

Calvin Klein Arvind Fashion Private Limited
Balance Sheet as at March 31, 2020

	Notes	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
ASSETS			
Non-current assets			
Property, plant and equipment (net)	3	727.95	703.25
Intangible assets (net)	4	648.77	692.60
Right-of-use assets	26	733.40	-
Financial assets	5	-	-
Loans	5.1	120.68	151.30
Other financial assets	5.5	12.43	11.90
Non-current tax assets (net)		26.37	11.92
Other non-current assets	6	393.87	8.80
Total non-current assets		2,663.47	1,579.77
Current assets			
Inventories	7	7,443.65	7,643.04
Financial assets	5	-	-
Loans	5.1	22.04	-
Trade receivables	5.2	6,230.17	3,534.39
Cash and cash equivalents	5.3	88.87	18.79
Other financial assets	5.5	171.96	4.06
Other current assets	6	2,213.55	2,872.44
Total current assets		16,170.24	14,072.72
Total assets		18,833.71	15,652.49
EQUITY AND LIABILITIES			
Equity			
Equity share capital	8	100.93	100.93
Other equity	9	3,826.38	3,577.66
Total equity		3,927.31	3,678.59
Non-current liabilities			
Financial liabilities			
Security deposits from customers	10	-	-
Lease liabilities	10.1	1,173.25	1,250.80
Long term provisions	26	713.22	-
Other non-current liabilities	11	36.16	41.32
Total non-current liabilities	12	22.70	-
		1,945.33	1,292.12
Current liabilities			
Financial liabilities			
Borrowings	10	-	-
Security deposits from customers	10.2	7,000.00	6,097.51
Lease liabilities	10.1	68.00	-
Trade payables	26	223.50	-
Total outstanding dues of micro enterprises and small enterprises	10.3	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		4,700.45	3,700.50
Other financial liabilities	10.4	137.76	238.46
Provisions	11	36.10	35.45
Other current liabilities	12	795.26	609.86
Total current liabilities		12,961.07	10,681.78
Total liabilities		14,906.40	11,973.90
Total equity and liabilities		18,833.71	15,652.49
Summary of significant accounting policies	2.2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants

ICAI Firm Registration Number: 101049W/ E300004

per Chandra Kumar Rampuria
Partner
Membership No.: 055729

Place: Bengaluru
Date: May 21, 2020



For and on behalf of the board of directors of
Calvin Klein Arvind Fashion Private Limited

Shailesh Chaturvedi
Director
DIN: 03023079

Place: Bengaluru
Date: May 21, 2020

Pramod Kumar Gupta
Director
DIN: 00064041

Place: Bengaluru
Date: May 21, 2020

Calvin Klein Arvind Fashion Private Limited
Statement of Profit and Loss for the year ended March 31, 2020

	Notes	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Income			
Revenue from contracts with customers	13	24,092.93	22,381.75
Other income	14	112.79	440.27
Finance income	15	5.81	4.89
Total income (i)		24,211.53	22,826.91
Expenses			
Purchase of traded goods	16	9,885.92	9,283.85
(Increase)/decrease in inventories of traded goods and right to return asset	17	115.00	(2,454.87)
Employee benefits expense	18	971.86	1,222.05
Depreciation and amortisation expense	19	507.19	483.08
Finance costs	20	937.90	669.73
Other expenses	21	11,535.50	13,517.09
Total expenses (ii)		23,953.37	22,720.93
Profit before tax (iii) = (i) - (ii)		258.16	105.98
Income tax expense			
Current tax		-	-
Deferred tax		-	-
Total tax expense (iv)		-	-
Profit for the year (v) = (iii) - (iv)		258.16	105.98
Other comprehensive income			
(i) Items not to be reclassified to profit or loss in subsequent periods:	22		
Re-measurement gains/(losses) on defined benefit plans		1.27	43.81
(ii) Items to be reclassified to profit or loss in subsequent periods:			
Net movement on effective portion of cash flow hedges		169.84	(111.84)
Income tax effect on above		-	-
Total other comprehensive income for the year, net of tax (vi)		171.11	(68.03)
Total comprehensive income for the year (vii) = (v) + (vi)		429.27	37.95
Earnings per equity share [nominal value per share Rs. 10 (March 31, 2019: Rs. 10)]	23		
Basic and diluted (in Rs.)		25.58	10.50
Summary of significant accounting policies	2.2		

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Calvin Klein Arvind Fashion Private Limited
Statement of changes in equity for the year ended March 31, 2020

A. Equity share capital

Equity shares of Rs. 10 each issued, subscribed and fully paid:

	No. of shares	Rs. in lakhs
As at April 1, 2018	1,009,296	100.93
Issue of equity share capital *	-	-
As at March 31, 2019	1,009,296	100.93
Issue of equity share capital	-	-
As at March 31, 2020	1,009,296	100.93

* Also refer note 8

B. Other equity

(Rs. in lakhs)

	Securities premium (Note 9.1)	Retained earnings (Note 9.2)	Effective portion of cash flow hedges (Note 9.3)	Total equity
As at April 1, 2018	10,072.64	(6,532.93)	-	3,539.71
Profit for the year	-	105.98	-	105.98
Other comprehensive income for the year	-	43.81	(111.84)	(68.03)
As at March 31, 2019	10,072.64	(6,383.14)	(111.84)	3,577.66
Profit for the year	-	258.16	-	258.16
Other comprehensive income for the year	-	1.27	282.15	283.42
(Loss)/gain recycled to Statement of Profit and Loss (net)	-	-	(112.31)	(112.31)
Change on account of adoption of Ind AS 116 Leases (refer note 26)	-	(180.55)	-	(180.55)
As at March 31, 2020	10,072.64	(6,304.26)	58.00	3,826.38

Summary of significant accounting policies

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per Chandra Kumar Rampuria
Partner
Membership No.: 055729

Place: Bengaluru
Date: May 21, 2020



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DIN: 03023079

Place: Bengaluru
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Director
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Place: Bengaluru
Date: May 21, 2020

Calvin Klein Arvind Fashion Private Limited
Statement of cash flows for the year ended March 31, 2020

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Operating activities		
Profit before tax	258.16	105.98
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment and right-of-use assets	449.51	401.15
Amortisation of other intangible assets	57.68	81.93
Finance income	(5.81)	(4.89)
Finance costs (Including interest on lease liability)	839.14	590.35
Interest income on financial liabilities at amortised cost	(26.54)	(20.62)
Fair value adjustments on financial instruments	(112.31)	46.35
Liability no longer required, written back	-	(438.69)
Impairment allowance (Allowance for bad and doubtful debts)	115.00	146.00
Bad debts written off	-	921.41
Sundry balances written off	-	19.02
Unrealised foreign exchange loss/(gain)	85.60	(69.13)
Property, plant and equipment discarded	4.85	16.55
Working capital adjustments:		
(Increase)/decrease in inventories	199.39	(2,419.90)
(Increase)/decrease in trade receivables	(2,810.78)	(1,127.15)
(Increase)/decrease in other financial assets	2.46	13.12
(Increase)/decrease in loans	13.48	6.31
(Increase)/decrease in other current assets	654.00	(386.95)
(Increase)/decrease in other non-current assets	(390.47)	(0.93)
(Decrease)/increase in trade payables	868.00	1,304.29
(Decrease)/increase in security deposit from customers	(35.00)	(73.58)
(Decrease)/increase in other non-current liabilities	22.70	-
(Decrease)/increase in provisions	(3.24)	(261.40)
(Decrease)/increase in other current liabilities	211.94	165.61
	397.76	(985.17)
Income tax paid	(14.45)	(5.57)
Net cash flows from / (used in) operating activities (A)	383.31	(990.74)
Investing activities		
Purchase of property, plant and equipment and other intangible assets	(228.96)	(315.23)
Proceeds from sale of property, plant and equipment	11.49	-
Interest received (finance income)	0.33	0.32
Net cash flows used in investing activities (B)	(217.14)	(314.91)
Financing activities		
Proceeds from borrowings (net)	902.49	1,841.92
Payment of principle amount of lease liabilities	(191.05)	-
Interest paid	(807.53)	(560.67)
Net cash flows from financing activities (C)	(96.09)	1,281.25
Net increase/ (decrease) in cash and cash equivalents [A+B+C]	70.08	(24.40)
Cash and cash equivalents at the beginning of the year	18.79	43.19
Cash and cash equivalents at the end of the year	88.87	18.79
Cash and cash equivalents comprise of (refer note 5.3):		
Balances with banks on current account	88.87	18.79
Cash and cash equivalents	88.87	18.79

