7th Floor, Heritage Chambers
B/h. Bikanerwala, Off S.M. Road,
Nr. Azad Society, Nehru Nagar, Ahmedabad-380 015.
Phone : (B) 079 - 2647 2000 E mail : contact@mmsco.in
Website : www.mmsco.in

MUKESH M. SHAH & CO.
CHARTERED ACCOUNTANTS
AHMEDABAD - MUMBAI - BANGALORE

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ARVIND LIFESTYLE BRANDS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Arvind Lifestyle Brands Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, the loss and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of Matter Paragraph

We draw your attention to Note 25 of the financial statements which explains the uncertainties and management's assessment of the financial impact due to the lockdown and other restrictions imposed by the Government of India and other conditions related to the COVID-19 pandemic situation, for which a definitive assessment in the subsequent period is highly dependent upon circumstances as they evolve.

Our opinion is not modified in respect of this matter.

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15. CHARTERED ACCOUNTANTS

7th Floor, Heritage Chambers
B/h. Bikanerwala, Off S.M. Road,
Nr. Azad Society, Nehru Nagar, Ahmedabad-380 015.
Phone : (B) 079 - 2647 2000 E mail : contact@mmsco.in
Website : www.mmsco.in

MUKESH M. SHAH & CO.
CHARTERED ACCOUNTANTS
AHMEDABAD · MUMBAI · BANGALORE

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

A. Recognition of Revenue from Contracts with Customers

Key Audit Matter Description

Revenue recognition involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognised over a period, estimate of variable consideration, reduction of revenue on the basis of consideration payable to customers in the form of loyalty points, determination of Principal versus agent consideration, recognition of contract assets and refund liability that is amount of returns, and discounts that have been incurred and not yet settled with the customer. Additionally, new revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.

Refer Note 4 and Note 16 to the Financial Statements

How the Key Audit Matter was addressed in the Audit

We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard. Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:

- Evaluated the design of internal controls relating to the revenue accounting standard.

- Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, re-performance, and inspection of evidence in respect of operation of these controls.

- Selected a sample of continuing and new contracts and performed the following procedures:

  - Read, analyzed and identified the distinct performance obligations in these contracts and compared these performance obligations with that identified and recorded by the Company.

  - Considered the terms of the contracts to determine (a) the transaction price including any variable consideration to verify the transaction price used to compute revenue

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15. CHARTERED ACCOUNTANTS

7th Floor, Heritage Chambers
B/h. Bikanerwala, Off S.M. Road,
Nr. Azad Society, Nehru Nagar, Ahmedabad-380 015.
Phone : (B) 079 - 2647 2000 E mail : contact@mmsco.in
Website : www.mmsco.in

MUKESH M. SHAH & CO.
CHARTERED ACCOUNTANTS
AHMEDABAD - MUMBAI - BANGALORE

and to test the basis of estimation of the variable consideration; (b) for determination of Principal versus agent consideration, recognition of contract assets and refund liability including historical trend of returns.

- Sample of revenues disaggregated by type and service offerings was tested with the performance obligations specified in the underlying contracts.

- Performed analytical procedures for reasonableness of revenues disclosed by type and service offerings.

- Analysed returns and discounts and held discussions with management to understand changes in provisioning norms/additional provisions made based on management's assessment of market conditions

- We reviewed the collation of information to prepare the disclosure relating to the periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.

B. Valuation of Inventory

Key Audit Matter Description

Valuation of inventory requires (a) measurement of cost to be recognised as an inventory and carried forward until the related revenues are recognised; (b) any write-down to net realisable value; (c) identification of slow moving stock; and (d) accuracy of expected selling prices, particularly for products with significant time lapse between manufacture and ultimate date of sale of product to the consumer. These include inherently subjective judgements about forecast future demand with the risk increased due to recent situation of COVID 19 and estimated net realisable value at the time the product is expected to be sold based upon a detailed analysis of old season inventory.

Refer Note 4 and Note 9 to the Financial Statements

How the Key Audit Matter Was Addressed in the Audit

We assessed the Company's process to identify and measurement of all costs which comprise of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:

- Evaluated the design of internal controls relating to identification and measurement of cost of inventory, slow moving goods and estimated net realisable value;

- Selected sample of Inventory to verify the correctness of cost components.

- Tested the relevant information technology systems generating report of slow-moving goods specifically in relation to validity and completeness of the inventory flags and season codes applied;

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15. CHARTERED ACCOUNTANTS

7th Floor, Heritage Chambers
B/h. Bikanerwala, Off S.M. Road,
Nr. Azad Society, Nehru Nagar, Ahmedabad-380 015.
Phone : (B) 079 - 2647 2000 E mail : contact@mmsco.in
Website : www.mmsco.in

MUKESH M. SHAH & CO.
CHARTERED ACCOUNTANTS
AHMEDABAD - MUMBAI - BANGALORE

- Performed sample testing for accuracy of net realizable value of inventory including slow moving goods with sales invoices;

- Validated cost write-down to estimated net realizable value.

C. Adoption of Ind AS 116 – "Leases"

Key Audit Matter Description

Effective from April 1, 2019, the Company has adopted Ind AS 116 "Leases" using modified retrospective approach which substantially modifies accounting for Leases. Due to large volume of leases in which the Company acts as a lessee, this standard had a significant impact on the financial statements. A number of judgements have been applied and estimates made in determining the impact of the standard.

The Company designed an implementation plan for the adoption of this standard which, among other actions, analysed and defined the criteria to be applied in the transition process, the lease identification processes, the monitoring and control of the leases in force and the development of the methodology to be applied in the measurement of the leases.

The large volume of leases, the diverse nature thereof and the significance and impact of the estimates made (mainly to assess the term of each lease and the applicable discount rate), lead us to consider this matter to be a key matter in our audit.

Refer Note 34 and Note 4 to the Financial Statements
The key audit matter was focused on the following areas of risk:

- Leasing arrangements within the scope of IND AS 116 are not identified or appropriately included in the calculation of the transitional impact;
- Specific assumptions applied to determine the discount rates for each lease are inappropriate;
- The underlying lease data used to calculate the transitional impact is incomplete and/or inaccurate;
- The mechanical accuracy of lease calculations is flawed; and

- The disclosures in the financial statements are insufficient, precluding investors from obtaining a clear understanding as to the transitional impact of the change in accounting standard.

How the Key Audit Matter Was Addressed in the Audit

In responding to the identified key audit matter, we completed the following audit procedures:

- An evaluation of the design, implementation and operating effectiveness of the relevant controls established by the Company in relation to the methodologies developed and estimates made in order to evaluate the main impacts of the standard.
  - Assessed the appropriateness of the discount rates applied in determining lease liabilities;

MUKESH M. SHAH & CO. Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15. CHARTERED ACCOUNTANTS

- Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contract or other supporting information, and checked the integrity and mechanical accuracy of the IND AS 116 calculations for each lease sampled through recalculation of the expected IND AS 116 adjustment;

- Considered completeness by testing the reconciliation to the Company's operating lease commitments (disclosed per Note 34 to the financial statements), and by investigating key service contracts to assess whether they contained a lease under IND AS 116;

- Assessed whether the disclosures within the financial statements are in conformity with the applicable regulatory framework.

Management's Responsibility for the Financial statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.
CHARTERED ACCOUNTANTS

7th Floor, Heritage Chambers
B/h. Bikanerwala, Off S.M. Road,
Nr. Azad Society, Nehru Nagar, Ahmedabad-380 015.
Phone : (B) 079 - 2647 2000 E mail : contact@mmsco.in
Website : www.mmsco.in

MUKESH M. SHAH & CO.
CHARTERED ACCOUNTANTS
AHMEDABAD • MUMBAI • BANGALORE

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15 CHARTERED ACCOUNTANTS report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

Due to COVID-19 related lockdown restrictions, management was able to perform year end physical verification of inventories, only at certain locations, subsequent to the year-end. Also, we were not able to physically observe the stock verification, wherever carried out by management. Consequently, we have performed alternate procedures to audit the existence of inventory as per the guidance provided in SA 501 "Audit Evidence - Specific Considerations for Selected Items" which includes inspection of supporting documentation relating to purchases, sales, results of cyclical count performed by the Management through the year and such other third party evidences where applicable and have obtained sufficient appropriate audit evidence to issue our unmodified opinion on these financial statements.
Our report on the Statement is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS
7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

iii. There have been no amounts required to be transferred to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For Mukesh M. Shah & Co.
Chartered Accountants
Firm Registration No. 106625W

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15.
CHARTERED ACCOUNTANTS

C S Shah

CA. Chandresh S. Shah
Partner
Membership No.042132
UDIN: 20042132AAAANW6313

Ahmedabad
July 09, 2020

7th Floor, Heritage Chambers
B/h. Bikanerwala, Off S.M. Road,
Nr. Azad Society, Nehru Nagar, Ahmedabad-380 015.
Phone : (B) 079 - 2647 2000 E mail : contact@mmsco.in
Website : www.mmsco.in

MUKESH M. SHAH & CO.
CHARTERED ACCOUNTANTS
AHMEDABAD · MUMBAI · BANGALORE

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Arvind Lifestyle Brands Limited of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of ARVIND LIFESTYLE BRANDS LIMITED ("the Company") as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Company.

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15.
CHARTERED ACCOUNTANTS

7th Floor, Heritage Chambers
B/h. Bikanerwala, Off S.M. Road,
Nr. Azad Society, Nehru Nagar, Ahmedabad-380 015.
Phone : (B) 079 - 2647 2000 E mail : contact@mmsco.in
Website : www.mmsco.in

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations
of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Mukesh M. Shah & Co.
Chartered Accountants
Firm Registration No. 106625W

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15. CHARTERED ACCOUNTANTS

C S Shah

CA. Chandresh S. Shah
Partner
Membership No.042132
UDIN: 20042132AAAANW6313

Ahmedabad
July 09, 2020

7th Floor, Heritage Chambers
B/h. Bikanerwala, Off S.M. Road,
Nr. Azad Society, Nehru Nagar, Ahmedabad-380 015.
Phone : (B) 079 - 2647 2000 E mail : contact@mmsco.in
Website : www.mmsco.in

MUKESH M. SHAH & CO.
CHARTERED ACCOUNTANTS
AHMEDABAD - MUMBAI - BANGALORE

ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Arvind Lifestyle Brands Limited of even date)

i. In respect of the Company's fixed assets:

a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The Company has a program of verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

c) The Company does not hold any immovable properties and thus disclosure under clause (i)-(c) of paragraph 3 of the order are not applicable.

ii. As explained to us, physical verification of inventory has been conducted at reasonable intervals by the management and the discrepancies noticed on verification between the physical stocks and the book records were not material having regard to the size of the Company, and the same have been properly dealt with in the books of account.

iii. According the information and explanations given to us, the Company has not granted secured / unsecured loans to Companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Consequently, requirements of clause (iii) of paragraph 3 of the order are not applicable.

iv. In our opinion and according to the information and explanations given to us, the Company has not advanced any loan or given any guarantee or provided any security or made any investment covered under section 185 of the Act. However, the Company has advanced loans or given guarantees or provided security or made investments covered under section 186 of the Act. We are of the opinion that provisions of section 186 of the Act have been complied with.

v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73 to 76 or any other relevant provisions of the Act and rules framed thereunder. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

vi. To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under section 148 (1) of the Act in respect of the Company's product. Consequently, requirement of clause (vi) of paragraph 3 of the order are not applicable.

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15. CHARTERED ACCOUNTANTS

vii. According to the information and explanations given to us, in respect of statutory dues:

a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Wealth Tax, Custom Duty, Goods and Service Tax, Cess and other material statutory dues applicable to it.

b) According to the information and explanations given to us, no undisputed amounts payable in respect of outstanding statutory dues were in arrears as at March 31, 2020 for a period of more than six months from the date they became payable, except as mentioned below:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Date of Payment
The Central Goods and Service Tax Act, 2017, The Integrated Goods and Service Tax Act, 2017 and The State Goods and Service Tax Act, 2017 for respective states	Goods and Service Tax liability	1,23,94,435/-	March, 2018	Unpaid

c) Following amounts have not been deposited as on March 31, 2020 on account of any dispute:

Nature of the Statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where matter is pending
Sales Tax Act	Sales Tax	9,96,490	1998-99	High Court
		2,36,186	2000-01	Deputy Commissioner
		2,549	2001-02	Deputy Commissioner
		24,25,111	2001-05	High Court
		1,40,000	2002-03	Appellate Tribunal
		6,24,751	2005-06	Additional Commissioner
		73,58,223	2005-06	Deputy Commissioner

7th Floor, Heritage Chambers
B/h. Bikanerwala, Off S.M. Road,
Nr. Azad Society, Nehru Nagar, Ahmedabad-380 015.
Phone : (B) 079 - 2647 2000 E mail : contact@mmsco.in
Website www.mmsco.in

MUKESH M. SHAH & CO.
CHARTERED ACCOUNTANTS
AHMEDABAD • MUMBAI • BANGALORE

		5,33,922	2006-07	Appellate Tribunal
		8,69,603	2007-08	Deputy Commissioner
		99,40,759	2008-09	Deputy Commissioner
		22,21,000	2009-10	Deputy Commissioner
		3,55,46,304	2009-10	Joint Commissioner Appeal
		2,50,96,597	2010-11	Joint Commissioner Appeal
		2,58,74,838	2010-11	Deputy Commissioner
		21,92,595	2011-12	Deputy Commissioner
		1,72,99,519	2011-12	Assistant Commissioner
		2,62,05,814	2012-13	Appellate Tribunal
		1,00,89,895	2012-13	Assistant Commissioner
		91,93,217	2012-13	Deputy Commissioner
		10,71,444	2013-14	Assistant Commissioner
		1,15,08,042	2013-14	Enforcement Division
		41,97,094	2013-14 to 2015-16	High Court
		24,61,531	2014-15	Deputy Commissioner
		1,56,62,843	2016-17	Deputy Commissioner
Central Excise Act	Excise Duty	1,00,000	2006-07	CESTAT
		1,58,000	2006-07	Commissioner of Central Excise
Textile Committee	Textile Committee Cess	10,94,000	2006-07	CESTAT
Employee Provident Fund	Provident Fund	52,92,000	January 2012-March 2015	EPF Tribunal
Customs Act	Basic Custom Duty	11,04,60,721	2013-18	Commissioner of Customs
Income Tax Act	Tax Deducted at Source	15,85,580	2010-11 to 2014-15	Commissioner of appeals

viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.

7th Floor, Heritage Chambers
B/h. Bikanerwala, Off S.M. Road,
Nr. Azad Society, Nehru Nagar, Ahmedabad-380 015.
Phone : (B) 079 - 2647 2000 E mail : contact@mmsco.in
Website : www.mmsco.in

MUKESH M. SHAH & CO.
CHARTERED ACCOUNTANTS
AHMEDABAD • MUMBAI • BANGALORE

ix. To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer. However, the term loans obtained during the year were, prima facie, applied by the Company for the purpose for which they were raised, other than temporary deployment pending application.

x. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

xi. In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii. The Company is not a Nidhi Company. Consequently, requirements of clause (xii) of paragraph 3 of the order are not applicable.

xiii. To the best of our knowledge and belief and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and the details have been disclosed in the financial statements etc. as required by the applicable accounting standards.

xiv. To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares during the year under review. Consequently, requirements of clause (xiv) of paragraph 3 of the order are not applicable.

xv. To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him.

xvi. According to the nature of the business, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Mukesh M. Shah & Co.
Chartered Accountants
Firm Registration No. 106625W

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15. CHARTERED ACCOUNTANTS

C S Shah
CA. Chandresh S. Shah
Partner
Membership No.042132
UDIN: 20042132AAAANW6313
Ahmedabad
July 09, 2020

Arvind Lifestyle Brands Limited
CIN - U64201GJ1995PLC024598
Balance Sheet as at March 31, 2020

Amount in Rs.

