34 | 25.65 |  |

The Company has adopted Ind AS 116 using modified retrospective approach effective $01^{\text {st }}$ April 2019 and hence figures are not comparable

## EXCLUSIVE STORES

EXCLUSIVE STORES
$\boldsymbol{j}$ INDIAN TERRAIN food


 you
TERRAIN good

## 201

Exclusive Doors
(inclusive of 20 Factory Outlets


1400+
Doors under Multi Branded Outlets


8+
E-commerce Partners

$66_{\text {At Indian Terrain, }}$ we love spending every day in creating clothing of elegant style and remarkable comfort that 'makes you feel good

DIRECT TO CONSUMER FOCUS..

ANAND - GUJARAT


TIRUPATI

$\lambda$ INDIAN makes TERRAIN goold

PRAYAGRAJ


ARIA MALL - GURGAON

## INDIAN TERRAIN



INDIAN makes TERRAIN goold

## $\chi^{\text {Indian }}$ TERRAIN

## FINANCIAL STATEMENTS



| Standalone Profit \& Loss (INR cr) | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Income from Operations | 107.9 | 82.2 | 125.9 | 95.6 | 118.7 | 83.3 | 116.2 | 92.2 | 78.0 |
| Other Income | 0.8 | 0.8 | 0.5 | 0.5 | 1.3 | 0.7 | 0.8 | 0.7 | 1.7 |
| Total Income | 108.8 | 83.0 | 126.3 | 96.0 | 120.0 | 84.0 | 117.0 | 92.8 | 79.7 |
| Operating Expenses | 93.9 | 73.1 | 110.5 | 81.8 | 106.1 | 69.0 | 102.0 | 79.9 | 90.8 |
| EBITDA | 14.9 | 9.8 | 15.8 | 14.2 | 13.9 | 15.1 | 15.0 | 13.0 | -11.1 |
| Margin \% | 13.8 | 12.0 | 12.6 | 14.9 | 11.7 | 18.1 | 12.9 | 14.1 | -14.3 |
| Depreciation | 1.1 | 1.3 | 1.4 | 1.4 | 1.5 | 5.1 | 5.5 | 5.7 | 6.5 |
| EBIT | 13.8 | 8.6 | 14.5 | 12.8 | 12.4 | 9.9 | 9.5 | 7.3 | -17.6 |
| Margin \% | 12.8 | 10.4 | 11.5 | 13.4 | 10.4 | 11.9 | 8.2 | 7.9 | -22.6 |
| Financial Charges | 2.5 | 2.1 | 1.9 | 2.5 | 2.0 | 4.2 | 5.2 | 5.7 | 5.5 |
| PBT | 11.3 | 6.5 | 12.6 | 10.3 | 10.4 | 5.8 | 4.3 | 1.5 | -23.1 |
| Margin \% | 10.5 | 7.9 | 10.0 | 10.8 | 8.8 | 6.9 | 3.7 | 1.7 | -29.7 |
| Tax | 4.0 | 2.3 | 4.4 | 3.6 | 3.8 | 2.0 | -0.2 | 1.5 | -4.5 |
| PAT | 7.3 | 4.2 | 8.2 | 6.7 | 6.6 | 3.8 | 4.5 | 0.08 | -18.67 |
| Margin \% | 6.7 | 5.1 | 6.5 | 7.0 | 5.6 | 4.5 | 3.9 | 0.1 | -23.9 |

The Company has adopted IND AS 115 with effect from 01 ${ }^{\text {st }}$ April 2017 and IND AS 116 with effect from $011^{\text {st }}$ April 2019 using modified retrospective approach and hence figures are not comparable