Notes:

- The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standards (Ind AS 7), "Statement of Cash Flows".
- Additions to property, plant and equipment include movement of capital advances and capital creditors.

Summary of significant accounting policies

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The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates I.I.P

Chartered Accountants

ICAI Firm Registration Number: 101049W/ E300004



per Chandra Kumar Rampuria

Partner

Membership No.: 055729

Place: Bengaluru

Date: May 21, 2020

For and on behalf of the board of directors of
Calvin Klein Arvind Fashion Private Limited





Shailesh Chaffarvedi

Director

DIN: 03023079

Place: Bengaluru

Date: May 21, 2020



Prabha Kumar Gupta

Director

DIN: 0006441

Place: Bengaluru

Date: May 21, 2020

1. Corporate information

The Company is a private company domiciled in India and was incorporated on March 31, 2011 under the provisions of the Companies Act applicable in India. The registered office of the Company is located at Arvind Limited Premises, Naroda Road, Ahmedabad Gujarat - 380 025. The Company is engaged in the business of 'Cash and carry wholesale trading of fashion apparels and accessories' in India.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") as issued under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) read with section 133 of the Companies Act, 2013 ("The Act") and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III), as applicable. Also, refer note 37.

The financial statements have been prepared on a historical cost basis, except certain financial assets and liabilities (including derivative instruments), which are measured at fair value (refer accounting policy regarding financial instruments).

The financial statements are presented in Indian Rupees ('INR') and all values are rounded off to the nearest lakhs, except when otherwise indicated.

2.2 Summary of significant accounting policies

a. Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as 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 equivalents 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 treated as 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.



The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

b. Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (i.e. the “functional currency”). The Company's financial statements are presented in Indian Rupee, which is also the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are recorded on initial recognition in the functional currency using the exchange rate prevailing at the date of the transaction. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies, remaining unsettled at the end of the year, are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on the settlement or translation of monetary items are recognised in the statement of profit or loss.

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 Other Comprehensive Income (OCI) or profit or loss are also recognised in OCI or profit or loss, respectively).

c. Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

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; and
- 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.

d. Revenue from contract with customer

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, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 24.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 180 days upon delivery (March 31, 2019: 30 to 180 days).

Revenue is measured at the fair value of the consideration received or receivable net of returns and allowances, trade discounts and volume rebates, taking into account contractually defined terms of payment excluding taxes or duties collected on behalf of the government.

Goods and service tax (GST) is not received by the Company in its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).



(i) 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 to return and discount. The right to return and discount give rise to variable consideration.

• *Rights to 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 not 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 and a right of return asset (and corresponding adjustment to change in inventory is also recognised for the right to recover products from a customer).

• *Discount*

Discounts are offset against amounts payable by the franchisee. To estimate the variable consideration for the expected discount, the company applies expected value method. The selected method that best predicts the amount of variable consideration is primarily driven by the expected discounts to be given to the end customers. The Company then applies the requirements on constraining estimates of variable consideration and is netted off with trade receivables for the expected future discounts.

• *Loyalty points programme*

The Company has loyalty points programme, which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Company considers the likelihood that the customer will redeem the points. The Company updates its estimates of the points that will be redeemed and any adjustments to the contract liability balance are charged against revenue.

(ii) Contract balances

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.

• *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 (o) Financial instruments – initial recognition and subsequent measurement.



• *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.

(iii) **Assets and liabilities arising from right to return**

• *Right to return asset*

Right to 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.

• *Refund liability*

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.

Interest income

For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension) but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit or loss.

e. Taxes

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 in accordance with the Income Tax Act, 1961 enacted in India. 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 the statement of profit and loss is recognised outside the statement of profit and loss (either in OCI or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI 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



Calvin Klein Arvind Fashion Private Limited

Notes to the financial statements for the year ended March 31, 2020

not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 assessing the probability the Company considers whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire.

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 profit or loss is recognised outside profit or loss either in other comprehensive income or in equity in correlation to the underlying transaction.

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.

During the year ended March 31, 2020, the Company has, after evaluation, decided to adopt the option (Section 115BAA of Income Tax Act) of the lower effective corporate tax rate of 25.17% (including surcharge and cess) instead of the earlier rate of 34.94% (including surcharge and cess) for the Financial Year 2019-20. The current tax for the financial year 2019-20 has, therefore, been calculated @ 25.17% and the deferred tax assets / liabilities have been adjusted accordingly.

f. Property, plant and equipment

All items of property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, cost of replacing part of the plant and equipment, borrowing costs if the recognition criteria are met and directly attributable cost of bringing the asset to its location and condition necessary for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit and loss as incurred. The present value of the expected cost for the decommissioning of an asset after its



Calvin Klein Arvind Fashion Private Limited

Notes to the financial statements for the year ended March 31, 2020

use is included in the cost of the respective asset if the recognition criteria for a provision are met and if the amount is material.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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.

Property, plant and equipment under installation or construction as at the balance sheet date is shown as capital work-in-progress and the related advances are shown under non-current assets.

Depreciation on property, plant and equipment is calculated on straight-line basis using the rates arrived at based on the useful life estimated by the management. The identified components, if any, are depreciated over their useful life and the remaining assets are depreciated over the life of the principal asset.

The management believes that depreciation rates used fairly reflect its estimate of the useful lives and residual values of fixed assets, though these rates in certain cases are different from lives prescribed under Schedule II of the Companies Act 2013. The Company has used the following estimated useful lives to provide depreciation on its fixed assets.

<u>Category of assets</u>	<u>Useful life estimated by management</u>	<u>Useful life as per Schedule II</u>
Furniture and fixtures	6 years	10 years
Office equipment	5 years	5 years
Electrical installations	5 years	10 years
Air conditioners	5 years	5 years
Computers and accessories	3 years	3 years
Servers and networks	6 years	6 years
Vehicles	4 years	8 years

Leasehold improvements are depreciated over the useful life of 5 years or over the period of the lease, whichever is lower.

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.

g. 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 the related 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 the useful economic life 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 de-recognition 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 or loss when the asset is derecognised.