Particulars	Notes	As at March 31, 2020	As at March 31, 2019
ASSETS			
I. Non-current assets			
(a) Property, plant and equipment	5	1,93,36,06,410	2,72,94,04,887
(b) Capital work-in-progress	-	-	5,85,283
(c) Right-of-use asset	34	5,76,96,14,782	-
(d) Intangible assets	6	39,51,53,026	16,00,02,755
(e) Intangible assets under development	-	-	3,77,43,501
(f) Financial assets			
(i) Investments	7 (a)	2,00,000	1,50,000
(ii) Loans	7 (c)	4,24,731	17,35,196
(iii) Other financial assets	7 (f)	1,53,01,97,569	1,90,79,78,261
(g) Deferred tax assets (net)	26	3,33,01,32,365	1,93,46,92,959
(h) Other non-current assets	8	1,29,90,196	3,32,51,409
Total non-current assets		**12,97,23,19,079**	**6,80,55,44,251**
II. Current assets			
(a) Inventories	9	9,33,30,17,180	8,09,98,58,958
(b) Financial assets			
(i) Trade receivables	7 (b)	5,51,76,26,577	7,42,02,16,221
(ii) Cash and cash equivalents	7 (d)	78,13,326	3,78,65,582
(iii) Bank balances other than (ii) above	7 (e)	1,30,18,035	4,20,04,856
(iv) Loans	7 (c)	3,62,25,717	3,12,97,341
(v) Others financial assets	7 (f)	40,11,33,385	24,45,05,263
(c) Current tax assets (net)	10	19,07,27,041	15,64,78,811
(d) Other current assets	8	2,29,37,04,656	1,75,60,52,910
Total current assets		**17,79,32,65,917**	**17,78,82,79,942**
Total Assets		**30,76,55,84,996**	**24,59,38,24,193**
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	11	96,27,87,230	91,27,87,230
(b) Other equity	12	3,31,86,13,921	7,50,55,45,590
Total equity		**4,28,14,01,151**	**8,41,83,32,820**
LIABILITIES			
I. Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	13 (a)	1,41,69,59,434	67,13,40,060
(ii) Lease Liabilities	34	6,79,17,19,617	-
(iii) Other financial liabilities	13 (c)	63,75,23,869	53,60,37,098
(b) Long-term provisions	14	14,06,77,325	15,43,66,390
Total non-current liabilities		**8,98,68,80,245**	**1,36,17,43,548**
II. Current liabilities			
(a) Financial liabilities			
(i) Borrowings	13 (a)	6,57,39,28,729	4,67,52,13,544
(ii) Lease Liabilities	34	48,60,32,301	-
(iii) Trade payables	13 (b)		
a) Total outstanding dues of micro enterprises and small enterprises		1,19,34,44,288	1,05,13,72,760
b) Total outstanding dues of creditors other than micro enterprises and small enterprises		7,64,58,77,176	7,86,37,78,269
(iv) Other financial liabilities	13 (c)	1,09,88,88,705	75,30,73,174
(b) Other current liabilities	15	32,35,64,366	30,27,28,192
(c) Short-term provisions	14	17,55,68,035	16,75,81,886
Total current liabilities		**17,49,73,03,600**	**14,81,37,47,825**
Total Equity and Liabilities		**30,76,55,84,996**	**24,59,38,24,193**
Significant Accounting Policies	3		

The accompanying notes are an integral part of these Financial Statements.

In terms of our report attached
For **Mukesh M. Shah & Co.**
Chartered Accountants
Firm Registration No. 106625W

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15.

CSShah

CA. Chandresh S. Shah
Partner
Membership No. 042132

Place : Ahmedabad
Date : July 9, 2020

For and on behalf of the board of directors of
Arvind Lifestyle Brands Limited

Suresh Jayaraman
Director
(DIN: 03033110)

Pramod Kumar Gupta
Director
(DIN: 00064041)

Manikandan Balasubramanian
Chief Financial Officer

Vijay Kumar BS
Company Secretary

Place : Bengaluru
Date : July 9, 2020

Arvind Lifestyle Brands Limited
CIN - U64201GJ1995PLC024598
Statement of Profit and Loss for the year ended March 31, 2020

Amount in Rs.

Particulars	Notes	Year ended March 31, 2020	Year ended March 31, 2019
I. Income			
Revenue from operations			
Sale of Products	16	25,29,86,44,348	31,03,10,31,341
Sale of Services	16	2,80,19,396	5,64,27,006
Operating Income	16	25,89,15,382	44,49,22,419
Revenue from operations		**25,58,55,79,126**	**31,53,23,80,766**
Other income	17	54,27,09,016	1,74,61,622
Total income (I)		26,12,82,88,142	31,54,98,42,388
II. Expenses			
Cost of trims and accessories consumed	18	63,75,045	3,12,95,839
Purchases of stock-in-trade	19	15,63,01,05,836	18,02,30,36,625
Changes in inventories of stock-in-trade	20	(89,38,86,343)	(2,78,94,74,076)
Employee benefits expense	21	2,29,00,92,806	2,83,15,58,309
Finance costs	22	2,14,31,67,252	88,38,30,098
Depreciation and amortisation expense	23	3,49,71,14,705	1,09,77,56,095
Other expenses	24	7,27,95,17,458	11,42,77,07,512
Total expenses (II)		**29,95,24,86,759**	**31,50,57,10,402**
III. Profit/(Loss) before exceptional items and tax (I-II)		**(3,82,41,98,617)**	**4,41,31,986**
IV. Exceptional items	25	37,94,04,975	-
V. Profit/(Loss) before tax (III-IV)		**(4,20,36,03,592)**	**4,41,31,986**
VI. Tax expense	26		
Deferred Tax charge / (credit)		(75,33,12,972)	8,61,42,197
Total tax expense		**(75,33,12,972)**	**8,61,42,197**
VII. Profit/(Loss) for the year (V-VI)		**(3,45,02,90,620)**	**(4,20,10,211)**
VIII. Other comprehensive income			
A. Items that will not to be reclassified to profit or loss:			
Re-measurement gains / (losses) on defined benefit plans	31	92,68,449	(4,97,65,250)
Income tax effect on above	26	(32,38,767)	1,73,89,969
		60,29,682	(3,23,75,281)
Net other comprehensive income/(loss) not to be reclassified to profit or loss (A)		**60,29,682**	**(3,23,75,281)**
B. Items that will be reclassified to profit or loss:			
Net gains / (loss) on hedging instruments in a cash flow hedge		-	(2,47,844)
Income tax effect on above	26	-	86,607
Net other comprehensive income/(loss) that will be reclassified to profit or loss (B)		-	**(1,61,237)**
Total other comprehensive income/(loss) for the year, net of tax (A+B)		**60,29,682**	**(3,25,36,518)**
IX. Total comprehensive income for the year, net of tax (VII+VIII)		**(3,44,42,60,938)**	**(7,45,46,729)**
X. Earnings per equity share			
Nominal Value per share - Rs. 10/- (Previous year - Rs. 10/-)			
Basic - Rs.	33	(37.75)	(0.52)
Diluted - Rs.	33	(37.75)	(0.52)
Significant Accounting Policies	3		

The accompanying notes are an integral part of these Financial Statements.

In terms of our report attached
For **Mukesh M. Shah & Co.**
Chartered Accountants
Firm Registration No. 106625W

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15. CHARTERED ACCOUNTANTS

C S Shah

CA. Chandresh S. Shah
Partner
Membership No. 042132

Place : Ahmedabad
Date : July 9, 2020

For and on behalf of the board of directors of
Arvind Lifestyle Brands Limited

Suresh Jayaraman
Director
(DIN: 03033110)

Pramod Kumar Gupta
Director
(DIN: 00064041)

Manikandan Balasubramanian
Chief Financial Officer

Vijay Kumar BS
Company Secretary

Place : Bengaluru
Date : July 9, 2020

Arvind Lifestyle Brands Limited
CIN - U64201GJ1995PLC024598
Statement of Changes in Equity for the year ended March 31, 2020

A. Equity share capital

Balance	Amount in Rs. Note 11
As at April 1, 2018	81,27,87,230
Add : Issue of Equity Share capital	10,00,00,000
As at March 31, 2019	91,27,87,230
Add : Issue of Equity Share capital	5,00,00,000
As at March 31, 2020	96,27,87,230

B. Other equity

Attributable to the equity holders — Amount in Rs.

Particulars	Reserves and Surplus				Items of Other Comprehensive income	
	Contribution from Parent for ESOP	Securities premium	Retained Earnings	Capital Reserve	Cash Flow Hedge Reserve	Total Other Equity
	Note 12	Note 12	Note 12	Note 12	Note 12	
Balance as at April 1, 2018	74,43,151	9,58,05,63,530	(3,50,30,15,979)	59,05,31,059	-	6,67,55,21,761
Loss for the year	-	-	(4,20,10,211)	-	-	(4,20,10,211)
Other comprehensive income / (loss) for the year	-	-	(3,23,75,281)	-	(1,61,237)	(3,25,36,518)
Total Comprehensive income / (loss) for the year	74,43,151	9,58,05,63,530	(7,43,85,492)	59,05,31,059	(1,61,237)	(7,45,46,729)
Addition during the year	-	90,00,00,000	-	-	-	90,00,00,000
Contribution received during the year (Refer Note 41)	45,70,558	-	-	-	-	45,70,558
Balance as at March 31, 2019	1,20,13,709	10,48,05,63,530	(3,57,74,01,471)	59,05,31,059	(1,61,237)	7,50,55,45,590
Balance as at April 1, 2019	1,20,13,709	10,48,05,63,530	(3,57,74,01,471)	59,05,31,059	(1,61,237)	7,50,55,45,590
Loss for the year	-	-	(3,45,02,90,620)	-	-	(3,45,02,90,620)
Other comprehensive income / (loss) for the year	-	-	60,29,682	-	-	60,29,682
Total Comprehensive income / (loss) for the year	1,20,13,709	10,48,05,63,530	(7,02,16,62,409)	59,05,31,059	(1,61,237)	4,06,12,84,652
Addition during the year		45,00,00,000	-	-	-	45,00,00,000
Contribution received during the year (Refer Note 41)	86,58,373	-	-	-	-	86,58,373
Impact on adoption of Ind AS 116	-	-	(1,84,68,55,541)	-	-	(1,84,68,55,541)
Tax Impact on adoption of Ind AS 116	-	-	64,53,65,200	-	-	64,53,65,200
Reclassified to profit and loss		-	-	-	1,61,237	1,61,237
Balance as at March 31, 2020	2,06,72,082	10,93,05,63,530	(8,22,31,52,750)	59,05,31,059	-	3,31,86,13,921

The accompanying notes are an integral part of these Financial Statements.

In terms of our report attached
For **Mukesh M. Shah & Co.**
Chartered Accountants
Firm Registration No. 106625W

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15. CHARTERED ACCOUNTANTS

CA. Chandresh S. Shah
Partner
Membership No. 042132

Place : Ahmedabad
Date : July 9, 2020

For and on behalf of the board of directors of
Arvind Lifestyle Brands Limited

Suresh Jayaraman
Director
(DIN: 03033110)

Pramod Kumar Gupta
Director
(DIN: 00064041)

Manikandan Balasubramanian
Chief Financial Officer

Vijay Kumar BS
Company Secretary

Place : Bengaluru
Date : July 9, 2020

Arvind Lifestyle Brands Limited
CIN - U64201GJ1995PLC024598
Statement of Cash Flows for the year ended March 31, 2020

Amount in Rs.

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
A Operating activities		
Profit/(Loss) Before taxation	(4,20,36,03,592)	4,41,31,986
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation /Amortization	3,49,21,14,705	1,09,77,56,095
Interest Income	(64,95,082)	(44,05,391)
Gain on Reassessment of Lease	(51,52,91,472)	-
Interest and Other Borrowing Cost	2,14,31,67,252	68,38,30,098
Exchange Difference (Net)	55,59,296	(60,50,420)
Provision for Litigation/Disputes	1,35,20,240	3,39,50,578
Bad debts written off	16,56,206	-
Sundry debits written off	2,00,55,749	-
Investment written off	1,50,000	-
Profit on Sale of Property, Plant & Equipment/Intangible assets	(1,42,73,108)	(6,08,160)
Property, plant and equipment written off	1,73,199	-
Share based payment expense	86,58,373	45,70,558
Operating Profit before Working Capital Changes	**95,03,91,768**	**2,05,31,75,344**
Working Capital Changes:		
(Increase) / Decrease in Inventories	(1,23,31,58,222)	(1,36,05,60,564)
(Increase) / Decrease in trade receivables	1,88,08,77,687	(1,17,62,25,611)
(Increase) / Decrease in other assets	(53,76,51,746)	(15,40,51,690)
(Increase) / Decrease in other financial assets	22,09,13,906	(8,82,44,614)
(Increase) / Decrease in Other Bank Balances	2,89,86,821	11,77,77,054
Increase / (Decrease) in trade payables	(7,58,29,565)	1,50,82,38,870
Increase / (Decrease) in other liabilities	2,08,36,174	9,93,54,473
Increase / (Decrease) in other financial liabilities	27,52,96,863	(13,11,32,154)
Increase / (Decrease) in provisions	(99,54,707)	(63,63,185)
Net Changes in Working Capital	**57,03,17,211**	**(1,19,12,07,421)**
Cash Generated from Operations	**1,52,07,08,979**	**86,19,67,923**
Direct Taxes paid (Net of Income Tax refund)	(3,42,48,230)	(5,52,22,781)
Net Cash flow received / (used in) Operating Activities	**1,48,64,60,749**	**80,67,45,142**
B Cash Flow from Investing Activities		
Purchase of Property, Plant & Equipment / Intangible assets	(76,60,53,766)	(1,08,47,38,938)
Proceeds from disposal of Property, Plant & Equipment / Intangible assets	5,90,91,499	4,41,77,475
Acquisition of control due to Business Combination	(2,00,000)	-
Changes in Loans and advances	(36,17,911)	(1,57,982)
Interest received	67,33,745	65,52,255
Net Cash flow received / (used in) Investing Activities	**(70,40,46,433)**	**(1,03,41,67,190)**
C Cash Flow from Financing Activities		
Proceeds from issue of share capital	50,00,00,000	1,00,00,00,000
Changes in long term borrowings	73,85,28,399	(55,44,07,204)
Changes in short term borrowings	1,89,33,17,126	66,29,90,878
Repayment of Lease Liabilities	(1,98,02,41,259)	-
Interest and Other Borrowing Cost Paid	(1,96,04,31,027)	(85,23,67,646)
Net Cash flow received / (used in) Financing Activities	**(80,88,26,761)**	**25,62,16,028**
Net Increase/(Decrease) in cash & cash equivalents	**(2,64,12,445)**	**2,87,93,980**
Cash & Cash equivalent at the beginning of the year	3,30,54,178	42,60,198
Cash & Cash equivalent at the end of the year	66,41,733	3,30,54,178

Figures in brackets indicate outflows.

Amount in Rs.

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Cash and cash equivalents comprise of:		
Cash on Hand	-	47,472
Balances with Banks	78,13,326	3,78,18,110
Cash and cash equivalents as per Balance Sheet (Note 7d)	78,13,326	3,78,65,582
Less: Book Overdraft (Note 13c)	11,71,593	48,11,404
Cash and cash equivalents	**66,41,733**	**3,30,54,178**

The accompanying notes are an integral part of these Financial Statements.