| Standalone Profit \& Loss (INR cr) | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Income from Operations | 232.0 | 290.0 | 325.0 | 325.9 | 401.5 | 422.4 | 369.7 |
| Other Income | 0.3 | 0.8 | 5.2 | 5.3 | 2.5 | 3.0 | 3.9 |
| Total Income | 232.3 | 290.8 | 330.2 | 331.2 | 404.0 | 425.4 | 373.5 |
| Operating Expenses | 207.9 | 256.9 | 283.9 | 285.9 | 353.6 | 371.5 | 341.6 |
| EBITDA | 24.4 | 33.9 | 46.3 | 45.3 | 50.4 | 53.8 | 31.9 |
| Margin \% | 10.5 | 11.7 | 14.2 | 13.9 | 12.5 | 12.7 | 8.6 |
| Depreciation | 2.5 | 2.9 | 2.3 | 3.1 | 4.2 | 5.5 | 22.8 |
| EBIT | 21.9 | 31.0 | 43.9 | 42.2 | 46.1 | 48.3 | 9.1 |
| Margin \% | 9.5 | 10.7 | 13.5 | 12.9 | 11.5 | 11.4 | 2.5 |
| Financial Charges | 9.5 | 8.6 | 7.0 | 8.9 | 7.0 | 8.5 | 20.6 |
| PBT | 12.4 | 22.3 | 37.0 | 33.3 | 39.1 | 39.8 | -11.5 |
| Margin \% | 5.4 | 7.7 | 11.4 | 10.2 | 9.7 | 9.4 | -3.1 |
| Tax | 2.6 | 4.4 | 4.0 | 10.4 | 13.7 | 14.1 | -1.2 |
| PAT | 9.9 | 18.0 | 33.0 | 22.8 | 25.4 | 25.7 | -10.3 |
| Margin \% | 4.3 | 6.2 | 10.2 | 7.0 | 6.3 | 6.1 | -2.8 |


| Standalone Balance Sheet (INR cr) | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Share capital | 5.7 | 7.2 | 7.3 | 7.6 | 7.6 | 7.6 | 7.6 |
| Reserves and Surplus | 30.5 | 119.2 | 146.2 | 171.3 | 196.4 | 222.1 | 208.5 |
| Non-current liabilities | 21.3 | 7.9 | 18.4 | 13.4 | 20.3 | 23.2 | 90.0 |
| Current liabilities | 83.2 | 81.3 | 90.9 | 108.6 | 152.6 | 165.4 | 197.2 |
| Total Equity and Liabilities | $\mathbf{1 4 0 . 7}$ | $\mathbf{2 1 5 . 5}$ | $\mathbf{2 6 2 . 8}$ | $\mathbf{3 0 0 . 8}$ | $\mathbf{3 7 7 . 0}$ | $\mathbf{4 1 8 . 3}$ | $\mathbf{5 0 3 . 3}$ |
|  |  |  |  |  |  |  |  |
| Non-current assets | 16.8 | 20.5 | 40.0 | 50.3 | 61.7 | 67.7 | 140.8 |
| Current assets | 124.0 | 195.0 | 222.8 | 250.5 | 315.2 | 350.6 | 362.5 |
| Total Assets | $\mathbf{1 4 0 . 7}$ | $\mathbf{2 1 5 . 5}$ | $\mathbf{2 6 2 . 8}$ | $\mathbf{3 0 0 . 8}$ | $\mathbf{3 7 7 . 0}$ | $\mathbf{4 1 8 . 3}$ | $\mathbf{5 0 3 . 3}$ |
|  |  |  |  |  |  |  |  |
| Key Ratios | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
| RoCE (\%) | 24.8 | 18.2 | 19.8 | 16.1 | 17.9 | 18.4 | 2.7 |
| RoE (\%) | 27.3 | 14.2 | 21.5 | 15.4 | 12.5 | 11.2 | -4.8 |
| Net debt to equity $(\mathrm{x})$ | 1.34 | -0.18 | -0.16 | -0.11 | -0.06 | -0.02 | 0.46 |
| Interest coverage $(\mathrm{x})$ | 2.3 | 3.5 | 5.6 | 4.1 | 6.2 | 5.7 | 0.4 |
| Inventory days | 175 | 135 | 138 | 159 | 136 | 110 | 107 |
| Receivables days | 121 | 120 | 111 | 123 | 162 | 207 | 248 |
| Payable days | 66 | 69 | 101 | 103 | 141 | 125 | 165 |