A summary of amortisation policies applied to the Company's intangible assets is as below:

<u>Category of assets</u>	<u>Useful life estimated by management</u>
License Fees	Over the remaining term of license period or 15 years whichever is less
Computer software	3 years

h. Borrowing costs

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 asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs. Transaction costs are included in the initial recognition amount of financial liability and charged to profit or loss using the effective interest method.

i. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company's lease assets class primarily consist of lease of building or premises.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold building 3 to 9 years



If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (k) Impairment of non-financial assets.

ii) Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

j. Inventories

Inventories are valued at lower of cost and net realisable value. Cost of goods is ascertained under actual landed cost and is determined by specific identification of the individual cost of inventory.

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.

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

Obsolete and defective inventory are duly provided for basis the management estimates. Refer note 24.



k. 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 cost of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where 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 cost of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

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 re-valued amount, in which case the reversal is treated as a revaluation increase.

l. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event, 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. The expense relating to a provision is presented in the Statement of profit and 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. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

m. Earnings Per Share (EPS)

Basic EPS amounts are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.



For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

n. Retirement and other employee benefits

a) Defined contribution plan

Retirement benefit, in the form of provident fund, is a defined contribution scheme in respect of which the Company has no obligation other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as expenditure when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

b) Defined benefit plan

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

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 profit or loss in subsequent periods.

Past service costs are recognised in the statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- (i) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- (ii) Net interest expense or income

c) Leave encashment / compensated absence

Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the Statement of profit and loss and are not deferred. The Company presents the entire leave as a current liability in the balance sheet, as it does not have an unconditional right to defer its settlement for 12 months after the reporting date.



o. Financial instruments

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.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under Ind AS 115. Refer to the accounting policies in section (d) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

Subsequent measurement

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

- (i) Debt instruments at amortised cost
- (ii) Debt instruments at fair value through other comprehensive income (FVTOCI)
- (iii) Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- (iv) Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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 statement of profit or loss. The losses arising from impairment are



recognised in the statement of profit and loss. This category generally applies to trade and other receivables. For more information on receivables, refer note 5.2.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment loss & reversals and foreign exchange gain or loss in the statement of profit or loss. On de-recognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. 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.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit or loss.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- (i) The rights to receive cash flows from the asset have expired, or
- (ii) The Company has transferred its 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.



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:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balances
- b) Financial assets that are debt instruments and are measured as at FVTOCI
- c) Loan commitments which are not measured as at FVTPL
- d) Financial guarantee contracts which are not measured as at FVTPL
- e) 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 115

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables.

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 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 entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- (i) 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 entity is required to use the remaining contractual term of the financial instrument.
- (ii) 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) recognised during the period is recognised as income/expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the P&L. The balance sheet presentation for various financial instruments is described below:

- (i) Financial assets measured as at amortised cost: 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.



- (ii) Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.
- (iii) Loan commitments and financial guarantee contracts: ECL is presented as a provision in the balance sheet, i.e. as a liability;

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.

Financial liabilities

Initial recognition and measurement

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 and in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include security deposits, trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit and 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. For more information refer note 10.2.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 de-recognition 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 and loss.

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.



p. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward contracts to hedge its foreign currency 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.

The purchase contracts that meet the definition of a derivative under Ind AS 109 are recognised in the statement of profit and loss.

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:

- (i) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- (ii) 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

- (iii) Hedges of a net investment in a foreign operation

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 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 on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

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. The ineffective portion relating to foreign currency contracts is recognised in finance costs. Refer note 31 for more details.

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 purchase occurs.



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.

q. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original 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.

r. Contingent liabilities

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 recognise a contingent liability but discloses its existence in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities and commitments are reviewed by the management at each balance sheet date.

s. Segment reporting

Identification of segments

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Segment accounting policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

2.3 Changes in accounting policies and disclosures

New and amended standards

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 below.



a) Ind AS 116 Leases

Ind AS 116 supersedes Ind AS 17 Leases including its appendices (Appendix C of Ind AS 17 Determining whether an Arrangement contains a Lease, Appendix A of Ind AS 17 Operating Leases-Incentives and Appendix B of Ind AS 17 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under Ind AS 116 is substantially unchanged from Ind AS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in Ind AS 17. Therefore, Ind AS 116 does not have an impact for leases where the Company is the lessor.

The Company adopted Ind AS 116 using the modified retrospective method of adoption, with the date of initial application on April 01, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at April 01, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying Ind AS 17 and Appendix C of Ind AS 17 at the date of initial application.

The effect of adoption Ind AS 116 as at April 1, 2019 (increase/(decrease) is, as follows:

	(Rs. in lakhs)
Assets	
Right-of-use assets	952.11
Prepayments	(4.89)
Total assets	<u>947.22</u>
Liabilities	
Lease liabilities	1,127.77
Total liabilities	<u>1,127.77</u>
Total adjustment on equity:	
- Equity holders of the parent	(180.55)

The Company has lease contracts for various items of Leasehold building, plant, machinery, vehicles and other equipment. Before the adoption of Ind AS 116, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of Ind AS 116, the Company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been



applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at April 1, 2019:

- Right-of-use assets of Rs. 952.11 lakh were recognised and presented separately in the balance sheet.
- Additional lease liabilities of Rs. 1,127.77 lakh were recognised.
- Prepayments of Rs. 4.89 lakh related to previous operating leases were derecognised.
- There is no change in deferred tax liabilities/ assets because there is no deferred tax impact of the changes in assets and liabilities.
- The net effect of these adjustments had been adjusted to retained earnings (Rs. 180.55 lakh).

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:

- 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.
- 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.

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:



Calvin Klein Arvind Fashion Private Limited

Notes to the financial statements for the year ended March 31, 2020

- 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, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, 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.

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.

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3: Property, plant and equipment

	(Rs. in lakhs)							
	Furniture and fixtures	Office equipment	Electrical installations	Leasehold improvements	Air conditioners	Computers and accessories	Vehicles	Total
Cost								
As at April 1, 2018	922.59	43.16	108.14	574.82	41.23	136.24	18.00	1,844.18
Additions	170.25	16.39	0.88	80.66	-	53.99	-	322.17
Disposals/ deletions	95.36	6.55	5.69	53.51	3.17	12.49	-	176.77
As at March 31, 2019	997.48	53.00	103.33	601.97	38.06	177.74	18.00	1,989.58
Additions	181.22	10.70	-	60.83	-	19.09	-	271.84
Disposals/ deletions	66.14	-	-	-	-	0.13	18.00	84.27
As at March 31, 2020	1,112.56	63.70	103.33	662.80	38.06	196.70	-	2,177.15
Depreciation								
As at April 1, 2018	450.31	33.72	80.23	357.28	27.93	94.62	1.31	1,045.40
Depreciation for the year	232.86	5.77	13.71	105.56	5.59	33.16	4.50	401.15
Disposals/ deletions	81.90	5.96	5.13	52.54	2.97	11.72	-	160.22
As at March 31, 2019	601.27	33.53	88.81	410.30	30.55	116.06	5.81	1,286.33
Depreciation for the year	123.47	5.17	4.82	70.96	1.42	23.21	1.75	230.80
Disposals/ deletions	60.26	-	-	-	-	0.11	7.56	67.93
As at March 31, 2020	664.48	38.70	93.63	481.26	31.97	139.16	-	1,449.20
Net book value								
As at March 31, 2019	396.21	19.47	14.52	191.67	7.51	61.68	12.19	703.25
As at March 31, 2020	448.08	25.00	9.70	181.54	6.09	57.54	-	727.95

Note: Also refer to note 27a for disclosure of contractual commitments for the acquisition of Property, plant and equipment.