Disclosure under Para 44A as set out in Ind AS 7 on cash flow statements under Companies (Indian Accounting Standards) Rules, 2015 (as amended)

Particulars of liabilities arising from financing activity	Note No.	As at April 1, 2019	Net cash flows	Non Cash Changes: Adjustment on account of Business Combination	Non Cash Changes: Effect of change in Foreign Currency Rates	Non Cash Changes: Other Changes*	As at March 31, 2020
Borrowings:							
Long term borrowings	13 (a)	98,30,08,685	73,85,28,399	-	-	-	1,72,15,37,084
Short term borrowings	13 (a)	4,67,52,13,544	1,89,33,17,126	-	55,59,296	(1,61,237)	6,57,39,28,729
Interest accrued on borrowings	13 (c)	3,70,54,504	(3,70,54,504)	-	-	9,26,49,564	9,26,49,564
Total		5,69,52,76,733	2,59,47,91,021	-	55,59,296	9,24,88,327	8,38,81,15,377

Particulars of liabilities arising from financing activity	Note No.	As at April 1, 2018	Net cash flows	Non Cash Changes: Adjustment on account of Business Combination	Non Cash Changes: Effect of change in Foreign Currency Rates	Non Cash Changes: Other Changes*	As at March 31, 2019
Borrowings:							
Long term borrowings	13 (a)	1,53,74,15,889	(55,44,07,204)	-	-	-	98,30,08,685
Short term borrowings	13 (a)	4,01,82,73,086	66,29,90,878	-	(60,50,420)	-	4,67,52,13,544
Interest accrued on borrowings	13 (c)	8,60,92,224	(8,60,92,224)	-	-	3,70,54,504	3,70,54,504
Total		5,64,17,81,199	2,24,91,450	-	(60,50,420)	3,70,54,504	5,69,52,76,733

* The same relates to amount charged in statement of profit and loss.

Notes:

1) The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) "Statement of Cash Flows"
2) Purchase of property, plant and equipment / intangible assets include movement of capital advances, capital work-in-progress and intangible assets under development.

In terms of our report attached
For **Mukesh M. Shah & Co.**
Chartered Accountants
Firm Registration No. 106625W

MUKESH M. SHAH & CO.
1, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.
CHARTERED ACCOUNTANTS

CA. Chandresh S. Shah
Partner
Membership No. 042132
Place : Ahmedabad
Date : July 9, 2020

For and on behalf of the board of directors of
Arvind Lifestyle Brands Limited

Suresh Jayaraman
Director
(DIN: 03033110)

Pramod Kumar Gupta
Director
(DIN: 00064041)

Manikandan Balasubramanian
Chief Financial Officer

Vijay Kumar BS
Company Secretary

Place : Bengaluru
Date : July 9, 2020

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

Arvind Lifestyle Brands Limited ('the Company') is engaged in the business of distribution and Retailing of Readymade Garment Apparels and Accessories. The brands portfolio of the Company includes Domestic and International brands like US Polo, Aeropostale, GANT, GAP, TCP, Cherokee, Ed Hardy etc.

The Company is a Subsidiary of Arvind Fashions Limited and is incorporated under the provisions of the Companies Act applicable in India. The registered office of the Company is located at Naroda Road, Ahmedabad - 380025.

The financial statements were authorised for issue in accordance with a resolution of the directors on July 9, 2020.

2. Statement of Compliance and Basis of Preparation

2.1 Basis of Preparation and Presentation and Statement of Compliance

The Financial Statements have been prepared on a historical cost convention on the accrual basis except for the certain financial assets and liabilities measured at fair value, the provisions of the Companies Act, 2013 to the extent notified ("the Act").

Accounting policies were consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standards requires a change in the accounting policy hitherto in use.

The Financial Statements comprising of Balance Sheet, Statement of Profit and Loss including other comprehensive income, Statement of Changes in Equity and Statement of Cash Flows as at March 31, 2020 have been prepared in accordance with Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of schedule III of the Companies Act, 2013 (Ind AS compliant schedule III) as applicable to financial statement.

2.2 Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for the followings:

- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments);
- Derivative financial instruments measured at fair value;
- Share based payments;
- Defined benefit plans – plan assets measured at fair value;
- Value in Use

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.
CHARTERED ACCOUNTANTS

3. Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Company in preparing its financial statements consistently to all the periods presented:

3.1. Current versus non-current classification

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Operating cycle

Operating cycle of the Company is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. As the Company's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

3.2. Use of estimates and judgements

The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Company and are based on historical experience and various other assumptions and factors (including expectations of future events) that the Company believes to be reasonable under the existing circumstances. Difference between actual results and estimates are recognised in the period in which the results are known / materialised. The said estimates are based on the facts and events, that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date.

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.

3.3. Business combinations and goodwill

In accordance with Ind AS 101 provisions related to first time adoption, the Company has elected to apply Ind AS accounting for business combinations prospectively from 1 April 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward with minimal adjustment.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Business combinations between entities under common control are accounted for at carrying value.

Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 "Income Taxes", Ind AS 19 "Employee Benefits" and Ind AS 116 "Leases" respectively.
- Liabilities or equity instruments related to share based payment arrangements of the acquiree or share – based payments arrangements of the Company entered into to replace share-based payment arrangements of the acquire are measured in accordance with Ind AS 102 "Share-based Payments" at the acquisition date.
- Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 "Financial Instruments", is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

3.4. Foreign currencies

The Company's financial statements are presented in INR, which is also the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement of such transaction and on translation of monetary assets and liabilities

MUKESH M. SHAH & CO. 7, Nalanda Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15 CHARTERED ACCOUNTANTS denominated in foreign currencies at year end exchange rate are recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

3.5. Fair value measurement

The Company measures financial instruments such as derivatives at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.
CHARTERED ACCOUNTANTS

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and for non-recurring measurement, such as asset held for sale.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable on yearly basis.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Significant accounting judgements, estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Property, plant and equipment & Intangible assets measured at fair value on the date of transition
- Financial instruments (including those carried at amortised cost)

3.6. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a

CHARTERED ACCOUNTANTS
7, Pratiksha Chambers, Nehru Nagar, Ambawadi Ahmedabad-15.

replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Borrowing cost relating to acquisition / construction of fixed assets which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Capital work-in-progress comprises cost of fixed assets that are not yet installed and ready for their intended use at the balance sheet date.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised.

Depreciation

Depreciation on property, plant and equipment is provided so as to write off the cost of assets less residual values over their useful lives of the assets, using the straight line method as prescribed under Part C of Schedule II to the Companies Act 2013 except for following assets category as shown in Table below.

Asset	Useful Life as prescribed by Schedule II of the Companies Act, 2013	Estimated Useful Life
Buildings	30 Years	20 Years
Plant & Machinery	15 Years	6 to 15 Years
Office Equipment	5 Years	6 to 8 Years
Furniture & Fixture	10 Years	6 to 9 Years
Computer Software	-	5 Years
Motor Cars	6 Years	4 Years

However, Leasehold Improvements have been depreciated considering the lease term or useful life whichever is lower.

The management believes that the useful life as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II to the Companies Act 2013.

Any change in useful file are being applied prospectively in accordance with Ind AS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors".

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15. CHARTERED ACCOUNTANTS

When parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items (Major Components) and are depreciated over their useful life or over the remaining useful life of the principal assets whichever is less.

Depreciation for assets purchased/sold during a period is proportionately charged for the period of use.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.7.Leases

The Company's lease asset classes primarily consist of leases for buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset (2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset (ROU) and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of the leases. Lease liabilities are remeasured with a corresponding adjustment to

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15

the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The Company as a lessor

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

The following is the summary of practical expedients elected on initial application:

1. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date;
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application;
3. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
4. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

3.8.Borrowing cost

Borrowing cost includes interest expense as per Effective Interest Rate (EIR) and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset.
Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such current investments is deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the year.

Capitalisation of borrowing costs is suspended and charged to the statement of profit and loss during the extended periods when the active development on the qualifying assets is interrupted.

All other borrowing costs are expensed in the period in which they occur.

3.9.Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Statement of Profit and Loss in the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit and Loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

Amortisation

Job Workers' Network Value, Vendors' Network Value and Distribution Network Value have been amortized on Straight Line basis over the period of five years.

Value of License Brands acquired under demerger scheme has been amortized on Straight Line basis over the period of ten years.

Technical Process Development has been amortized on Straight Line basis over the period of five years and Product Development has been amortized on Straight Line basis over the period of three to five years.

Software is depreciated over management estimate of its useful life of five years.

3.10.Inventories

Inventories of Raw material, Stock-in-trade and Packing Material are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

* Raw materials: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in, first out basis.

* Stock in Trade: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

All other inventories are valued at cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.11. Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses, including impairment on inventories, are recognised in the Statement of Profit and Loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3.12. Revenue Recognition

The Company derives revenues primarily from sale of traded goods and related services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

a) Sale of goods

Revenue from the sale of goods is recognized at the point in time when control of the goods is transferred to the customer, i.e., generally on delivery of the goods.

Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and discounts. The rights of return and discounts give rise to variable consideration.

i. Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in Ind AS 115 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to change in inventory is also recognised for the right to recover products from a customer.

ii. Discounts

Discounts are offset against amounts payable by the customer. To estimate the variable consideration for the expected future discounts, the Company applies the expected value method. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

b) Contract balances

i. **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

ii. **Trade receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (xiv) Financial instruments – initial recognition and subsequent measurement.

iii.Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

c) Assets and liabilities arising from rights of return

i. Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

ii. Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

d) Sale of goods – customer loyalty programme (deferred revenue)

The Company operates a loyalty point programme which allows customers to accumulate points when they purchase the products. The points can be redeemed for free products, subject to a minimum number of points being obtained. Consideration received is allocated between the product sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

e) Rendering of services

Revenue from store displays and sponsorships are recognised based on the period for which the products or the sponsors' advertisements are promoted/ displayed. Facility management fees are recognised pro-rata over the period of the contract.

Revenue from other services are recognised based on the services rendered in accordance with the terms of contacts on the basis of work performed.

f) Gift Vouchers

The amount collected on sale of a gift voucher is recognized as a liability and transferred to revenue (sales) when redeemed or to revenue (sale of services) on expiry

g) Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in other income in the statement of profit or loss.

h) Insurance claims

Claims receivable on account of Insurance are accounted for to the extent the Company is reasonably certain of their ultimate collection.

i) Export Incentive

Export incentives under various schemes notified by government are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same.

3.13. Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

(i) Initial recognition and measurement of financial assets

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets.

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15. CHARTERED ACCOUNTANTS

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(ii) Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

- **Financial assets at amortised cost:**

  A financial asset is measured at amortised cost if:
  - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

  This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

- **Financial assets at fair value through other comprehensive income**

  A financial asset is measured at fair value through other comprehensive income if:
  - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

  Financial assets included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI financial asset is reported as interest income using the EIR method.

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS
7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15.

- **Financial assets at fair value through profit or loss**
  FVTPL is a residual category for financial assets. Any financial asset, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

  In addition, the Company may elect to designate a financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

  After initial measurement, such financial assets are subsequently measured at fair value with all changes recognised in Statement of profit and loss.

(iii) Derecognition of financial assets

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire, or
- The Company has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(iv) Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is

CHARTERED ACCOUNTANTS Ahmedabad-15

significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassifications and how they are accounted for.

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

(v) Impairment of financial assets

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 11 and Ind AS 18, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 11 and Ind AS 18 that contain a significant financing component, if the Company applies practical expedient to ignore separation of time value of money, and
- All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Company is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected in a separate line under the head "Other expenses" in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15. CHARTERED ACCOUNTANTS

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

b) Financial Liabilities

(i) Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are attributable to the issue of the financial liabilities.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

(ii)Subsequent measurement of financial liabilities

The measurement of financial liabilities depends on their classification, as described below:

- **Financial liabilities at fair value through profit or loss**

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind-AS 109.

  Gains or losses on liabilities held for trading are recognised in the profit or loss.

  Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Ind-AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

- **Loans and Borrowings**

  This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.

method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.
This category generally applies to borrowings.

(iii) Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

c) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged

Chambers, Nehru Nagar, Ambawadi, Ahmedabad CHARTERED ACCOUNTANTS item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(i) Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit and loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit and loss as finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

(ii)Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit and loss.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15. CHARTERED ACCOUNTANTS

d) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.14. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

3.15. Taxes

Tax expense comprises of current income tax and deferred tax.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised outside Statement of profit and loss is recognised outside Statement of profit and loss. Current income tax are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

MUKESH M. SHAH & CO.
CHARTERED ACCOUNTANTS
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside Statement of profit and loss is recognised outside Statement of profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Company recognizes tax credits in the nature of MAT credit as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which tax credit is allowed to be carried forward. In the year in which the Company recognizes tax credits as an asset, the said asset is created by way of tax credit to the Statement of profit and loss. The Company reviews such tax credit asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period. Deferred tax includes MAT tax credit.

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15
CHARTERED ACCOUNTANTS

3.16. Employee Benefits

a) Short Term Employee Benefits

All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc. and the same are recognised in the period in which the employee renders the related service.

b) Post-Employment Benefits

(i) Defined contribution plan

The Company's approved provident fund scheme, superannuation fund scheme, employees' state insurance fund scheme and Employees' pension scheme are defined contribution plans. The Company has no obligation, other than the contribution paid/payable under such schemes. The contribution paid/payable under the schemes is recognised during the period in which the employee renders the related service.

(ii) Defined benefit plan

The employee's gratuity fund scheme and post-retirement medical benefit schemes are Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on the net basis.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to Statement of Profit and Loss in subsequent periods.

c) Other long term employment benefits:

The employee's long term compensated absences are Company's defined benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on the net basis.

d) Termination Benefits :

Termination benefits such as compensation under voluntary retirement scheme are recognised in the year in which termination benefits become payable.

3.17. Share-based payments

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS
7, Nandanvan Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

3.18. Earnings per share

Basic EPS is calculated by dividing the profit / loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit / loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15. CHARTERED ACCOUNTANTS

3.19. Provisions and Contingencies

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the Financial Statements.

Contingent assets are not recognised but disclosed in the Financial Statements when an inflow of economic benefits is probable.

3.20. Non-current assets held for sale/ distribution to owners and discontinued operations

The Company classifies non-current assets (or disposal group) as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.

The criteria for held for sale classification is regarded met only when the assets is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. The Company treats sale of the asset to be highly probable when:

- The appropriate level of management is committed to a plan to sell the asset,
- An active programme to locate a buyer and complete the plan has been initiated (if applicable),
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- The sale is expected to qualify for recognition as a completed sale within one year from the date of classification , and
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

An impairment loss is recognised for any initial or subsequent write-down of the assets to fair value less cost to sell. A gain is recognised for any subsequent increases in the fair value less cost to sell of an assets but not in excess of the cumulative impairment loss previously recognised, A gain or loss previously not recognised by the date of sale of the non-current assets is recognised on the date of de-recognition.

Property, plant and equipment and intangible assets once classified as held for sale/ distribution to owners are not depreciated or amortised.

A discontinued operation qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations,
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in Statement of Profit and Loss.

3.21.Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

3.22.Events after the reporting period

Adjusting events are events that provide further evidence of conditions that existed at the end of the reporting period. The financial statements are adjusted for such events before authorisation for issue. Non-adjusting events are events that are indicative of conditions that arose after the end of the reporting period. Non-adjusting events after the reporting date are not accounted but disclosed.