## India's retail sector at a glance

|  | $70-80 \%$ |  | $30 \%$ |
| :---: | :---: | :---: | :---: |
| $\begin{array}{\|c\|} \text { RUY } \\ \because G \end{array}$ | Demand on e-commerce has recovered by $70-80 \%$ of pre-Covid levels |  | Product selection on Amazon is still at 30\% of pre-Covid levels: Marketplace Pulse |
|  | $30 \%$ |  | $25-35 \%$ |
|  | Apparel among the hardesthit categories online with 30\% sales recovery |  | Offline stores see only 25-35\% sales recovery compared to year-ago period |

Preferred e-commerce methods
$\$ 16.8$ billion
E-commerce
completed on a
mobile device $\quad$ Mobillion

India's E-com market -2020

Sales (\$ billion) 2020 (Estimate) I 2019


Overall e-commerce

76\% Annual growth
3
1.7

Online grocery

#  


FMCG


Electronics - Printers, Routers, Laptops \#III IIII $5 \%$
Home Décor - Kitchen Utilities \& Others

Nos. of Households(mn) by Income Class


[^0]
## Consumer Expenditure in India across city types



Note: Projections with GDP growth assumed to be 7.5\%, at 2017-18 prices




[^1]Segment-wise analysis
Breakup of Fashion market (current vs future)





## overall -

* Q1 bearing the full Brunt of the Lockdown (likely 80-85\% below LY)
* Most Malls, Stores, LFO's and Distribution only saw about 20-25 days of Trading and that too with lots of restrictions and regulations of timings.
* Consumer sentiment is deeply hit for non essentials.
* Buying which is sporadic is centered around WFH Casuals, Boyswear, Loungewear.
* MALLS in particular are worst Hit and especially in the Large Metros.

* SS20 Inventory which has seen almost no trading is being carried forward to AW20.
* Overall for the full year we see a big impact on revenue and profitability as a result.
* We are bracing for a 30-35\% reduction in Revenue for the full year


## Even in this Scenario we are changing the focus of the business model to drive the following areas -

* PRODUCT -
* Introduce a Sharper Value Line for Smaller Towns from AW20
* Hasten the Specific Channel - Product Strategy for Customer acquisition
* Increased push on Boyswear
* RETAIL -
* Continued focus on retail expansion in Small Town India (Bharat) with Franchisee driven stores $\{25$ in the year and 75 target for next 3-4 years\}
* Variablisation of all commercials for EBO's stores as much as possible
* Limited Physical Retail Focus in top 12 Cities.


## DIGITALISATION -

* Move to a Digital way of working in all areas
* Increased push on E-Commerce, Omni Channel Commerce and Own Digital Platform (IT.Com)
* Use Technology in all other areas as well - Looking at Virtual Tradeshows, Selling Kits, Sampling, Design etc.
* Marketing to be essentially digital led and supported by CRM, Data Insights and Social Media.




## MENS WEAR



BOYS WEAR

INDIAN TERRAIN MEN \& BOYS

| BOYS' OFFERS |  | InDIAN TERRAIN |
| :---: | :---: | :---: |
| SHOP FOR | SHOP FOR | MEN \& BOYS |
| ₹1999 | $₹ 2999$ |  |
| $\begin{aligned} & \text { GET } \\ & \text { ₹ } 250 / \text { - OFF* } \end{aligned}$ | $\begin{aligned} & \text { GET } \\ & \text { ₹ } 550 /- \text { OFF* } \end{aligned}$ |  |
| $\begin{aligned} & \text { 咅 } \\ & \stackrel{\ddot{\partial}}{2} \end{aligned}$ |  |  |

## STAR WARS COLLECTION





OUR ORIGIN
Madras - where we belong. The city that influenced global fashion since 1718.


ICONIC PRODUCT
Khaki. Made in India during
World War II and since then, an integral part of American

Sportswear.


## BRAND PHILOSOPHY

"Real. Mature. Manly. Khaki."
The four key words that capture
the brand essence and are a
representation of our
communication strategy.


Awarded as the best company in the Sustaining Award Category at TiE, 2017 Chennai


Awarded as the Best Emerging Brand by Lulu Mall in 2016


Voted by Infashion as the "Most Admired Readymade Garment Manufacturer" in south India 2013


Ranked 11 th in the list of "Most Trusted Apparel Brands" by Economic Times in 2011



[^0]:    2005 real prices
    Source: NCAER, McKinse

[^1]:    Source : UNESCO, CLSA Report