4: Intangible assets

	(Rs. in lakhs)			
	Goodwill (refer note 4a)	License fee (refer note 4b)	Computer software	Total
Cost				
As at April 1, 2018	18.00	714.23	173.93	906.16
Additions	-	-	16.46	16.46
Disposals/ deletions	-	-	0.27	0.27
As at March 31, 2019	18.00	714.23	190.12	922.35
Additions	-	-	13.85	13.85
Disposals/ deletions	-	-	-	-
As at March 31, 2020	18.00	714.23	203.97	936.20
Amortisation and impairment				
As at April 1, 2018	18.00	-	130.09	148.09
Amortisation for the year	-	47.62	34.31	81.93
Disposals/ deletions	-	-	0.27	0.27
As at March 31, 2019	18.00	47.62	164.13	229.75
Amortisation for the year	-	47.62	10.06	57.68
Disposals/ deletions	-	-	-	-
As at March 31, 2020	18.00	95.24	174.19	287.43
Net book value				
As at March 31, 2019	-	666.61	25.99	692.60
As at March 31, 2020	-	618.99	29.78	648.77

4a: Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the business as whole for impairment testing and the carrying amount was Rs. 18 lakh as on April 1, 2015. As a result of management analysis, the Company recognised an impairment charge of Rs. 18 lakh in the financial year ending March 31, 2017 against goodwill. The impairment charge is recorded in the Statement of profit and loss of that year.

4b: License Fee

On March 23, 2018, the Company had entered into an addendum to the license agreements dated December 1, 2015 and March 19, 2014 with Calvin Klein Inc., to add certain product categories to licensed products for a consideration of Rs. 714.23 lakh (equivalent to USD 1.1 Million), which has been capitalised as an intangible asset, in accordance with Ind AS 38, "Intangible Assets". The license agreement is to grant the Company a license to use approved form of trademarks in connection with the manufacture, sale, distribution and promotion of the Calvin Klein licensed products in India.

The initial term of license shall end on December 31, 2023. However, the same can be renewed for a further period of 10 years without any additional consideration, subject to compliance with certain terms and conditions under the aforesaid agreement. Management has determined that it is virtually certain that the Company would renew the license agreement for a further period of 10 years. Accordingly, the Company is amortising the trademark license fee over remaining term of license agreement (including renewal period) till December 31, 2033.



5: Financial assets

5.1: Loans

	Non-current		Current	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs
Security deposits				
Unsecured, considered good	120.68	151.30	22.04	-
Unsecured, considered doubtful	32.56	32.56	-	-
	153.24	183.86	22.04	-
Provision for doubtful deposits	(32.56)	(32.56)	-	-
	<u>120.68</u>	<u>151.30</u>	<u>22.04</u>	<u>-</u>

5.2: Trade receivables

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Trade receivables	6,193.52	3,533.82
Receivable from related parties (refer note 28)	36.65	0.57
	<u>6,230.17</u>	<u>3,534.39</u>

Break-up for security details:

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Trade receivables		
Unsecured, considered good	6,230.17	3,534.39
Trade Receivables - credit impaired	302.85	223.66
	<u>6,533.02</u>	<u>3,758.05</u>
Impairment allowance (Allowance for bad and doubtful debts)		
Trade Receivables - credit impaired	(302.85)	(223.66)
	<u>6,230.17</u>	<u>3,534.39</u>

Notes:

- No trade or other receivables are due from directors or other officers of the Company either severally or jointly with any other person nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.
- For terms and conditions relating to related party receivables, refer note 28.
- Trade receivables are non-interest bearing and are generally on credit terms of 30 to 180 days (March 31, 2019 : 30 to 180 days).

5.3: Cash and cash equivalents

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Balances with banks:		
- On current accounts	88.87	18.79
	<u>88.87</u>	<u>18.79</u>

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Balances with banks:		
- On current accounts	88.87	18.79
	<u>88.87</u>	<u>18.79</u>

5.4: Other bank balances

	Non-current		Current	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs
Other deposits (refer note below)	12.43	11.90	-	-
	12.43	11.90	-	-
Amount disclosed under "Other financial assets" - note 5.5	(12.43)	(11.90)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes:

- The above deposit is under lien with bank as security for guarantee facility to the Sales Tax Department [Rs.12.43 lakh (March 31, 2019 - 11.90 lakh)].



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Notes to the financial statements for the year ended March 31, 2020

5.5: Other financial assets

	Non-current		Current	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs
Unsecured, considered good				
Other bank balances	12.43	11.90	-	-
Accrued interest on bank deposits	-	-	1.65	1.60
Loans to employees	-	-	-	2.46
	<u>12.43</u>	<u>11.90</u>	<u>1.65</u>	<u>4.06</u>
Carried at fair value				
Derivative instrument at fair value through OCI				
Derivatives designated as cash flow hedges				
Foreign exchange forward contracts (refer note 31)	-	-	170.31	-
	-	-	<u>170.31</u>	-
	<u>12.43</u>	<u>11.90</u>	<u>171.96</u>	<u>4.06</u>

Note: Derivative instruments at fair value through OCI reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast purchases in US dollars (USD).

Break-up of financial assets carried at amortised cost:

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Loans (note 5.1)	142.72	151.30
Trade receivables (note 5.2)	6,230.17	3,534.39
Cash and cash equivalents (note 5.3)	88.87	18.79
Others financial assets (note 5.5)	14.08	15.96
	<u>6,475.84</u>	<u>3,720.44</u>

Break-up of financial assets carried at fair value through OCI:

Others financial assets (note 5.5)	170.31	-
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6: Other assets

	Non-current		Current	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs
Unsecured, considered good				
Capital advances	0.96	6.36	-	-
Deferred rent on account of fair valuation of security deposit	-	2.44	2.17	4.27
Prepaid expenses	-	-	91.87	69.17
Employee advances	-	-	11.99	16.36
Advances to suppliers	-	-	46.39	171.05
Balances with statutory/ government authorities	392.91	-	1,941.77	2,534.59
Right to return asset	-	-	119.36	34.97
Other advances	-	-	-	42.03
	<u>393.87</u>	<u>8.80</u>	<u>2,213.55</u>	<u>2,872.44</u>
Unsecured, considered doubtful				
Capital advances	7.95	-	-	-
Advances to suppliers	-	-	4.39	60.54
Other advances	-	-	-	48.00
	<u>7.95</u>	<u>-</u>	<u>4.39</u>	<u>108.54</u>
Provision for doubtful advances	(7.95)	-	(4.39)	(108.54)
	<u>393.87</u>	<u>8.80</u>	<u>2,213.55</u>	<u>2,872.44</u>

7: Inventories (valued at lower of cost and net realisable value)

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Traded goods [including stock-in-transit Rs. 267.22 lakh, (March 31, 2019 : Rs. 305.37 lakh)]	7,443.65	7,643.04
	<u>7,443.65</u>	<u>7,643.04</u>

Note: During the year ended March 31, 2020: Rs. 1,139.39 lakh (March 31, 2019: Rs. (1,298.94) lakh) was recognised as an expense/(reversed) for inventories carried at net realisable value.