3.23.Exceptional Items

An item of income or expense which by its size, type or incidence requires disclosure in order to improve an understanding of the performance of the Company is treated as an exceptional item and the same is disclosed in the notes to accounts

MUKESH M. SHAH & CO.
1, Heritage Chambers Nehru Nagar, Ambawadi Ahmedabad-15.
CHARTERED ACCOUNTANTS

3.24. Changes in accounting policies and disclosures

New and amended standards

a) Ind AS 116 Leases

The Company applied Ind AS 116 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described in note 34.

b) Amendments to Ind AS 19: Plan Amendment, Curtailment or Settlement

The amendments to Ind AS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

i. Determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

ii. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to re-measure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

c) Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 Income Taxes. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Appendix specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Appendix had an impact on its financial statements.

Upon adoption of the Appendix C to Ind AS 12, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.
The Appendix did not have an impact on the financial statements of the Company.

d) Amendments to Ind AS 109: Prepayment Features with Negative Compensation

Under Ind AS 109, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to Ind AS 109 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the financial statements of the Company.

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15
CHARTERED ACCOUNTANTS

4. Critical accounting Judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the reported amounts of assets and liabilities, and, income and expenses that are not readily apparent from other sources. Such judgements, estimates and associated assumptions are evaluated based on historical experience and various other factors, including estimation of the effects of uncertain future events, which are believed to be reasonable under the circumstances. The Management has considered the possible effects, if any, that may result from the pandemic relating to COVID-19 on the carrying amounts of its assets. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that have been made by the management in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognised in the financial statements and / or key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition

The Company assesses its revenue arrangement in order to determine if its business partner is acting as a principle or as an agent by analysing whether the Company has primary obligation for pricing latitude and exposure to credit / inventory risk associated with the sale of goods. The Company has concluded that certain arrangements are on principal to agent basis where its business partner is acting as an agent. Hence, sale of goods to its business partner is recognised once they are sold to the end customer.

Customer loyalty program reward points

Customer loyalty program reward points having a predetermined life are granted to customers when they make purchases. The fair value of the consideration on sale of goods resulting in such award credits is allocated between the goods supplied and the reward point credits granted. The consideration allocated to the reward point credits is measured by reference to fair value from the standpoint of the holder and revenue is deferred. The Company at the end of each reporting period estimates the number of points redeemed and that it expects will be further redeemed, based on empirical data of redemption / lapses, and revenue is accordingly recognised.

Provision for discount and sales return

The Company provides for discount and sales return based on season wise, brand wise and channel wise trend of previous years. The Company reviews the trend at regular intervals to ensure the applicability of the same in the changing scenario. Provision is created based on the management's assessment of market conditions.

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15

Defined benefit plans

The cost of the defined benefit plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.
The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country.

Further details about defined benefit obligations are provided in Note 31.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 37 for further disclosures.

Allowance for uncollectible trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balance and historical experience. Additionally, a large number of minor receivables is grouped into homogeneous groups and assessed for impairment collectively. Individual trade receivables are written off when management deems them not to be collectible.

Share-based payments

The Company initially measures the cost of equity-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For equity-

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15. CHARTERED ACCOUNTANTS

settled share-based payment transactions, the liability needs to be measured at the time of grant. The expenses recognised for share-based payment transactions are disclosed in Note 34.

Taxes

Deferred tax assets are recognised for unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company has taxable temporary difference and tax planning opportunities available that could partly support the recognition of these credits as deferred tax assets. On this basis, the Company has determined that it can recognise deferred tax assets on the tax credits carried forward and unused losses carried forward.
Further details on taxes are disclosed in Note 26.

Inventories

An inventory provision is recognised for cases where the realisable value is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors, including prevailing sales prices of inventory item, the seasonality of the item's sales profile and losses associated with obsolete / slow-moving inventory items.

Useful lives of Property, Plant and Equipment and Intangible assets

The Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period. During financial years ended March 31, 2019, there were no changes in useful lives of property plant and equipment and intangible assets other than (a) useful lives of leasehold improvements which have been considered lower of the lease term or useful life and (b) those resulting from store closures / shifting of premises.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Provisions and contingencies

The assessments undertaken in recognising provisions and contingencies have been made in accordance with the applicable Ind AS. A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

The Company has significant capital commitments in relation to various capital projects which are not recognized on the balance sheet. In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company.

There are certain obligations which management has concluded, based on all available facts and circumstances, are not probable of payment or are very difficult to quantify reliably, and such obligations are treated as contingent liabilities and disclosed in the notes but are not reflected as liabilities in the Financial Statements. Although there can be no assurance regarding the final outcome of the legal proceedings in which the Company involved, it is not expected that such contingencies will have a material effect on its financial position or profitability (Refer Note 14 and 27).

Lease Term

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.
CHARTERED ACCOUNTANTS

Arvind Lifestyle Brands Limited
CIN - U64201GJ1995PLC024598
Notes to the Financial Statements

Note 5 : Property, plant and equipment

Amount in Rs.

Particulars	Plant & machinery	Furniture & fixture	Vehicles	Leasehold improvements	Office equipment	Computers, Servers and Network	Total	CWIP
Gross Carrying Amount								
As at April 1, 2018	74,78,37,612	1,48,66,50,631	4,97,22,102	2,02,02,83,253	20,81,19,741	28,77,78,945	4,80,03,92,284	24,33,400
Additions	16,54,54,262	31,34,59,164	2,00,96,474	39,17,25,889	6,99,74,830	8,37,65,358	1,04,44,75,977	-
Deductions	5,42,94,275	8,38,58,092	1,92,19,862	13,76,59,822	1,44,93,057	1,01,36,802	31,96,61,910	18,48,117
As at March 31, 2019	85,89,97,599	1,71,62,51,703	5,05,98,714	2,27,43,49,320	26,36,01,514	36,14,07,501	5,52,52,06,351	5,85,283
Additions	5,34,35,956	20,60,56,338	81,74,952	17,95,20,924	1,84,75,909	3,41,13,341	49,97,77,420	-
Deductions	12,55,25,443	27,26,36,349	3,51,56,451	36,15,89,959	3,22,72,092	1,97,79,931	84,69,60,225	5,85,283
As at March 31, 2020	78,69,08,112	1,64,96,71,692	2,36,17,215	2,09,22,80,285	24,98,05,331	37,57,40,911	5,17,80,23,546	-
Depreciation and Impairment								
As at April 1, 2018	33,59,68,345	56,87,82,596	2,45,65,237	90,64,04,401	10,61,73,468	15,50,43,350	2,09,69,37,397	-
Depreciation for the year	19,16,78,714	29,65,98,041	1,22,36,513	34,42,76,387	5,20,02,428	7,81,64,580	97,49,56,663	-
Deductions	4,62,17,188	7,62,97,517	1,35,18,116	11,85,53,885	1,13,75,403	1,01,30,487	27,60,92,596	-
As at March 31, 2019	48,14,29,871	78,90,83,120	2,32,83,634	1,13,21,26,903	14,68,00,493	22,30,77,443	2,79,58,01,464	-
Depreciation for the year	17,30,10,786	36,08,20,585	96,00,378	58,32,96,633	5,28,86,888	7,14,94,330	1,25,11,09,600	-
Deductions	12,31,54,809	25,65,18,805	2,99,78,730	34,28,11,545	3,04,80,834	1,95,49,205	80,24,93,928	-
As at March 31, 2020	53,12,85,848	89,33,84,900	29,05,282	1,37,26,11,991	16,92,06,547	27,50,22,568	3,24,44,17,136	-
Net Carrying Value								
As at March 31, 2020	25,56,22,264	75,62,86,792	2,07,11,933	71,96,68,294	8,05,98,784	10,07,18,343	1,93,36,06,410	-
As at March 31, 2019	37,75,67,728	92,71,68,583	2,73,15,080	1,14,22,22,417	11,68,01,021	13,83,30,058	2,72,94,04,887	5,85,283

Notes:

1) For properties pledged as security, refer Note 13 (a)
2) W.e.f. April 1, 2019, the Company has aligned the useful life of certain Property, Plant & Equipment with the lease term considered and accordingly the assets have been depreciated considering the lease term or useful life whichever is lower. Depreciation includes accelerated amounts on account of this alignment as well as change in estimate of useful lives of property, plant and equipment resulting from store closures of Rs. 10,97,31,557/-
3) Refer Note 28 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

Arvind Lifestyle Brands Limited
CIN - U64201GJ1995PLC024598
Notes to the Financial Statements

Note 6 : Intangible assets

Amount in Rs.

Particulars	Computer Software*	Brand Value & License Brands	Distribution Network	Technical Process development	Product Development*	Total Intangible Assets	Intangible Assets under development*
Gross Carrying Amount							
As at April 1, 2018	18,93,58,002	17,51,84,085	2,08,54,119	24,73,36,286	-	63,27,32,492	-
Additions	2,01,12,121	-	-	-	-	2,01,12,121	3,77,43,501
Deductions	8,21,590	-	-	-	-	8,21,590	-
As at March 31, 2019	20,86,48,533	17,51,84,085	2,08,54,119	24,73,36,286	-	65,20,23,023	3,77,43,501
Additions	18,99,92,357	-	-	7,48,10,204	6,00,63,782	32,48,66,343	-
Deductions	12,50,003	-	-	-	-	12,50,003	3,77,43,501
As at March 31, 2020	39,73,90,887	17,51,84,085	2,08,54,119	32,21,46,490	6,00,63,782	97,56,39,363	-
Amortisation and Impairment							
As at April 1, 2018	12,04,38,864	12,98,14,929	2,08,54,119	9,89,34,514	-	37,00,42,426	-
Amortisation for the Year	2,79,66,334	4,53,69,156	-	4,94,63,942	-	12,27,99,432	-
Deductions	8,21,590	-	-	-	-	8,21,590	-
As at March 31, 2019	14,75,83,608	17,51,84,085	2,08,54,119	14,83,98,456	-	49,20,20,268	-
Amortisation for the Year	3,96,86,690	-	-	4,94,48,474	55,615	8,91,90,779	-
Deductions	7,24,710	-	-	-	-	7,24,710	-
As at March 31, 2020	18,65,45,588	17,51,84,085	2,08,54,119	19,78,46,930	55,615	58,04,86,337	-
Net Carrying Value							
As at March 31, 2020	21,08,45,299	-	-	12,42,99,560	6,00,08,167	39,51,53,026	-
As at March 31, 2019	6,10,64,925	-	-	9,89,37,830	-	16,00,02,755	3,77,43,501

Note:
*Product Development, Computer Software and intangible assets under development includes development cost capitalized being an internally generated intangible asset.

MUKESH M. SHAH & CO. * CHARTERED ACCOUNTANTS * 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15

Note 7 : Financial assets

7 (a) Investments

Amount in Rs.

Particulars	Face Value per share in Rs.	As at March 31, 2020	As at March 31, 2019
Non-current investment			
(a) Investment in equity shares (fully paid up)			
Subsidiaries - measured at cost (Unquoted)			
Arvind Youth Brands Private Limited (March 31, 2020: 10,000; March 31, 2019: Nil)	10	1,00,000	-
Value Fashion Retail Limited (March 31, 2020: 10,000; March 31, 2019: Nil)	10	1,00,000	-
(b) Investment in government securities			
Measured at cost			
National Saving Certificates		-	1,50,000
Total Investments		2,00,000	1,50,000
Aggregate amount of quoted investments		-	-
Aggregate amount of unquoted investments		2,00,000	1,50,000
Aggregate impairment in value of investment		-	-

7 (b) Trade receivables - Current

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good	6,11,62,11,843	7,46,31,70,201
Credit Impaired	12,46,61,263	8,10,94,243
Less : Allowance for doubtful debts	(12,46,61,263)	(8,10,94,243)
Less : Provision for Refundable liability (Refer Note No. 3 below)	(59,85,85,266)	(4,29,53,980)
Total Trade and other receivables	**5,51,76,26,577**	**7,42,02,16,221**

Notes:
1) No trade receivables are due from directors or other officers of the Company either severally or jointly with any person nor any trade receivables are due from firms or private companies respectively in which any director is a director, a partner or a member.
2) Trade receivables are given as security for borrowings as disclosed under Note 13(a).
3) Refundable Liability recognized pursuant to Ind AS 115.

Allowance for doubtful debts

The Company has provided allowance for doubtful debts based on the lifetime expected credit loss model using provision matrix.
Movement in allowance for doubtful debt :

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the year	**8,10,94,243**	**9,53,45,365**
Add : Allowance for the year (Refer Note No. 25)	8,16,25,045	-
Less : Write off of bad debts (Net of recovery)	(3,80,58,025)	(1,42,51,122)
Balance at the end of the year	**12,46,61,263**	**8,10,94,243**

7 (c) Loans

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
(Unsecured, considered good unless otherwise stated)		
Non-current		
Loans to employees	4,24,731	17,35,196
	4,24,731	**17,35,196**
Current		
Loans to employees	3,62,25,717	3,12,97,341
	3,62,25,717	**3,12,97,341**
Total Loans	**3,66,50,448**	**3,30,32,537**

No loans are due from directors or promoters of the Company either severally or jointly with any person.

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15

7 (d) Cash and cash equivalents

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Cash on hand	-	47,472
Balance with Bank		
In Current accounts and debit balance in cash credit accounts	77,93,326	3,77,68,110
In Deposit Account	20,000	50,000
Total cash and cash equivalents	78,13,326	3,78,65,582

7 (e) Other bank balance

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Held as Margin Money*	1,27,93,894	4,19,51,932
Lodged with Sales Tax Department	2,24,141	52,924
Total other bank balances	1,30,18,035	4,20,04,856

* Under lien with bank as Security for Guarantee Facility

7 (f) Other financial assets

(Unsecured, considered good unless otherwise stated)

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current		
Security deposits	1,51,49,89,859	1,90,60,11,183
Bank deposits with maturity of more than 12 months	1,52,07,710	19,67,078
	1,53,01,97,569	**1,90,79,78,261**
Current		
Security deposits		
Considered Good	20,37,87,835	4,25,11,535
Doubtful	66,01,973	93,05,048
Less : Allowance for Doubtful Deposits	(66,01,973)	(93,05,048)
	20,37,87,835	**4,25,11,535**
Income receivable	30,05,751	21,62,030
Accrued Interest	10,32,386	12,71,050
Insurance claim receivable	42,81,805	60,04,060
Other Receivables	18,90,25,608	19,25,56,588
	40,11,33,385	**24,45,05,263**
Total other financial assets	**1,93,13,30,954**	**2,15,24,83,524**

Other Current Financial assets are given as security for borrowings as disclosed under Note 13(a).

Allowance for doubtful deposits

The Company has provided allowance for doubtful deposits based on the lifetime expected credit loss model using provision matrix
Movement in allowance for doubtful advances :

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the year	**93,05,048**	**2,35,00,000**
Add : Allowance for the year	-	-
Less : Write off (Net of recovery)	(27,03,075)	(1,41,94,952)
Balance at the end of the year	**66,01,973**	**93,05,048**

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15.
CHARTERED ACCOUNTANTS

7 (g) : Financial Assets by category

Amount in Rs.