8: Equity share capital

	March 31, 2020		March 31, 2019	
	No. of shares	Rs. in lakhs	No. of shares	Rs. in lakhs
Authorised share capital				
Equity shares of Rs.10 each	2,000,000	200.00	2,000,000	200.00
	2,000,000	200.00	2,000,000	200.00
Issued, subscribed and paid-up share capital				
Equity shares of Rs.10 each	1,009,296	100.93	1,009,296	100.93
	1,009,296	100.93	1,009,296	100.93

8.1. Terms/ rights attached to the equity shares

The Company has one class of equity shares having face value of Rs.10 each. Each shareholder is entitled to one vote per share held. The Company declares and pays dividends in Indian Rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

8.2. Reconciliation of shares outstanding at the beginning and at the end of the reporting period

	March 31, 2020		March 31, 2019	
	No. of shares	Rs. in lakhs	No. of shares	Rs. in lakhs
At the beginning of the year	1,009,296	100.93	1,009,296	100.93
Add: Issue of shares during the year	-	-	-	-
Outstanding at the end of the year	1,009,296	100.93	1,009,296	100.93

8.3. Details of shareholders holding more than 5% shares in the Company:

	March 31, 2020		March 31, 2019	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Arvind Fashions Limited	504,648	50%	504,648	50%
PVH B.V. (Joint Venture Partner from March 29, 2019)	504,648	50%	504,648	50%

As per the records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

9: Other equity

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
9.1 Securities premium:		
Balance at the beginning of the year	10,072.64	10,072.64
Changes during the year	-	-
Balance at the end of the year	10,072.64	10,072.64

Note: Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

9.2 Retained earnings:

Balance at the beginning of the year	(6,383.14)	(6,532.93)
Add: Profit for the year	258.16	105.98
Add: Other comprehensive income for the year	1.27	43.81
Add: Change on account of adoption of Ind AS 116 Leases (refer note 26)	(180.55)	-
Balance at the end of the year	(6,304.26)	(6,383.14)

9.3 Effective portion of cash flow hedges:

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Balance at the beginning of the year	(111.84)	-
Add: Profit/(loss) recognised during the year (net)	282.15	(111.84)
Less: Gain recycled to Statement of Profit and Loss (net)	(112.31)	-
Balance at the end of the year	58.00	(111.84)

Note: The Company uses hedging instruments as part of its management of foreign currency risk associated with purchases. For hedging foreign currency risk, the Company uses foreign currency forward contracts. To the extent these hedges are effective, the change in fair value of the hedging instrument is recognised in the effective portion of cash flow hedges through Other Comprehensive Income. Amounts recognised in the effective portion of cash flow hedges is reclassified to the statement of profit or loss when the hedged item affects profit or loss.

Total other equity

3,826.38 **3,577.66**



10: Financial liabilities

10.1: Security deposits from customers

	Non-current		Current	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs
Security deposits from customers	1,173.25	1,250.80	68.00	-
	<u>1,173.25</u>	<u>1,250.80</u>	<u>68.00</u>	<u>-</u>

10.2: Borrowings

	Effective interest rate (%)	Maturity	March 31, 2020	March 31, 2019
			Rs. in lakhs	Rs. in lakhs
Short-term borrowings (secured)				
Working capital demand loans from bank	Refer Note below	90 days	7,000.00	5,000.00
Cash credit (Overdraft) facility from bank	Refer Note below	Repayable on demand	-	1,097.51
			<u>7,000.00</u>	<u>6,097.51</u>

Notes:

a. The Company has obtained a borrowing facility with a combined limit of Rs. 8,000 lakh (March 31, 2019: Rs. 6,500 lakh) from a bank which can be used towards working capital loan, cash credit (overdraft) facility, buyers' credit arrangement etc. The interest rate for the working capital facility ranges between 8.7% to 10.3% (March 31, 2019: 8.25% to 9.1%) and for cash credit (overdraft) facility is MCLR subject to fluctuation at Bank's discretion.

b. The above working capital loan/overdraft are secured by (i) first exclusive charge over current assets of the borrower for Rs. 8,000 lakh, both present & future; (ii) Corporate Guarantee from PVH Corp., USA for Rs. 2,805 lakh of the exposure and (iii) letter of comfort from PVH Corp., USA.

c. Refer note 33(c) for liquidity risk.

10.3: Trade payables

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Trade payables	2,374.01	1,421.28
Trade payables to related parties (refer note 28)	2,326.44	2,379.22
	<u>4,700.45</u>	<u>3,700.50</u>

Notes:

a. Trade payables are generally non-interest bearing except in case of overdue payments and are normally settled as per credit terms varying between 30 and 90 days.

b. For terms and conditions with related parties, refer note 28.

c. The disclosures with regard to Micro, Small and Medium Enterprises Development Act is based on the information collected by the management based on enquiries made with the creditors which have been relied upon by the auditors. As at March 31, 2020 and March 31, 2019, there were no parties registered under the said Act.

10.4: Other financial liabilities

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Carried at amortised cost		
Payable for capital supplies/ services	113.66	62.33
Interest accrued but not due on borrowings	24.10	17.94
	<u>137.76</u>	<u>80.27</u>

Carried at fair value

Derivative instruments at fair value through OCI

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Derivatives designated as cash flow hedges		
Foreign exchange forward contracts (refer note 31)	-	158.19
	<u>137.76</u>	<u>238.46</u>

Note: Derivative instruments at fair value through OCI reflect the negative change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast purchases in US dollars (USD).

Break-up of financial liabilities carried at amortised cost:

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Borrowings (note 10.2)	7,000.00	6,097.51
Lease liabilities (note 26)	936.72	-
Security deposits from customers (note 10.1)	1,241.25	1,250.80
Trade payables (note 10.3)	4,700.45	3,700.50
Other financial liabilities (note 10.4)	137.76	238.46
	<u>14,016.18</u>	<u>11,287.27</u>

Break-up of financial liabilities carried at fair value through OCI:

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Other financial liabilities (note 10.4)	-	-
	<u>-</u>	<u>-</u>



11: Provisions

	Non-current		Current	
	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Provision for employee benefits (refer note 25)				
Provision for leave encashment	-	-	29.43	31.53
Provision for gratuity	36.16	41.32	6.67	3.92
	<u>36.16</u>	<u>41.32</u>	<u>36.10</u>	<u>35.45</u>

12: Other liabilities

	Non-current		Current	
	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Advance from customers	-	-	336.03	265.71
Statutory dues (refer note below)	-	-	39.57	95.10
Deferred income on account of fair valuation of security deposits from customers	22.70	-	18.28	67.51
Refund liability	-	-	332.25	100.74
Contract liabilities				
Deferred income of loyalty program reward points (refer note 13.2)	-	-	69.13	30.81
Deferred income on gift vouchers issued (refer note 13.2)	-	-	-	49.99
	<u>22.70</u>	<u>-</u>	<u>795.26</u>	<u>609.86</u>

Note: Undisputed statutory dues are settled in next month except in few cases. Statutory dues include provident fund, professional tax, bonus, withholding taxes, customs duty and goods and services tax payable.

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13: Revenue from contracts with customers

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Sale of traded goods	24,066.39	22,361.13
Interest income on financial liabilities at amortised cost	26.54	20.62
Total Revenue	24,092.93	22,381.75

13.1 Set out below is the disaggregation of the Company's revenue from contracts with customers:

The table below presents disaggregated revenues from contracts with customers for the year ended March 31, 2020 by type of goods. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

Type of goods	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Apparels	22,173.98	20,709.09
Accessories	1,892.41	1,652.04
	24,066.39	22,361.13

13.2 Contract balances

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Trade receivables (refer note 5.2)	6,230.17	3,534.39
Contract liabilities		
Deferred income of loyalty program reward points (refer note 12)	69.13	30.81
Deferred income on gift vouchers issued (refer note 12)	14.20	49.99

Trade receivables are non-interest bearing and are generally on terms of 30 to 180 days.

Contract liabilities include transaction price of loyalty points and gift vouchers not yet redeemed.

Set out below is the amount of revenue recognised from:

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Amounts included in contract liabilities at the beginning of the year	80.80	95.00
Performance obligations satisfied (net)	11.67	64.19

13.3 Reconciliation of the amount of revenue recognised in the statement of profit and loss with the contracted price:

Particulars	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Revenue as per contracted price	24,656.26	22,584.83
Adjustments :		
Loyalty points	(69.13)	(30.81)
Gift vouchers	-	(49.99)
Expected sales return	(297.40)	(100.74)
Expected discount	(223.34)	(42.16)
Revenue from contract with customers	24,066.39	22,361.13

13.4 Performance obligation

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 180 days from delivery of goods.

Remaining performance obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognised as at the end of the reporting period and an explanation as to when the Company expects to recognise these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures as the contracts have original expected duration of less than one year.

14: Other income

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Liability no longer required, written back	-	438.69
Other non-operating income:		
Fair value gain on financial instruments recycled from OCI (net) [refer note 31]	112.31	-
Miscellaneous income	0.48	1.58
	112.79	440.27

Note : Fair value gain on financial instruments recycled from OCI (net) relates to foreign exchange forward contracts for which the hedged forecast transaction has been recorded in the statement of profit or loss.



15: Finance income

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Interest on deposit with banks	0.77	1.00
Interest income on financial assets at amortised cost	4.90	3.77
Interest income - others	0.14	0.12
	<u>5.81</u>	<u>4.89</u>

16: Purchase of traded goods

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Purchase of traded goods	9,885.92	9,283.85
	<u>9,885.92</u>	<u>9,283.85</u>

17: (Increase)/ decrease in inventories of traded goods and right to return asset

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Inventories at the beginning of the year	7,643.04	5,223.14
Less: Inventories at the end of the year	7,443.65	7,643.04
(Increase)/ decrease in inventories	<u>199.39</u>	<u>(2,419.90)</u>

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Right to return asset at the beginning of the year	34.97	-
Less: right to return asset at the end of the year	119.36	34.97
(Increase)/ decrease in right to return asset	<u>(84.39)</u>	<u>(34.97)</u>
	<u>115.00</u>	<u>(2,454.87)</u>

18: Employee benefits expense

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Salaries, wages and bonus	800.26	927.18
Contribution to provident and other funds	28.15	129.41
Gratuity expense (refer note 25)	10.56	37.39
Staff welfare expense	132.89	128.07
	<u>971.86</u>	<u>1,222.05</u>

19: Depreciation and amortisation expense

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Depreciation of tangible assets (refer note 3)	230.80	401.15
Amortisation of intangible assets (refer note 4)	57.68	81.93
Depreciation of right-of-use assets (refer note 26)	218.71	-
	<u>507.19</u>	<u>483.08</u>

20: Finance costs

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Interest		
on bank borrowings	650.83	459.08
on security deposit received from customers	72.31	110.12
on financial liabilities measured at amortised cost	25.45	20.99
others	2.12	0.16
Bank charges	98.76	79.38
Interest on lease liability (refer note 26)	88.43	-
	<u>937.90</u>	<u>669.73</u>



21: Other expenses

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Rent	55.65	362.86
Advertising and sales promotion	884.14	910.79
Selling expense	5,929.70	7,583.25
Travelling and conveyance	220.90	248.23
Packing material consumed	128.90	76.87
Freight, insurance and clearing charges	243.32	220.62
Royalty on sales	1,219.25	1,296.05
Power and fuel	12.71	10.40
Shared services expense	465.05	514.07
Foreign exchange fluctuations, net	145.42	21.81
Outsourced services	1,248.36	507.35
Legal and professional fees	175.74	159.41
Repairs and maintenance		
-Building	6.77	6.54
-Others	89.49	158.55
Printing, stationery & communication	37.47	32.09
Insurance	122.63	59.43
Payments to auditors (refer below for details)	36.50	36.50
Rates and taxes	72.22	4.43
Commission, brokerage and discounts	-	18.96
Housekeeping charges	33.07	20.14
Property, plant and equipment discarded	4.85	16.55
Bad debts written off	-	921.41
Sundry balances written off	-	19.02
Impairment allowance (Allowance for bad and doubtful debts) (net)	115.00	146.00
Fair value loss on financial instruments recycled from OCI (net)	-	46.35
Miscellaneous expenses	288.36	119.41
	11,535.50	13,517.09

Payment to auditors as:

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Statutory audit fees	30.80	30.80
Tax audit fees	4.03	4.03
Reimbursement of expenses	1.67	1.67
	36.50	36.50

22: Components of Other Comprehensive Income (OCI)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

	March 31, 2020 Rs. in lakhs		March 31, 2019 Rs. in lakhs	
	Effective portion of cash flow hedges	Retained earnings	Effective portion of cash flow hedges	Retained earnings
Foreign exchange forward contracts	169.84	-	(111.84)	-
Re-measurement gains on defined benefit plans	-	1.27	-	43.81
	169.84	1.27	(111.84)	43.81

23: Earnings per share

Earnings per share (Basic and Diluted)

	March 31, 2020	March 31, 2019
Net profit for calculation of basic and diluted EPS - Rs. in lakhs	258.16	105.98
Total no. of equity shares at the end of the year	1,009,296	1,009,296
Weighted average number of equity shares		
For basic EPS	1,009,296	1,009,296
For diluted EPS	1,009,296	1,009,296
Nominal value of equity shares - Rs.	10	10
Basic earnings per share - Rs.	25.58	10.50
Diluted earnings per share - Rs.	25.58	10.50



24: Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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 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. These estimates are most relevant to intangibles with definite useful lives recognised by the Company.

When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

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 including the DCF model. 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 about these factors could affect the reported fair value of financial instruments.

Defined benefits plans (gratuity benefits)

The cost of the defined benefit gratuity plan and the present value of the gratuity 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 and mortality rates. 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 for plans, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality tables for India. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

Further details about gratuity obligations are given in note 25.

Provision on inventory

The provision on inventory is based on policy, future expectation, inventory seasons and current realisable value of the materials depending on the category of goods. Historical data is used to make these estimates.

Provision on receivables and advances/deposits

The Company has defined policy for provision of receivables which is based on ageing and reconciliations with the customers on a periodic basis. The Company reviews the policy at regular intervals to ensure the applicability of the same in the changing scenario.

Revenue from contracts with customers

The Company has applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

a. Determining method to estimate variable consideration and assessing the constraint

Certain contracts for the sale of goods include a right of return and discount that give rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Company has determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return. In estimating the variable consideration for the sale of goods with future discounts, the Company has determined that using expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the expected discounts to be given to the end customers.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.



b. Determining whether the loyalty points and gift vouchers provide material rights to customers

The Company operates a loyalty points programme which allows customers to accumulate points when they purchase products in the Company's retail stores.