Particulars	FVTPL	FVOCI	COST	Amortised Cost
March 31, 2020				
Investments				
- Equity Shares	-	-	2,00,000	-
Trade Receivables	-	-	-	5,51,76,26,577
Loans	-	-	-	3,66,50,448
Cash & Bank balance	-	-	-	2,08,31,361
Other financial assets	-	-	-	1,93,13,30,954
Total Financial Assets	-	-	**2,00,000**	**7,50,64,39,340**
March 31, 2019				
Investments				
- Government securities	-	-	1,50,000	-
Trade Receivables	-	-	-	7,42,02,16,221
Loans	-	-	-	3,30,32,537
Cash & Bank balance	-	-	-	7,98,70,438
Other financial assets	-	-	-	2,15,24,83,524
Total Financial Assets	-	-	**1,50,000**	**9,68,56,02,720**

For Financial instruments risk management objectives and policies, refer Note 38
Fair value disclosure for financial assets and liabilities are in Note 36 and fair value hierarchy disclosures are in Note 37

Note 8 : Other assets
(Unsecured, considered good unless otherwise stated)

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current		
Capital advances	1,29,90,196	3,32,51,409
	1,29,90,196	**3,32,51,409**
Current		
Advance to suppliers - Considered Good	49,38,26,415	44,88,40,563
Doubtful	1,56,33,417	3,17,58,008
Less : Provision for doubtful advances	(1,56,33,417)	(3,17,58,008)
	49,38,26,415	44,88,40,563
Export incentive receivable	92,765	74,01,821
Returnable Asset (Refer Note No. 3 below)	31,89,72,744	15,67,44,240
Prepaid expenses	6,72,15,371	7,16,53,968
Sales tax paid under protest	35,71,78,537	39,62,80,034
Balance with Government Authorities (Refer Note No. 1 below)	49,17,90,900	48,94,61,414
Other Current Assets	56,46,27,924	18,56,70,870
	2,29,37,04,656	**1,75,60,52,910**
Total	**2,30,66,94,852**	**1,78,93,04,319**
Advance to directors or to firm/private company where director is interested	-	-

Notes:
1) Balance with Government Authorities mainly consist of input credit.
2) Other current assets are given as security for borrowings as disclosed under Note 13(a).
3) Returnable Asset recognized pursuant to Ind AS 115.

Provision for Doubtful Advances
Movement in provision for doubtful advances:

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the year	**3,17,58,008**	**8,55,59,602**
Add : Provision made during the year	-	-
Less : Write off of doubtful advances	(1,61,24,591)	(5,38,01,594)
Balance at the end of the year	**1,56,33,417**	**3,17,58,008**

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15
CHARTERED ACCOUNTANTS

Note 9 : Inventories (At lower of cost and net realisable value)

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Trims and accessories	31,96,76,735	2,14,32,880
Stock-in-trade	8,88,46,84,089	7,99,07,97,746
Stock-in-trade in transit	1,47,10,223	1,68,71,878
Packing materials	11,39,46,133	7,07,56,454
Total	**9,33,30,17,180**	**8,09,98,58,958**

1) Inventory write downs are accounted, considering the nature of inventory, ageing and net realisable value, for Rs. 28,94,09,259/- (Previous year - Rs. 25,54,41,635/-). The changes in write downs are recognised as an expense in the Statement of profit and loss.

2) Inventories are given as security for borrowings as disclosed under Note 13(a)

Note 10 : Current Tax Assets (Net)

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Tax Paid in Advance (Net of Provision)	19,07,27,041	15,64,78,811
Total	**19,07,27,041**	**15,64,78,811**

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15.
CHARTERED ACCOUNTANTS

Note 11 : Equity share capital

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	Amount in Rs.	No. of shares	Amount in Rs.
Authorised share capital				
Equity shares of Rs. 10 each (March 31, 2019: Rs. 10 each)	10,00,00,000	1,00,00,00,000	10,00,00,000	1,00,00,00,000
Issued and subscribed share capital				
Equity shares of Rs. 10 each (March 31, 2019: Rs. 10 each)	9,62,78,723	96,27,87,230	9,12,78,723	91,27,87,230
Subscribed and fully paid up				
Equity shares of Rs. 10 each (March 31, 2019: Rs. 10 each)	9,62,78,723	96,27,87,230	9,12,78,723	91,27,87,230
Total	9,62,78,723	96,27,87,230	9,12,78,723	91,27,87,230

11.1. Reconciliation of shares outstanding at the beginning and at the end of the Reporting period

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	Amount in Rs.	No. of shares	Amount in Rs.
At the beginning of the period	9,12,78,723	91,27,87,230	8,12,78,723	81,27,87,230
Add: Issue of Share Capital	50,00,000	5,00,00,000	1,00,00,000	10,00,00,000
Add: Issue of Bonus Shares	-	-	-	-
Outstanding at the end of the period	9,62,78,723	96,27,87,230	9,12,78,723	91,27,87,230

11.2. Rights, preferences and restrictions attached to the equity shares

The Company has one class of shares referred to as equity shares having a par value of Rs. 10 each. Each shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

11.3. Shares Held by Holding Company

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	Amount in Rs.	No. of shares	Amount in Rs.
Arvind Fashions Limited (along with nominees)	9,62,78,723	96,27,87,230	9,12,78,723	91,27,87,230

11.4. Number of Shares held by each shareholder holding more than 5% Shares in the Company

Name of the Shareholder	As at March 31, 2020		As at March 31, 2019	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Arvind Fashions Limited (along with nominees)	9,62,78,723	100%	9,12,78,723	100%

11.5. Objective, policy and procedure of capital management, refer Note 39

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15. CHARTERED ACCOUNTANTS

Note 12 : Other Equity

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Note 12.1 Reserves & Surplus		
Capital reserve		
Balance as per last financial statements	59,05,31,059	59,05,31,059
Balance at the end of the year	59,05,31,059	59,05,31,059
Securities premium		
Balance as per last financial statements	10,48,05,63,530	9,58,05,63,530
Add: Addition during the year	45,00,00,000	90,00,00,000
Balance at the end of the year	10,93,05,63,530	10,48,05,63,530
Contribution from Parent for ESOP (Refer Note 41)		
Balance as per last financial statements	1,20,13,709	74,43,151
Add: Contribution received during the year	86,58,373	45,70,558
Balance at the end of the year	2,06,72,082	1,20,13,709
Retained Earnings		
Balance as per last financial statements	(3,57,74,01,471)	(3,50,30,15,979)
Add: Profit/(Loss) for the year	(3,45,02,90,620)	(4,20,10,211)
(Less): Impact on adoption of Ind AS 116	(1,84,68,55,541)	-
Add: Tax Impact on adoption of Ind AS 116	64,53,65,200	-
Add / (Less): OCI for the year	60,29,682	(3,23,75,281)
Balance at the end of the year	(8,22,31,52,750)	(3,57,74,01,471)
Total reserves & surplus	3,31,86,13,921	7,50,57,06,827
Note 12.2 Other comprehensive income/(Loss)		
Cash Flow Hedge reserve		
Balance as per last financial statements	(1,61,237)	-
Add: Gain /(Loss) for the year	-	(2,47,844)
Add/(Less): Tax impact on additions	-	86,607
Add/(Less): Reclassified to profit and loss	1,61,237	-
Balance at the end of the year	-	(1,61,237)
Total Other comprehensive income	-	(1,61,237)
Total Other equity	3,31,86,13,921	7,50,55,45,590

The description of the nature and purpose of each reserve within equity is as follows :

a **Capital reserve**
Capital reserve represents capital reserve on amalgamation/business combination. This reserve arose pursuant to scheme of arrangement and shall not be considered to be reserve created by the Company.

b **Securities premium**
Securities premium is created due to premium on issue of shares. These reserve is utilised in accordance with the provisions of the Companies, Act.

c **Contribution from Parent for ESOP**
This reserve relates to share options granted by Arvind Fashions Limited (Holding Company) under it's employee share option plan. Further information about share-based payments to employees is set out in Note 41.

d **Cash Flow Hedge Reserve**
The cash flow hedging reserve represents the cumulative effect portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on the changes of the fair value of the designated portion of the hedging instruments that are recognised and accumulated under the cash flow hedge reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item.

Note 13 : Financial liabilities

13 (a) Borrowings

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Long-term Borrowings (Refer Note 1(a) below)		
(At amortised cost)		
Non-current portion		
Secured		
Term loan from Banks	1,40,61,55,078	67,13,40,060
Unsecured		
Deferred Payment liabilities from others	1,08,04,356	-
	1,41,69,59,434	67,13,40,060
Current maturities (Refer Note 13c)		
Secured (at amortised cost)		
Term loan from Banks	30,45,77,650	31,16,68,625
	30,45,77,650	31,16,68,625
Total long-term borrowings	1,72,15,37,084	98,30,08,685

MUKESH M. SHAH & CO. 7, Heritage Chambers Nehru Nagar, Ambawadi Ahmedabad-15. CHARTERED ACCOUNTANTS

Arvind Lifestyle Brands Limited
CIN - U64201GJ1995PLC024598
Notes to the Financial Statements
13 (a) Borrowings (continued)

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Short-term Borrowings (Refer Note 1(b) and 2(a) below)		
(At amortised cost)		
Secured		
Working Capital Loans repayable on demand from Banks (including channel financing)	5,67,49,26,368	4,01,10,60,781
Under Buyer's Credit Arrangement	1,09,43,442	-
Unsecured		
Under Buyer's Credit Arrangement	15,31,75,288	31,41,52,763
Working Capital Loans repayable on demand from Banks	20,00,00,000	-
Intercorporate Deposits		
From Related Parties	53,34,29,452	-
From Others	14,54,179	-
Commercial Paper	-	35,00,00,000
Total short-term borrowings	6,57,39,28,729	4,67,52,13,544
Total borrowings	8,29,54,65,813	5,65,82,22,229

1. Secured Borrowings
(a) Long term

Particulars	Amount in Rs.	Rate of interest	Security	Terms of repayment
Rupee Loans	64,20,949	13.65%	1. First charge over the entire fixed assets of the Company both present and future and second charge is created over the entire stock, receivables and other current assets of the company. 2. Corporate Guarantee given by Arvind Fashions Limited	Repayable in quarterly instalments ranging between 4 to 26 with moratorium period in some of the loans
Rupee Loans	3,20,75,190	8.80% - 8.90%		Repayable in 25 monthly instalments.
Rupee Loans	64,76,28,928	11.65%		Repayble in 22 instalments in 5 years
Rupee Loans	99,90,45,017	10.45%		Repayble in 17 instalments in 5 years
Hire Purchase loans	2,55,62,644	8.49% - 10.15%	Hypothecation of related vehicles.	Monthly payment of Equated Monthly Instalments beginning from the month subsequent to taking the loans

(b) Short term

Particulars	Amount in Rs.	Rate of interest	Security
Working Capital loans	5,67,49,26,368	8.45% - 11.00%	1. First charge over entire stocks, receivables and other current assets excluding stocks of Nautica Brand and second charge over entire fixed assets of the Company both present and future 2. Corporate Guarantee given by Arvind Fashions Limited
Working Capital loans	20,00,00,000	9.50%	Corporate Guarantee given by Arvind Fashions Limited
Buyers' Credit	1,09,43,442	1.51%-2.78%	1. First charge over entire stocks, receivables and other current assets excluding stocks of Nautica Brand and second charge over entire fixed assets of the Company both present and future 2. Corporate Guarantee given by Arvind Fashions Limited

2. Unsecured Borrowings
(a) Long Term

Particulars	Amount in Rs.	Rate of interest
Deferred Payment Liabilities from others	1,08,04,356	6.53%

(b) Short Term

Particulars	Amount in Rs.	Rate of interest
Buyers' Credit	15,31,75,288	1.51%-2.78%
Intercorporate Deposits	53,34,29,452	8.50%

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15

13 (b) Trade payables

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Current		
Acceptances	1,49,46,22,386	2,16,65,69,983
Other Trade Payables		
-Total outstanding dues of micro enterprises and small enterprises (refer note a below)	1,19,34,44,288	1,05,13,72,760
-Total outstanding dues other than micro enterprises and small enterprises	6,15,12,54,790	5,69,72,08,286
Total	8,83,93,21,464	8,91,51,51,029

Note:

a Based on the information available, the disclosures as required under section 22 of the Micro, Small and Medium Enterprise Small Enterprise Development (MSMED) Act, 2006 are presented as follows :

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
(a) the principal amount and the interest due thereon (to be shown seperately) remaining unpaid to any supplier at the end of each accounting year:		
i)	1,19,34,44,288	1,05,13,72,760
ii)	22,41,45,864	-
(b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	1,80,38,188	-
(c) the amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	22,41,45,864	12,55,40,925
(d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	22,41,45,864	12,55,40,925
(e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	22,41,45,864	12,55,40,925

13 (c) Other financial liabilities

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current		
Security Deposits	63,75,23,869	53,60,37,098
	63,75,23,869	**53,60,37,098**
Current		
Security Deposits	5,50,000	-
Current maturity of long term borrowings	30,45,77,650	31,16,68,625
Interest accrued and due	26,39,74,971	13,68,33,806
Interest accrued but not due on borrowings	9,26,49,564	3,70,54,504
Payable to employees	20,96,69,310	16,07,09,133
Book overdraft	11,71,593	48,11,404
Payable for capital goods	22,62,95,617	10,17,77,953
Foreign Exchange Forward contracts (Cash flow hedge)	-	2,17,749
	1,09,88,88,705	**75,30,73,174**
Total	**1,73,64,12,574**	**1,28,91,10,272**

Note: As at March 31, 2020 there is no amount due and outstanding to be transferred to the Investor Education and Protection Fund.

13(d) : Financial Liabilities by category

Amount in Rs.