The points can be redeemed for free products, subject to a minimum number of points obtained. Further, the Company issues gift vouchers which allows customers to purchase products at discount. The Company assessed whether the loyalty points and gift vouchers provide a material right to the customer that needs to be accounted for as a separate performance obligation.

The Company has determined that the loyalty points and gift vouchers provide a material right that the customer would not receive without entering into the contract. The free products the customer would receive by exercising the loyalty points and gift vouchers do not reflect the stand-alone selling price that a customer without an existing relationship with the Company would pay for those products. The customers' right also accumulates as they purchase additional products.

c. Estimating variable consideration for right to return and discounts

The Company estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and discounts.

The Company developed a statistical model for forecasting sales returns. The model uses the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Company.

The Company applied a statistical model for estimating expected discounts. The model uses the historical purchasing patterns and discounts entitlement of end customers to determine the expected discount percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and discount entitlements of customers will impact the expected discount percentages estimated by the Company.

d. Estimating stand-alone selling price – loyalty programme and gift vouchers

The Company estimates the stand-alone selling price of the loyalty points awarded and gift vouchers issued. The stand-alone selling price of the loyalty points issued is calculated by multiplying to the estimated redemption rate and to the monetary value assigned to the loyalty points. In estimating the redemption rate, the Company considers breakage which represents the portion of the points issued that will never be redeemed.

The Company applies statistical projection methods in its estimation using customers' historical redemption patterns as the main input. In estimating the value of the points issued, the Company considers the mix of products that will be available in the future in exchange for loyalty points and customers' preferences. The Company ensures that the value assigned to the loyalty points is commensurate to the stand-alone selling price of the products eligible for redemption (i.e., the value of each point is equivalent to the stand-alone selling price of any products eligible for redemption divided by number of points required).

Similarly, the stand-alone selling price of the gift vouchers issued is calculated by multiplying to the estimated redemption rate and to the monetary value assigned to the gift vouchers. The Company applies statistical projection methods in its estimation using customers' historical redemption patterns as the main input.

Estimates of the stand-alone selling price are subject to significant uncertainty. Any significant changes in customers' redemption patterns will impact the estimated redemption rate. As at March 31, 2020, the estimated liability for unredeemed points was Rs. 69.13 lakh (March 31, 2019: Rs. 30.81 lakh) and for unredeemed gift vouchers was Rs. Nil (March 31, 2019: Rs. 49.99 lakh).

e. Determining the lease term of contracts with renewal and termination options – Company as lessee

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.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

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25: Gratuity and other post employment benefit plans

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 salary per month computed proportionately for 15 days salary multiplied for the number of completed years of service.

The following tables summarise the components of net benefit expense recognised in the statement of profit and loss and amounts recognised in the balance sheet for the respective plans:

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
a. Amounts recognised in Employee benefits expense in the Statement of profit and loss in respect of gratuity:		
Current service cost	7.63	30.44
Interest on defined benefit obligation (DBO)	2.93	6.95
Net gratuity cost	<u>10.56</u>	<u>37.39</u>

b. Changes in the present value of DBO and fair value of plan assets:

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Changes in present value of the obligation:		
Opening DBO	45.24	98.79
Current service cost	7.63	30.44
Interest on DBOs	2.93	6.95
Actuarial (gain)/loss recognised in OCI	(1.27)	(43.81)
Benefits paid	(11.70)	(47.13)
Closing DBO	<u>42.83</u>	<u>45.24</u>

c. Amounts recognised in the Balance Sheet:

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Present value of the DBO at the end of the year:	42.83	45.24
Fair value of plan assets	-	-
Net liability	<u>42.83</u>	<u>45.24</u>

d. Net liability is bifurcated as follows:

	March 31, 2020	March 31, 2019
Current	6.67	3.92
Non-current	36.16	41.32
	<u>42.83</u>	<u>45.24</u>

e. The principal assumptions used in determining gratuity (unfunded) DBOs for the Company are shown below:

	March 31, 2020	March 31, 2019
Discount rate	5.80%	7.60%
Salary escalation rate	9.00%	13.00%
Attrition rate	13.00%	13.00%

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

f. Quantitative sensitivity analysis for significant assumption is as follows:

Sensitivity level:	March 31, 2020 Rs. in lakhs		March 31, 2019 Rs. in lakhs	
	Discount rate	0.5% increase	0.5% decrease	0.5% increase
Impact on DBO	(0.92)	0.97	(1.43)	1.52
Salary escalation rate	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on DBO	0.76	(0.75)	1.24	(0.77)
Attrition rate	1% increase	1% decrease	1% increase	1% decrease
Impact on DBO	(0.40)	0.42	(0.48)	0.47

The sensitivity analysis above have been determined based on a method that extrapolates the impact on DBO as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous period.

g. The following payments are expected contributions to the defined benefit plan in future years:

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Within the next 12 months (next annual reporting period)	6.67	3.92
From 2 to 5 years	36.92	27.47
Beyond 5 years	42.17	62.77
Total expected payments	<u>85.76</u>	<u>94.16</u>

The average duration of the defined benefit plan obligation at the end of the reporting period is 4 years (March 31, 2019: 7 years).

h. Defined benefit and contribution plans:

Amount recognised as an expense and included in note 18 as "Contribution to provident and other funds":

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Contribution to government provident fund	28.15	105.03
	<u>28.15</u>	<u>105.03</u>



26: Leases

Company as a lessee

The Company has lease contracts for various leasehold building used in its operations. Leases of leasehold building generally have lease terms between 6 and 9 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases with lease terms of 12 months or less and leases of low value assets. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	(Rs. in lakhs)	
	Leasehold Building	Total
Cost		
As at April 1, 2018	-	-
Additions	-	-
Depreciation expense	-	-
As at March 31, 2019	-	-
Additions [refer note 2.3(a)]	952.11	952.11
Depreciation expense (refer note 19)	(218.71)	(218.71)
As at March 31, 2020	<u>733.40</u>	<u>733.40</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	March 31, 2020	March 31, 2019
	Rs. in lakhs	Rs. in lakhs
Balance at the beginning of the year	-	-
Additions [refer note 2.3(a)]	1,127.77	-
Accretion of interest (refer note 20)	88.43	-
Payments	(279.48)	-
Balance at the end of the year	<u>936.72</u>	<u>-</u>
Current	223.50	-
Non-current	713.22	-
	<u>936.72</u>	<u>-</u>

The effective interest rate for lease liabilities is 9%, with maturity between 2021-2025.

The following are the amounts recognised in profit or loss:

	March 31, 2020
	Rs. in lakhs
Interest on lease liability (refer note 20)	88.43
Depreciation of right-of-use assets (refer note 19)	218.71
	<u>307.14</u>



27: Commitments and contingencies

a. Capital and other commitments

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances):	9.81	39.90

b. Contingent liabilities not provided for

	March 31, 2020 Rs. in lakhs	March 31, 2019 Rs. in lakhs
i. Claims against the Company not acknowledged as debts:		
Matters relating to Value Added Tax (Refer note a)	-	115.45
Matters relating to Customs Duty claims (Refer note b)	513.82	513.82
Matters relating to Labour Regulation under dispute (Refer note c)	21.59	-
Matters relating to Goods and service tax matters (Refer note d)	345.88	-
	<u>881.29</u>	<u>629.27</u>

The contingent liabilities, if materialised, shall entirely be borne by the Company, as there is no likely reimbursement from any other party.

Note a: In the previous year, the Company had received demand notice amounting to Rs. 115.45 lakh u/s 15 (3) of the Haryana Value Added Tax Act, 2003 for the financial year 2015-16 from the Assessing Authority, Gurgaon with respect to scrutiny assessment carried out for availing concessional rate of tax against C-Forms and exemption on Inter State Stock transactions against F-Forms. The assessment order has permitted a time limit of 90 days for submission of the C/F Forms.

The said demand notice was rectified in the current period and a revised demand amounting to Rs. 4.74 lakh was raised. The Company has accepted the demand and paid the same, along with interest, on August 1, 2019.

Note b: The Company had received demand cum show cause notice under section 28(4) read with section 124 of the Customs Act, 1962. in the previous year, by the Directorate of Revenue Intelligence ('DRI'), for short payment of duty due to non-inclusion of certain payments to vendor for determining assessable value for payment of Custom Duty.

The Company is confident that it's position will likely be upheld in the appellate process against the above demand. However, the Company has deposited Rs. 42.03 lakh under protest.

Note c: During the year, the Company has received a notice from the District Court to give effect of the order passed by the Labour Court in favour of the claim made by the ex-employee alleging wrongful termination and claiming back wages with full consequential benefit along with Interest. Further, the Company has filed writ petition in the High court and has received a stay order against of the Labour court.

The Company estimated the maximum amount involved in the aforesaid matter is Rs. 21.58 lakhs however it is currently difficult to assess and provide an estimated time period for resolution.

Note d: During the year, the GST department have blocked the credit balance of Rs. 345.87 lakhs in the GSTN Portal account of the Company under rule 86A to CGST / SGST Rules, 2017. The Company has filed a Writ Petition in the High court of Karnataka contesting against the action of blocking the input tax credit (Electronic Credit Ledger) in the GSTN Web portal by GST department.

The Company is confident that it's position will likely be upheld in the court proceeding against the above blockage.

The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements.

The Company is in the process of filing appeal or contesting demands with various appellate authorities. The management believes that it's position would likely be upheld in all the above cases. Hence, no tax liability has been accrued in the financial statements as the management believes that the ultimate outcome of the proceeding will not have a material adverse effect on the Company's financial position and results of operation.

(ii) Provident Fund matter: The Company is in the process of assessing retrospective applicability of the recent Supreme Court judgement on definition of basic wages for PF contributions. In absence of clarity, the Company has not made any provisions for retrospective application of the said SC ruling.



28: Related party disclosure

a) Name of related parties and nature of relationship:

- i. Joint venture partner
Arvind Fashions Limited
PVH B.V. (from March 29, 2019)
PVH Singapore Private Limited (till March 28, 2019)
- ii. Members of the group of the joint venture partners
Arvind Goodhill Suit Manufacturing Private Limited
Arvind Internet - A division of Arvind Limited
Arvind Lifestyle Brands Limited
Calvin Klein Europe B.V.
Calvin Klein Inc.
PVH Asia Limited
PVH Europe B.V.
PVH Far East Limited
PVH Hongkong Sourcing Service Limited
Tommy Hilfiger Arvind Fashion Private Limited

b) Disclosure in respect of related party transactions:

Nature of transactions	Rs. in lakhs	
	March 31, 2020	March 31, 2019
Other income		
Arvind Fashions Limited	0.23	-
Shared services expense		
Tommy Hilfiger Arvind Fashion Private Limited	432.00	433.19
Arvind Lifestyle Brands Limited	33.05	80.88
Royalty on sales		
Calvin Klein Inc.	1,219.25	1,296.05
Advertising and sales promotion		
Calvin Klein Inc.	142.55	131.42
Tommy Hilfiger Arvind Fashion Private Limited	7.71	-
Legal and professional fees		
Calvin Klein Inc.	9.96	12.73
Rent		
Tommy Hilfiger Arvind Fashion Private Limited	46.29	27.31
Outsourced services		
Tommy Hilfiger Arvind Fashion Private Limited	-	206.55
Repairs and maintenance		
Arvind Limited	9.33	-
Tommy Hilfiger Arvind Fashion Private Limited	6.59	2.36
Power and fuel		
Tommy Hilfiger Arvind Fashion Private Limited	7.48	4.95
Staff welfare expense		
Tommy Hilfiger Arvind Fashion Private Limited	11.35	12.40
Travelling and conveyance		
Tommy Hilfiger Arvind Fashion Private Limited	13.54	9.98
Freight, insurance and clearing charges		
Arvind Goodhill Suit Manufacturing Private Limited	0.03	-
Miscellaneous expenses		
Tommy Hilfiger Arvind Fashion Private Limited	55.26	100.77
Arvind Internet - A division of Arvind Limited	-	0.29



Calvin Klein Arvind Fashion Private Limited
Notes to the financial statements for the year ended March 31, 2020

Nature of transactions	Rs. in lakhs	
	March 31, 2020	March 31, 2019
Payments made on behalf of the Company by related parties		
Arvind Lifestyle Brands Limited	-	56.07
Purchase of traded goods		
PVH Asia Limited	5,687.15	6,305.26
PVH Far East Limited	316.82	210.22
Arvind Goodhill Suit Manufacturing Private Limited	7.38	10.09
Calvin Klein Europe B.V.	4.27	9.27
Liability no longer required, written back		
Arvind Internet - A division of Arvind Limited	-	20.52
Buying office commission		
Calvin Klein Europe B.V.	35.82	3.50
PVH Far East Limited	27.96	7.46
PVH Asia Limited	22.78	10.06
PVH Hongkong Sourcing Service Limited	-	12.08
PVH Europe B.V.	-	1.06

c) Outstanding balances payable/ receivable from related parties:

Nature of transactions	Rs. in lakhs	
	March 31, 2020	March 31, 2019
Financial liabilities		
Trade payables (including provisions)		
PVH Asia Limited	1,710.70	1,662.07
Tommy Hilfiger Arvind Fashion Private Limited	291.48	217.63
Calvin Klein Inc.	197.07	339.91
PVH Far East Limited	115.16	49.83
Calvin Klein Europe B.V.	6.85	0.33
Arvind Lifestyle Brands Limited	4.00	7.61
PVH Europe B.V.	1.14	1.06
Arvind Goodhill Suit Manufacturing Private Limited	0.04	-
PVH Hongkong Sourcing Service Limited	-	0.78
Financial assets		
Security deposits		
Arvind Lifestyle Brands Limited	39.41	39.41
Advances to suppliers		
Arvind Fashions Limited	0.23	-
Trade receivables		
Arvind Internet - A division of Arvind Limited	36.65	0.57

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and normally interest free except in case of overdue payments and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. For the year ended March 31, 2020 and March 31, 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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Calvin Klein Arvind Fashion Private Limited
 Notes to the financial statements for the year ended March 31, 2020

29: Unhedged foreign currency exposure

a) Derivatives outstanding as at the reporting date

	March 31, 2020	March 31, 2019
Forward contract to buy	USD 4,600,000 Rs. 3,480.59 lakh	USD 6,960,000 Rs. 4,813.54 lakh

b) Particulars of unhedged foreign currency exposure as at the reporting date

Particulars	March 31, 2020	March 31, 2019
Trade payables (USD)*	Nil	USD 806,680 Rs. 557.86 lakh
Trade payables (EUR)*	€ 88,524 Rs. 73.27 lakh	€ 59,013 Rs. 45.84 lakh

*INR equivalent at closing exchange rates

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