Particulars	FVOCI	Amortised Cost
March 31, 2020		
Borrowings	-	7,99,08,88,163
Current maturity of long term borrowings	-	30,45,77,650
Trade payables	-	8,83,93,21,464
Security Deposits	-	63,80,73,869
Payable to employees	-	20,96,69,310
Interest accrued but not due	-	9,26,49,564
Interest accrued and due	-	26,39,74,971
Lease Liabilities	-	7,27,77,51,918
Payable in respect of Capital goods	-	22,62,95,617
Book overdraft	-	11,71,593
Total Financial liabilities	**-**	**25,84,43,74,119**
March 31, 2019		
Borrowings	-	5,34,65,53,604
Current maturity of long term borrowings	-	31,16,68,625
Trade payables	-	8,91,51,51,029
Security Deposits	-	53,60,37,098
Payable to employees	-	16,07,09,133
Interest accrued but not due	-	3,70,54,504
Interest accrued and due	-	13,68,33,806
Payable in respect of Capital goods	-	10,17,77,953
Book overdraft	-	48,11,404
Foreign Exchange Forward contracts (Cash flow hedge)	2,17,749	-
Total Financial liabilities	**2,17,749**	**15,55,05,97,156**

For Financial instruments risk management objectives and policies, refer Note 38

Fair value disclosure for financial assets and liabilities are in Note 36 and fair value hierarchy disclosures are in Note 37

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15.
CHARTERED ACCOUNTANTS

Note 14: Provisions

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Long-term		
Provision for employee benefits (Refer Note 31)		
Provision for leave encashment	5,93,12,801	7,74,55,901
Provision for Gratuity	8,13,64,524	7,69,10,489
	14,06,77,325	15,43,66,390
Short-term		
Provision for employee benefits (Refer Note 31)		
Provision for leave encashment	2,82,48,414	3,37,82,505
Others		
Provision for Wealth tax	1,46,070	1,46,070
Short term provision for litigation/disputed matters (Refer Note (a) below)	14,71,73,551	13,36,53,311
	17,55,68,035	16,75,81,886
Total	31,62,45,360	32,19,48,276

(a) Provision for litigation/ disputed matters

The Company has made provisions for pending disputed matters in respect of Indirect taxes like GST, Sales tax, Excise duty and Customs duty, the liability which may arise in the future, the quantum whereof will be determined as and when the matters are disposed off.
The movement in the provision account is as under :

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Balance as per last financial statements	13,36,53,311	9,97,02,733
Addition / (Settlement) during the year (Net) (Refer Note 24)	1,35,20,240	3,39,50,578
Balance as at the end of the year	**14,71,73,551**	**13,36,53,311**

Note 15 : Other current liabilities

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Current		
Advance from customers	17,86,30,708	5,50,79,930
Statutory dues including provident fund and tax deducted at source etc.	11,65,70,955	21,61,35,462
Unaccrued Sale	1,00,21,353	1,13,28,775
Deferred income of loyalty program reward points (Refer note (a) below)	1,83,41,350	2,01,84,025
Total	**32,35,64,366**	**30,27,28,192**

(a) Deferred income of Loyalty Program Reward Points

The Company has deferred the revenue related to the customer loyalty program reward points. The movement in deferred revenue for those reward points are given below :

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Balance as per last financial statements	2,01,84,025	4,22,58,072
Add: Provision made during the year (Net) (Refer Note 16)	8,47,96,043	3,13,63,477
(Less): Redemption made during the year	8,66,38,718	5,34,37,524
Balance at the end of the year	**1,83,41,350**	**2,01,84,025**

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.
CHARTERED ACCOUNTANTS

Note 16 : Revenue from operations

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Sale of products	25,29,86,44,348	31,03,10,31,341
Sale of services	2,80,19,396	5,64,27,006
Operating income		
Export incentives	11,09,952	9,78,117
Gift Voucher Income	91,99,918	1,28,65,734
Foreign exchange fluctuation on vendors and customers (Net)	31,23,423	3,25,00,325
Royalty	22,66,67,177	36,31,70,701
Miscellaneous receipts	1,88,14,912	3,54,07,542
	25,89,15,382	44,49,22,419
Total	**25,58,55,79,126**	**31,53,23,80,766**

I. Disaggregation of revenue from Contracts with Customers

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
A. Revenue based on Geography		
i. Domestic	25,52,00,13,232	31,45,84,01,406
ii. Export	6,55,65,894	7,39,79,360
	25,58,55,79,126	**31,53,23,80,766**
B. Revenue based on Business Segment		
Branded Apparels	**25,58,55,79,126**	**31,53,23,80,766**

II. Reconciliation of Revenue from Operation with Contract Price

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Contract Price	29,05,11,70,206	34,00,95,62,375
Less:		
Schemes and Discounts	3,38,07,95,037	2,44,58,18,132
Customer Loyalty Program	8,47,96,043	3,13,63,477
Total Revenue from Operations	**25,58,55,79,126**	**31,53,23,80,766**

Note 17 : Other income

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Interest income on financial assets measured at amortised cost	64,95,082	44,05,391
Profit on sale of Property, Plant & Equipment (Net)	1,42,73,108	6,08,160
Gain on Reassessment of Lease (Refer Note 34)	51,52,91,472	-
Miscellaneous income	66,49,354	1,24,48,071
Total	**54,27,09,016**	**1,74,61,622**

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15 CHARTERED ACCOUNTANTS

Note 18 : Cost of Trims and accessories consumed

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Stock at the beginning of the year	2,14,32,880	4,31,35,510
Add : Purchases	30,46,18,900	95,93,209
	32,60,51,780	5,27,28,719
Less : Inventory at the end of the year	31,96,76,735	2,14,32,880
Total	63,75,045	3,12,95,839

Note 19 : Purchases of stock-in-trade

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Garments & Accessories	15,63,01,05,836	18,02,30,36,625
Total	**15,63,01,05,836**	**18,02,30,36,625**

Note 20 : Changes in inventories of stock-in-trade

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Stock at the end of the year		
Stock-in-trade	8,88,46,84,089	7,99,07,97,746
Stock at the beginning of the year		
Stock-in-trade	7,99,07,97,746	5,20,13,23,670
Total	**(89,38,86,343)**	**(2,78,94,74,076)**

Note 21 : Employee benefits expense

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Salaries, wages, gratuity, bonus, commission, etc. (Refer Note 31)	1,96,45,47,483	2,34,73,45,308
Contribution to provident and other funds (Refer Note 31)	16,53,34,318	22,60,32,839
Welfare and training expenses	15,15,52,632	25,36,09,604
Share based payment to employees (Refer Note 41)	86,58,373	45,70,558
Total	**2,29,00,92,806**	**2,83,15,58,309**

Note 22 : Finance costs

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Interest Expenses on financial liabilities measured at amortised cost		
Term Loans	16,47,84,507	4,68,26,636
Cash Credit Facilities	53,48,71,165	15,74,51,971
Others	31,58,34,790	48,55,16,798
Lease Liabilities (Refer Note 34)	91,10,11,791	-
Other borrowing cost	21,66,64,999	19,40,34,693
Total	**2,14,31,67,252**	**88,38,30,098**

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15. CHARTERED ACCOUNTANTS

Note 23 : Depreciation and amortization expense

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Depreciation on Property, Plant and Equipment (Refer Note 5)	1,25,11,09,600	97,49,56,663
Depreciation on Right-of-Use assets (Refer Note 34)	2,15,68,14,326	-
Amortization on Intangible assets (Refer Note 6)	8,91,90,779	12,27,99,432
Total	**3,49,71,14,705**	**1,09,77,56,095**

Note 24 : Other expenses

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Power and fuel	35,39,34,234	37,16,66,506
Insurance	3,19,29,199	3,15,86,625
Processing charges	2,17,30,277	1,81,44,371
Printing, stationery & communication	8,98,51,149	12,44,86,925
Rent		
- Short Term leases and leases of low-value assets (Refer Note 34)	4,67,75,268	-
- Rent on operating leases	-	2,80,33,13,166
Commission & Brokerage	2,10,03,20,916	2,96,47,91,222
Rates and taxes	3,78,50,923	2,28,62,827
Repairs :		
To Building	67,63,470	1,47,37,140
To Others	50,40,13,054	50,60,46,895
Royalty on Sales	73,24,86,275	94,08,61,269
Freight, insurance & clearing charge	43,39,27,257	38,11,54,628
Legal & Professional charges	9,83,44,828	11,29,00,440
Housekeeping Charges	11,52,73,819	13,93,80,879
Security Charges	13,33,61,573	13,76,57,735
Computer Expenses	9,10,32,274	10,55,46,572
Conveyance & Travelling expense	15,40,18,476	22,60,72,261
Advertisement and Publicity	94,53,89,973	1,09,76,01,490
Charges for Credit Card Transactions	8,90,87,940	12,71,25,017
Packing Materials Expenses	4,84,88,654	11,25,57,982
Contract Labour Charges	88,05,45,299	86,31,11,458
Sampling and Testing Expenses	6,34,05,518	7,36,22,639
Director's sitting fees	2,40,000	2,10,000
Provision for Litigation/Disputes (Refer Note 14)	1,35,20,240	3,39,50,578
Bad debt written off	16,56,208	-
Sundry debits written off	2,00,55,749	-
Auditor's remuneration (Refer Note a below)	40,00,000	61,43,140
Business Conducting Fees	9,99,991	20,50,501
Bank charges	3,95,08,058	4,55,18,491
Warehouse Charges	6,96,66,958	8,19,07,020
Spend on CSR activities (Refer Note 35)	6,20,000	22,12,176
Exchange Difference (Net)	1,10,40,104	-
Property, plant and equipment written off	1,73,199	-
Termination Fees	3,82,45,594	-
HVAC Charges	7,58,08,881	7,44,05,443
Miscellaneous expenses	2,54,52,100	60,82,116
Total	**7,27,95,17,458**	**11,42,77,07,512**

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15

a. Break up of Auditor's Remuneration

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Payment to Auditors as :		
Auditors	40,00,000	40,00,000
For tax audit	-	10,50,000
For other certification work	-	6,69,200
For reimbursement of expenses	-	4,23,940
Total	**40,00,000**	**61,43,140**

Note 25 : Exceptional Items

The Pandemic of COVID-19 is having an unprecedented impact globally on people and on the economy. It has caused severe effects on the economy, world over including India due to lockdowns, disruptions in transportation, supply chain, travel plans, quarantines, social distancing and other emergency measures. As a result of the lockdown imposed by the Government of India owing to spread of COVID-19 in the country, the Company closed its offices from March 23, 2020 and moved to the concept of Work from Home (WFH) for all employees. Post the recent relaxation in lockdown, the Company has gradually started opening its offices in certain geographies with limited workforce in-line with the Government's directives issued as on date.

The Company is engaged in the business of trading and retailing of readymade garments and accessories. It has a large retail and wholesale network. The operations of the Company has been severely affected by this disruption. Both retail and wholesale operations have remain under suspension for substantial part of Q1FY21. The effects such as lower than normal business, other disruptions are expected to have continuing effect at least for the next few quarters based on current assessment.

The Company has made detailed assessment of its liquidity position and of the recoverability and carrying value of its assets as at balance sheet date and has made appropriate adjustment along with adjustment to revenue recognition and actuarial assumptions. In assessing the recoverability of its assets including receivables and inventories, the Company has considered internal and external information up to the date of approval of these financial statements including economic forecasts. However, the overall environment continues to remain uncertain and our assumptions used for preparing the financial statements may undergo change depending on the evolving economic and health environment in the Country. The Company will continue to monitor the situation and constantly assess the financial impact to its retail as well wholesale operations.

The Company has taken additional provisions arising out of Covid, the impact of which are disclosed under Exceptional Items and the details are as under:

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Margin on Sales Return Provision	22,62,76,112	-
Inventory Dormancy Provision	7,15,03,818	-
Allowance for Doubtful Debtors	8,16,25,045	-
Total	**37,94,04,975**	-

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.
CHARTERED ACCOUNTANTS

Note 26 : Income Tax

The major component of income tax expense for the year ended March 31, 2020 and March 31, 2019 are:

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Statement of Profit & Loss		
Current Tax		
Current income tax	-	-
Deferred Tax		
Deferred tax Charge/(Credit)	(75,33,12,972)	8,61,42,197
Income tax expense reported in the statement of standalone profit & loss	**(75,33,12,972)**	**8,61,42,197**

OCI Section

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Statement to Other comprehensive income (OCI)		
Deferred tax Charge/(Credit)	32,38,767	(1,74,76,576)
Deferred tax charged to OCI	**32,38,767**	**(1,74,76,576)**

Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate for the year ended March 31, 2020 and March 31, 2019:

A) Current tax

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Accounting profit/(loss) before tax	(4,20,36,03,592)	4,41,31,980
Tax Rate	34.944%	34.944%
Current Tax Expenses on Profit before tax at the enacted income tax rate in India	(1,46,89,07,239)	1,54,21,479
Adjustments		
Expenditure not deductible for Tax	3,89,92,129	7,07,20,718
Deferred tax assets not recognised as realization is not probable	72,02,01,894	-
Others	(4,35,99,756)	-
At the effective income tax	**(75,33,12,972)**	**8,61,42,197**
Effective Income Tax Rate %	**0.00%**	**195.19%**

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15
CHARTERED ACCOUNTANTS

B) Deferred tax

Amount in Rs.

Particulars	Balance Sheet	Statement of Profit & Loss and Other Comprehensive Income	Impact on adoption of Ind AS 116 recognized in Retained Earnings	Balance Sheet	Statement of Profit & Loss and Other Comprehensive Income
	As at March 31, 2020	Year Ended March 31, 2020	As on April 1, 2019	As at March 31, 2019	Year Ended March 31, 2019
Accelerated depreciation for tax purposes	1,06,98,99,175	(22,48,23,982)	-	84,50,75,192	(13,37,63,319)
Effective Interest Method on Term Loans	(3,76,858)	(5,64,765)		(9,41,623)	5,99,920
Expenditure allowable on payment basis	10,13,26,445	54,60,945	-	10,67,87,390	(4,16,95,237)
Unused losses available for offsetting against future taxable income	1,47,51,69,894	(63,24,82,972)	-	84,26,86,922	25,93,44,923
Unused tax credit available for offsetting against future taxable income (MAT credit entitlement)	9,43,84,544	-	-	9,43,84,544	39,33,619
Impact of Ind AS 116	53,14,34,218	11,39,30,982	64,53,65,200	-	-
Others	5,82,94,947	(1,15,94,413)	-	4,67,00,534	(1,97,54,285)
Net deferred tax assets/(liabilities)	**3,33,01,32,365**	**(75,00,74,205)**	**64,53,65,200**	**1,93,46,92,959**	**6,86,65,621**

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Company has unused carried forward losses of Rs. 6,28,25,42,891/- as at March 31, 2020 (March 31, 2019: Rs. 2,46,87,69,593/-). Out of the same, tax credits on losses of Rs. 2,06,10,17,325/- have not been recognized on the basis that recovery is not probable in the foreseeable future.

Reconciliation of Deferred Tax Assets/(Liabilities)

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Opening balance as at April 1	1,93,46,92,960	2,00,33,58,581
Impact on adoption of Ind AS 116 recognized in Retained Earnings	64,53,65,200	-
Deferred Tax income/(expense) during the period recognised in profit or loss	75,33,12,972	(8,61,42,197)
Deferred Tax income/(expense) during the period recognised in OCI	(32,38,767)	1,74,76,576
Closing balance as at March 31	**3,33,01,32,365**	**1,93,46,92,960**

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Note 27 : Contingent liabilities

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Contingent liabilities not provided for		
a. Bills discounted	4,78,95,988	-
b. Claims against Company not acknowledged as debts	9,87,26,872	9,87,26,872
c. Disputed demands in respect of		
Excise/Customs duty	11,04,61,000	11,04,61,000
Goods and Service Tax	2,22,008	2,22,008
Sales tax and VAT (Refer note (d) below)	45,19,24,140	47,87,61,647
Income tax	3,91,33,860	8,57,55,476
Textile Committee Cess	10,94,000	10,94,000
Provident Fund	75,60,000	75,60,000
d. Guarantee given by bank on behalf of the company	3,00,000	3,00,000

Notes :

(a) It is not practicable for the Company to estimate the timing of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.

(b) The Company does not expect any reimbursements in respect of the above Contingent liabilities

(c) The Company believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

(d) Disputed demand for Sales Tax and VAT includes demand raised mainly due to non-submission of various statutory forms to appropriate authority. Subsequent to the demand, the Company has collected forms covering substantial amount of demand. The Company is in the process of collecting balance forms and hence no provision is considered necessary for the same.

(e) There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. The Company will make provision, on receiving further clarity on the subject.

Note 28 : Capital commitment and other commitments

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Capital commitments		
Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	32,19,22,320	7,70,50,500
Other commitments	-	-

Note 29 : Foreign Exchange Derivatives and Exposures not hedged

A. Foreign Exchange Derivatives

Nature of instrument	Average Exchange Rate (in equivalent Rs.)	In FC USD	Amount in Rs.
Forward contracts - Purchase			
As at March 31, 2020	-	-	-
As at March 31, 2019	69.31	21,72,068	15,05,45,703

All derivative contracts stated above are for the purpose of hedging the underlying foreign currency exposure.

B. Exposure Not Hedged

Nature of exposure	In FC USD	Amount in Rs.	In FC EURO	Amount in Rs.	In FC SEK	Amount in Rs.
Receivables						
As at March 31, 2020	94,233	71,30,177	-	-	-	-
As at March 31, 2019	1,38,814	95,99,680	-	-	-	-
Payable towards borrowings						
As at March 31, 2020	21,69,018	16,41,18,729	-	-	-	-
As at March 31, 2019	36,59,563	25,30,77,053	-	-	-	-
Payable to creditors						
As at March 31, 2020	56,82,574	42,99,71,998	255	21,100	5,37,303	40,14,998
As at March 31, 2019	20,79,306	14,37,94,388	299	23,254	9,84,972	73,55,275

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.

Note 30 : Segment Reporting

Operating segment has been identified on the basis of nature of products and other quantitative criteria specified in the Ind AS 108. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM") of the Company.

The Company's business activity falls within a single operating business segment of Branded Apparels (Garments and Accessories) through Retail and Departmental Store facilities.

Geographical segment

Geographical segment is considered based on sales within India and rest of the world.

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Segment Revenue*		
a) In India	25,52,00,13,232	31,45,84,01,406
b) Rest of the world	6,55,65,894	7,39,79,360
Total Sales	**25,58,55,79,126**	**31,53,23,80,766**
Carrying Cost of Segment Assets**		
a) In India	30,75,84,54,819	24,57,77,76,253
b) Rest of the world	71,30,177	1,60,47,940
Total	**30,76,55,84,996**	**24,59,38,24,193**
Carrying Cost of Segment Non Current Assets@**		
a) In India	8,11,13,64,414	2,96,09,87,835
b) Rest of the world	-	-
Total	**8,11,13,64,414**	**2,96,09,87,835**

* Based on location of Customers
** Based on location of Assets
@ Excluding Financial Assets and Deferred Tax Assets

Note:
Considering the nature of business of the Company in which it operates, the Company deals with various customers including multiple geographics. Consequently, none of the customer contribute materially to the revenue of the Company.

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.
CHARTERED ACCOUNTANTS

Arvind Lifestyle Brands Limited
CIN - U64201GJ1995PLC024598
Notes to the Financial Statements

Note 31 : Disclosure pursuant to Employee benefits

A Defined Contribution Plans

The following amounts are recognised as expense and included in Note 21 "Employee benefit expenses"

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Provident Fund	7,22,75,582	6,73,28,539
Contributory Pension Scheme	6,02,89,576	7,21,04,653
	13,25,65,158	13,94,33,192

Note:

Employees of the Company, other than covered in Provident Fund Trust, receive benefits from a provident fund, which is a defined contribution plan. The eligible employees and the company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employees' salary. Amounts collected under the provident fund plan are deposited in a government administered provident fund. The remaining portion is contributed to the government-administered pension fund. Employees of the Company, other than covered in Provident Fund Trust, receive benefits from a government administered provident fund, which is a defined contribution plan. The company has no further obligation to the plan beyond its monthly contributions. Such contributions are accounted for as defined contribution plans and are recognised as employee benefits expenses when they are due in the Statement of profit and loss.

B Defined Benefit Plans

The company has following post employment benefits which are in the nature of defined benefit plans:

Gratuity

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. The Gratuity plan is a Funded plan administered by a Trust and the Company makes contributions to recognised Trust in India.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each Balance Sheet date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the Arvind Lifestyle Brands Employees' Gratuity Fund Trust (the Trust). Trustees administer contributions made to the Trusts and contributions are invested in a scheme as permitted by Indian law.

The Company recognizes the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through remeasurements of the net defined benefit liability/(asset) are recognized in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligations recognized in other comprehensive income.

March 31,2020: Changes in defined benefit obligation and plan assets

Amount in Rs.

2019-20	April 1, 2019	Gratuity cost charged to statement of profit and loss			Benefit paid	Remeasurement gains/(losses) in other comprehensive income					Increase (decrease) due to effect of business combination /transfer	Contributions by employer	March 31, 2020
		Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 21)		Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI			
Gratuity													
Defined benefit obligation	(12,64,18,044)	(2,64,00,401)	(80,45,898)	(3,44,46,299)	2,28,78,387	-	17,74,512	3,77,632	68,65,538	90,17,682	(26,49,546)	-	(13,16,17,820)
Fair value of plan assets	4,95,07,555	-	33,65,075	33,65,075	(2,28,78,387)	2,50,767	-	-	-	2,50,767	-	2,00,08,286	5,02,53,296
Total benefit liability	(7,69,10,489)	(2,64,00,401)	(46,80,823)	(3,10,81,224)	-	2,50,767	17,74,512	3,77,632	68,65,538	92,68,449	(26,49,546)	2,00,08,286	(8,13,64,524)

March 31,2019: Changes in defined benefit obligation and plan assets

Amount in Rs.

2018-19	April 1, 2018	Gratuity cost charged to statement of profit and loss			Benefit paid	Remeasurement gains/(losses) in other comprehensive income					Increase (decrease) due to effect of business combination /transfer	Contributions by employer	March 31, 2019
		Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 21)		Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI			
Gratuity													
Defined benefit obligation	(8,95,90,394)	(3,17,48,928)	(65,37,885)	(3,82,86,813)	1,67,83,332	-	46,87,316	(1,94,75,485)	(6,63,874)	(1,54,52,043)	1,27,874	-	(12,64,18,044)
Fair value of plan assets	2,80,55,020	-	28,96,655	28,96,655	(1,67,83,332)	(25,78,206)	-	-	-	(25,78,206)	-	3,79,17,418	4,95,07,555
Total benefit liability	(6,15,35,374)	(3,17,48,928)	(36,41,230)	(3,53,90,158)	-	(25,78,206)	46,87,316	(1,94,75,485)	(6,63,874)	(1,80,30,249)	1,27,874	3,79,17,418	(7,69,10,489)

The major categories of plan assets of the fair value of the total plan assets of Gratuity are as follows:

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Others (Insurance company Products)	100%	100%
(%) of total plan assets	100%	100%

The principal assumptions used in determining above defined benefit obligations for the company's plans are shown below:

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Discount rate	6.20%	7.00%
Future salary increase	7.8% for Front End Employee. 8.8% for others	8.60% for Front End Employees 9.90% for others
Expected rate of return on plan assets	6.20%	7.00%
Attrition rate	38.3% on Front End Employee. 21.4% for others	37.60% for Front End Employees 19.60% for Others
Morality rate during employment	Indian assured lives Mortality(2006-08)	Indian assured lives Mortality(2006-08)

A quantitative sensitivity analysis for significant assumption is as shown below:

Amount in Rs.

Particulars		Sensitivity level	Increase / (Decrease) in defined benefit Year Ended March 31, 2020	Increase / (Decrease) in defined benefit Year Ended March 31, 2019
Gratuity				
	Discount rate	50 basis points increase	(22,73,374)	(25,11,461)
		50 basis points decrease	23,61,554	16,19,417
	Salary increase	50 basis points increase	19,95,180	22,51,000
		50 basis points decrease	(19,40,047)	(21,80,653)
	Attrition rate	50 basis points increase	(5,97,730)	(7,57,414)
		50 basis points decrease	6,10,846	7,75,814

The above sensitivity analysis may not be representative of the actual benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of defined benefit obligation has been calculated using the projected unit credit method at the end of reporting period.

In presenting the above sensitivity analysis, the present value of defined benefit obligation has been calculated using the projected unit credit method at the end of reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous period.

The followings are the expected future benefit payments for the defined benefit plan :

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Gratuity		
Within the next 12 months (next annual reporting period)	2,95,35,276	2,29,53,294
Between 2 and 5 years	11,77,38,545	11,91,31,854
Beyond 5 years	10,56,50,347	13,45,45,468
Total expected payments	**25,29,24,168**	**27,66,30,616**

Weighted average duration of defined plan obligation (based on discounted cash flows)

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Gratuity	4 years	4 years

C Leave encashment

The Company has a policy on leave encashment which are both accumulating and non-accumulating in nature. The expected cost of accumulating leave encashment is determined by actuarial valuation performed by an independent actuary at each Balance Sheet date using projected unit credit method on the additional amount expected to be paid/availed as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

The Company has recognised following as expenses and included in Note No. 24 "Employee benefit expense".

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Leave encashment	3,11,49,450	4,99,13,949
	3,11,49,450	**4,99,13,949**

MUKESH M. SHAH & CO. Chandra... Nehru Nagar, Ambawadi Ahmedabad-15 CHARTERED ACCOUNTANTS

Arvind Lifestyle Brands Limited
CIN - U64201GJ1995PLC024598
Notes to the Financial Statements

Note 32 : Related Party Transactions

As per the Indian Accounting Standard on "Related Party Disclosures" (Ind AS 24), the related parties of the company are as follows :

Name of Related Parties	Period
Holding Company	
Arvind Fashions Ltd.	
Subsidiary Company	
Arvind Youth Brands Private Limited	w.e.f. February 27, 2020
Value Fashion Retail Limited	w.e.f. March 6, 2020
Fellow Subsidiary Company and Controlled Joint Ventures	
Arvind Beauty Brands Retail Private Limited	
Tommy Hilfiger Arvind Fashion Private Limited	
Calvin Klein Arvind Fashion Pvt Ltd	
Enterprise having significant influence by Key Managerial Personnel	
Arvind Limited	w.e.f. November 30, 2018 (Ultimate Holding Company up to November 29, 2018)
Arvind Ruf & Tuf Private Limited	w.e.f. November 30, 2018 (Fellow Subsidiary Company up to November 29, 2018)
Arvind True Blue Limited	w.e.f. November 30, 2018 (Fellow Subsidiary Company up to November 29, 2018)
Arvind Premium Retail Limited	w.e.f. November 30, 2018 (Fellow Subsidiary Company up to November 29, 2018)
Enterprise having significant influence by Non Executive Director	
Arvind Goodhill Suit Manufacturing Private Limited	w.e.f. November 30, 2018 (Fellow Subsidiary Company up to November 29, 2018)
Arvind Envisol Limited	w.e.f. November 30, 2018 (Fellow Subsidiary Company up to November 29, 2018)
Trust	
Arvind Lifestyle Brands Limited Employee Group Gratuity Trust	
Key Managerial Personnel	
Kannan S., Chief Financial Officer	up to April 1, 2019
Manikandan Balasubramanian, Chief Financial Officer	w.e.f. August 9, 2019
Vijay Kumar BS , Company Secretary	
Sanjay Lalbhai, Non Executive Director of Holding Company	
Jayesh Shah, Non Executive Director of Holding Company	
Nagesh Dinkar Pinge, Non Executive Director	w.e.f. February 12, 2019
Priya Gopalakrishnan, Director	w.e.f. July 18, 2019
Suresh Jayaraman, Director	
Pramod Kumar Gupta, Director	w.e.f. August 9, 2019

Note: Related party relationship is as identified by the company and relied upon by the Auditors.

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.
CHARTERED ACCOUNTANTS

b Transactions with related parties for the year ended March 31, 2020 and March 31, 2019

Amount in Rs.

Particulars	Ultimate Holding Company	Holding Company	Subsidiary Company	Fellow Subsidiaries	Key Managerial Personnel and Non Executive Directors	Enterprise having significant influence by Key Management Personnel and Non-Executive Director	Trust
Purchase of Goods and Materials							
March 31, 2020	-	4,16,74,70,159	-	52,12,798	-	29,69,52,606	-
March 31, 2019	13,98,07,472	3,16,88,44,680	-	42,30,054	-	4,79,50,707	-
Purchase Return of Goods and Materials							
March 31, 2020	-	-	-	-	-	-	-
March 31, 2019	2,69,00,148	-	-	-	-	-	-
Purchase of Property, Plant & Equipment/Intangible assets							
March 31, 2020	-	-	-	-	-	7,20,00,000	-
March 31, 2019	-	-	-		-	31,81,943	-
Sales of Goods and Materials							
March 31, 2020	-	-	-	-	-	11,02,776	-
March 31, 2019	3,00,26,731	-	-	-	-	-	-
Sales Return of Goods and Materials							
March 31, 2020	-	-	-	-	-	-	-
March 31, 2019	1,58,73,595	-	-	-	-	74,92,334	-
Sale of Property, Plant & Equipment							
March 31, 2020	-	-	-	-	-	-	-
March 31, 2019	-	3,96,80,800	-	-	-	7,99,826	-
Receiving of Services-Shared services							
March 31, 2020	-	-	-	-	-	12,22,74,576	-
March 31, 2019	7,62,30,658	-	-	7,35,360	-	3,68,65,456	-
Receiving of Services-Commission							
March 31, 2020	-	5,17,481	-	-	-	5,53,77,433	-
March 31, 2019	1,08,44,738	-	-	-	-	2,42,36,045	-
Receiving of Services-Rent							
March 31, 2020	-	-	-	-	-	-	-
March 31, 2019	35,23,993	-	-	-	-	-	-
Rendering of Services-Royalty							
March 31, 2020	-	21,93,80,450	-	-	-	-	-
March 31, 2019	2,60,36,745	42,53,10,066	-	-	-	-	-
Rendering of Services-Commission & Incentive							
March 31, 2020	-	-	-	20,43,356	-	-	-
March 31, 2019	7,76,064	1,95,263	-	1,16,01,316	-	36,98,599	-
Rendering of Services-Shared service							
March 31, 2020	-	2,17,29,764	-	9,55,59,942	-	9,42,11,384	-
March 31, 2019	10,12,28,058	4,34,59,779	-	9,89,19,390	-	2,81,79,290	-
Rendering of Services-Rent							
March 31, 2020	-	-	-	-	-	-	-
March 31, 2019	-	-	-	29,79,437	-	17,55,375	-
Rendering of Services-Others							
March 31, 2020	-	2,99,42,262	-	-	-	-	-
March 31, 2019	-	-	-	-	-	-	-
Interest Expense							
March 31, 2020	-	3,71,43,836	-	-	-	76,822	-
March 31, 2019	3,68,393	-	-	9,98,95,172	-	5,59,04,891	-

MUKESH M. SHAH & CO.
7, Heritage Chambers
Nehru Nagar
Ambawadi
Ahmedabad-15
CHARTERED ACCOUNTANTS

b Transactions with related parties for the years ended

Amount in Rs.

Particulars	Ultimate Holding Company	Holding Company	Subsidiary Company	Fellow Subsidiaries	Key Managerial Personnel and Non Executive Directors	Enterprise having significant influence by Key Management Personnel and Non-Executive Director	Trust
Sitting Fees							
March 31, 2020	-	-	-	-	2,40,000	-	-
March 31, 2019	-	-	-	-	2,10,000	-	-
Contribution Given for Employee Benefit Plans							
March 31, 2020	-	-	-	-	-	-	2,00,08,286
March 31, 2019	-	-	-	-	-	-	3,79,17,418
Loan Taken/(Repayment of Loan)							
March 31, 2020	-	50,00,00,000	-	-	-	-	-
March 31, 2019	(1,01,76,979)	-	-	2,29,54,56,000	-	(2,83,04,17,826)	-
Issue of Equity shares							
March 31, 2020	-	50,00,00,000	-	-	-	-	-
March 31, 2019	-	1,00,00,00,000	-	-	-	-	-
Investments							
March 31, 2020	-	-	2,00,000	-	-	-	-
March 31, 2019	-	-	-	-	-	-	-

MUKESH M. SHAH & CO. * CHARTERED ACCOUNTANTS * 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.

c Balances

Amount in Rs.

Particulars	Ultimate Holding Company	Holding Company	Subsidiary Company	Fellow Subsidiaries	Key Managerial Personnel and Non Executive Directors	Enterprise having significant influence by Key Management Personnel and Non-Executive Director	Trust
Trade and Other Receivable							
March 31, 2020	-	-	-	4,00,357	-	1,40,68,177	-
March 31, 2019	-	-	-	7,84,267	-	4,31,82,685	-
Trade and Other Payable							
March 31, 2020	-	1,15,90,95,343	-	13,29,19,520	-	35,34,10,629	-
March 31, 2019	-	1,54,31,62,308	-	73,29,713	-	14,31,204	-
Payable in respect of Loans and Deposits							
March 31, 2020	-	53,34,29,452	-	39,41,240	-	-	-
March 31, 2019	-	-	-	39,41,240	-	-	-

d **Terms and conditions of transactions with related parties**

1) Transaction entered into with related party are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances other than loan given & taken at the year-end are unsecured and interest free and settlement occurs in cash.

2) Loans in INR taken from the related party carries interest rate of 8.50% (March 31, 2019 : 8.75%)

e **Commitments with related parties**

The Company has not provided any commitment to the related party as at March 31, 2020 (March 31, 2019: Rs. Nil)

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15.
CHARTERED ACCOUNTANTS

Note 33 : Earnings per share (Basic and Diluted)

Amount in Rs.

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Profit/(Loss) attributable to ordinary equity holders	(3,45,02,90,620)	(4,20,10,211)
Total no. of equity shares at the end of the year	9,62,78,723	9,12,78,723
Weighted average number of equity shares		
For basic EPS	9,13,88,013	8,08,88,155
For diluted EPS	9,13,88,013	8,08,88,155
Nominal value of equity shares	10	10
Basic earnings per share	(37.75)	(0.52)
Diluted earnings per share	(37.75)	(0.52)
Weighted average number of equity shares		
Weighted average number of equity shares for basic EPS	9,13,88,013	8,08,88,155
Effect of dilution: Share options	-	-
Weighted average number of equity shares adjusted for the effect of dilution	9,13,88,013	8,08,88,155

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad

Note 34 : Leases

A. For transition, the Company has elected not to apply the requirements of Ind AS 116 to leases which are expiring within 12 months from the date of transition by class of asset and leases for which the underlying asset is of low value on a lease-by-lease basis. The Company has also used the practical expedient provided by the standard when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17 and therefore, has not reassessed whether a contract, is or contains a lease, at the date of initial application, relied on its assessment of whether leases are onerous, applying Ind AS 37 immediately before the date of initial application as an alternative to performing an impairment review, excluded initial direct costs from measuring the right of use asset at the date of initial application and used hindsight when determining the lease term if the contract contains options to extend or terminate the lease. The Company has used a single discount rate to a portfolio of leases with similar characteristics.

On transition, the Company recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at April 1, 2019. The weighted average incremental borrowing rate of 9.50% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

On application of Ind AS 116, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-to-use asset, and finance cost for interest accrued on lease liability.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases reported as at March 31, 2019 compared to the lease liability as accounted as at April 1, 2019 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement of Ind AS 116 and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient as per the standard.

The Company has adopted modified retrospective approach as per para C8 (C) (i) of Ind-AS 116 "Leases" to its leases effective from accounting period beginning from April 01, 2019 and recognised Right of Use assets and Lease Liability as on April 01, 2019 and difference between Right of Use Assets and Lease Liability, net of deferred tax Rs. 1,84,68,55,541/- (Deferred Tax Rs. 64,53,65,200/-) has been adjusted in retained earnings.

B. The Company has taken Showrooms and other facilities on lease period of 1 to 9 years with option of renewal. Disclosures as per Ind AS 116 - Leases are as follows:

C. **Changes in the carrying value of right of use assets (Showrooms)**

Amount in Rs.

Particulars	Year Ended March 31, 2020
Balance at the beginning of the year	-
Recognition of ROU Asset on adoption of Ind AS 116	9,30,79,38,222
Additions	1,64,45,26,366
Deletions	(3,02,60,35,480)
Depreciation	(2,15,68,14,326)
Balance at the end of the year	**5,76,96,14,782**

D. **Movement in lease liabilities**

Amount in Rs.

Particulars	Year Ended March 31, 2020
Balance at the beginning of the year	-
Recognition of Lease Liability on adoption of Ind AS 116	11,15,47,93,763
Additions	1,64,45,26,366
Deletions	(3,54,13,26,952)
Finance cost accrued during the year	91,10,11,791
Payment of lease labilities	(2,89,12,53,050)
Balance at the end of the year	**7,27,77,51,918**

E. **Contractual maturities of lease liabilities**

Amount in Rs.

Particulars	Year Ended March 31, 2020
Less than one year	48,60,32,301
One to five years	3,93,91,97,378
More than five years	2,85,25,22,239
Total	**7,27,77,51,918**

F. The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

G. The Company incurred Rs. 4,67,75,268/- for the year ended March 31, 2020 towards expenses relating to leases of low-value assets and short term rent.

Note 35 : Corporate Social Responsibility (CSR) Activities

Amount in Rs.

Particualrs	As at March 31, 2020	As at March 31, 2019
a) Gross amount required to be spent by the Company during the year	6,20,000	22,12,176
b) Amount spend during the year (in cash)		
i) Construction/ acquisition of any asset	-	-
ii) on purposes other than (i) above	6,20,000	22,12,176
c) Amount unspent during the year	-	-

MUKESH M. SHAH & CO. 7, Heritage Chambers, Nehru Nagar, Ambawadi, Ahmedabad-15. CHARTERED ACCOUNTANTS

Note 36 : Fair value disclosures for financial assets and financial liabilities

Set out below is a comparison, by class, of the carrying amounts and fair value of the company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Financial assets		
Investments measured at amortized cost		
Carrying Amount	-	1,50,000
Fair Value	-	1,50,000
Financial liabilities		
Borrowings		
Carrying Amount	8,29,54,65,813	5,65,82,22,229
Fair Value	8,29,54,65,813	5,65,82,22,229

The management assessed that the fair values of cash and cash equivalents, other bank balances, loans trade receivables, other current financial assets, trade payables and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values

The fair value of borrowings and other financial liabilities is calculated by discounting future cash flows using rates currently available for debts on similar terms, credit risk and remaining maturities.

Note 37 : Fair value hierarchy
The following table provides the fair value measurement hierarchy of the company's assets and liabilities :

Quantitative disclosures fair value measurement hierarchy for financial assets and liabilities as at March 31,2020 and March 31,2019

Amount in Rs.

Particulars	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value					
Fair value through Other Comprehensive Income					
Foreign Exchange Forward Contracts (Cashflow Hedge)	March 31, 2020	-	-	-	-
	March 31, 2019	2,17,749	-	2,17,749	-

Fair value hierarchy
Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments that have quoted price. The fair value of all equity instruments which are traded in the stock exchanges is valued using the closing price as at the reporting period.
Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3.
There are no transfer between level 1, 2 and 3 during the year.
The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

NILESH M. SHAH & CO. CHARTERED ACCOUNTANTS 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15

Note 38 : Financial instruments risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise borrowings and trade & other payables. The main purpose of these financial liabilities is to finance the company's operations and to support its operations. The company's principal financial assets include Investments, loans given, trade and other receivables and cash & short-term deposits that derive directly from its operations.

The Company's activities expose it to market risk, credit risk and liquidity risk. In order to minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts, foreign currency option contracts are entered to hedge certain foreign currency exposures. Derivatives are used exclusively for hedging purposes and not as trading / speculative instruments.

The Company's risk management is carried out by a Treasury department under policies approved by the Board of directors. Company's treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, Investments, trade and other receivables, trade and other payables and derivative financial instruments.

Within the various methodologies to analyse and manage risk, company has implemented a system based on "sensitivity analysis" on symmetric basis. This tool enables the risk managers to identify the risk position of the entities. Sensitivity analysis provides an approximate quantification of the exposure in the event that certain specified parameters were to be met under a specific set of assumptions. The risk estimates provided here assume:

- a parallel shift of 50-basis points of the interest rate yield curves in all currencies.

- a simultaneous, parallel foreign exchange rates shift in which the INR appreciates / depreciates against all currencies by 2%

The potential economic impact, due to these assumptions, is based on the occurrence of adverse / inverse market conditions and reflects estimated changes resulting from the sensitivity analysis. Actual results that are included in the Statement of profit & loss may differ materially from these estimates due to actual developments in the global financial markets.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity, pension and other post-retirement obligations and provisions.

The following assumption has been made in calculating the sensitivity analyses:
- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at respective period/year end including the effect of hedge accounting.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interst rates. The Company's explosure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interst rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. As at March 31, 2020, approximately 33% of the Company's Borrowings are at fixed rate of interest (March 31, 2019: 12%)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the company's profit before tax is affected through the impact on floating rate borrowings, as follows:

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15.

Amount in Rs.

Particulars	Effect on profit before tax
March 31, 2020	
Increase in 50 basis points	(3,28,12,788)
Decrease in 50 basis points	3,28,12,788
March 31, 2019	
Increase in 50 basis points	(2,47,85,847)
Decrease in 50 basis points	2,47,85,847

Exclusion from this analysis are as follows:

- Fixed rate financial instruments measured at cost : Since a change in interest rate would not change the carrying amount of this category of instruments, there is no net income impact and they are excluded from this analysis

- The effect of interest rate changes on future cash flows is excluded from this analysis.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company transacts business in local currency and in foreign currency, primarily in USD. The Company has obtained foreign currency loans and has foreign currency trade payables and receivables etc. and is, therefore, exposed to foreign exchange risk. The Company may use forward contracts or foreign exchange options towards hedging risk resulting from changes and fluctuations in foreign currency exchange rate.

The company manages its foreign currency risk by hedging appropriate percentage of its foreign currency exposure, as approved by Board as per established risk management policy. Details of the hedge & unhedged position of the company given in Note 29.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR and SEK rates to the functional currency of respective entity, with all other variables held constant. The company's exposure to foreign currency changes for all other currencies is not material. The impact on the company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the company's pre-tax equity is due to changes in the fair value of foreign currency monetary items designated as cash flow hedge.

Amount in Rs.

Particulars	Change in USD rate	Effect on profit before tax	Change in EUR rate	Effect on profit before tax	Change in SEK rate	Effect on profit before tax
March 31, 2020	+2%	(1,17,39,211)	+2%	(422)	+2%	(80,300)
	-2%	1,17,39,211	-2%	422	-2%	80,300
March 31, 2019	+2%	(77,45,435)	+2%	(465)	+2%	(1,47,106)
	-2%	77,45,435	-2%	465	-2%	1,47,106

The movement in the pre-tax effect is a result of a change in the fair value of financial instruments not designated in a hedge relationship. Although the financial instruments have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. To manage this, the Group periodically assesses financial reliability of customers and other counterparties, taking into account the financial condition, current economic trends and analysis of historical bad debts and ageing of financial assets. Individual risk limits are set and periodically reviewed on the basis of such information. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the company's established policy, procedures and control relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on 30 days to 60 days credit term. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit. The company has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are companyed into homogenous companys and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 7b. The company does not hold collateral as security. The company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

MUKESH M. SHAH & CO. CHARTERED ACCOUNTANTS 7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties who meets the minimum threshold requirements under the counterparty risk assessment process. The Company monitors the ratings, credit spreads and financial strength of its counterparties. Based on its on-going assessment of counterparty risk, the Company adjusts its exposure to various counterparties. The Company's maximum exposure to credit risk for the components of the Balance sheet as is the carrying amount as disclosed in Note 36.

(c) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The company's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including bilateral loans, debt and overdraft from both domestic and international banks at an optimised cost. It also enjoys strong access to domestic capital markets across equity.

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments:

Amount in Rs.

Particulars	Less than 1 year	1 year or more
As at March 31, 2020		
Interest bearing borrowings	6,87,85,06,379	1,41,69,59,434
Lease Liabilities	48,60,32,301	6,79,17,19,617
Trade payables	8,83,93,21,464	-
Other financial liabilities#	79,43,11,055	63,75,23,869
	16,99,81,71,199	**8,84,62,02,920.00**
As at March 31, 2019		
Interest bearing borrowings	4,98,68,82,169	67,13,40,060
Trade payables	8,91,51,51,029	-
Other financial liabilities#	75,30,73,174	53,60,37,098
	14,65,51,06,372	**1,20,73,77,158**

Other financial liabilities includes interest accrued but not due of Rs. 9,26,49,564 (March 31, 2019: 3,70,54,504)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is leader in apparels in the country and has a diversified portfolio of brands.

Note 39 : Capital management

For the purpose of the company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the company. The primary objective of the company's capital management is to ensure that it maintains an efficient capital structure and healthy capital ratios in order to support its business and maximise shareholder value.

The company manages its capital structure and makes adjustments to it in light of changes in economic conditions or its business requirements. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company includes within net debt, interest bearing loans and borrowings less cash and short-term deposits (including other bank balance).

Amount in Rs.

Particulars	As at March 31, 2020	As at March 31, 2019
Interest-bearing loans and borrowings (Note 13)	8,29,54,65,813	5,65,82,22,229
Less: Cash and Cash equivalent (including other bank balance and Book Overdraft)	(3,48,67,478)	(7,70,26,112)
Net debt	**8,26,05,98,335**	**5,58,11,96,117**
Equity share capital (Note 11)	96,27,87,230	91,27,87,230
Other equity (Note 12)	3,31,86,13,921	7,50,55,45,590
Total capital	**4,28,14,01,151**	**8,41,83,32,820**
Capital and net debt	**12,54,19,99,486**	**13,99,95,28,937**
Gearing ratio	**65.86%**	**40%**

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements and other ratios. Breaches in meeting the financial covenants would permit the bank to charge penal interest or immediately call borrowings. There have been breaches in the financial covenants of borrowing as at March 31, 2020 but it don't require accelerated payments. Accordingly, the management has considered the classification of loan based upon the original repayment schedule.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2020, March 31, 2019.

MUKESH M. SHAH & CO.
7, Heritage Chambers
Nehru Nagar
Ambawadi
Ahmedabad-15.
CHARTERED ACCOUNTANTS

Note 40 : Business Combination

The Board of Directors of the Arvind Lifestyle Brands Limited in their meeting held on February 21, 2020, have recommended and subsequently approved by the members of the respective companies, the proposal to transfer the "Flying Machine" ("FM") trading business of the Company as a going concern to Arvind Youth Brands Private Limited, a wholly owned subsidiary of the Company by way of slump sale at a lump sum consideration which will not be less than book value of FM division as appearing on the date of closure of the transaction.

Note 41 : Share based payments

Arvind Fashions Limited, the holding company (AFL) has instituted Employee Stock Option Scheme 2016 ("ESOP 2016") and Employee Stock Option Scheme 2018 ("ESOP 2018"), pursuant to the approval of the shareholders of the Company at their General Meeting held on October 15, 2016 and on May 12, 2018 respectively. Up to March 31, 2020, the Company has granted 23,63,049 options under ESOP 2016 and issued 3,15,200 options under ESOP 2018 in lieu of demerger under the Scheme and convertible into equal number of Equity Shares of face value of Rs. 4 each.

Expense arising from share- based payment transactions

Total expenses arising from share- based payment transactions recognised in profit or loss as part of employee benefit expense were as follows :

Amount in Rs.

Particulars	2019-20	2018-19
Employee option plan	86,58,373	45,70,558
Total employee share based payment expense	**86,58,373**	**45,70,558**

Note 42 : New Accounting Pronouncements to be adopted on or after April 1, 2020

There are no standards or interpretations which are notified but not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods.

Note 43 : Regrouped, Recast, Reclassified

Figures of the earlier year have been regrouped or reclassified to conform to Ind AS presentation requirements.

MUKESH M. SHAH & CO.
7, Heritage Chambers, Nehru Nagar, Ambawadi Ahmedabad-15.
CHARTERED ACCOUNTANTS