

Tommy Hilfiger Arvind Fashion Private Limited  
Balance Sheet as at March 31, 2020

	Notes	March 31, 2020 Rs. million	March 31, 2019 Rs. million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	369.42	343.24
Capital work-in-progress	4	14.39	1.85
Intangible assets	5	170.14	196.92
Right of use assets	6	693.61	-
<b>Financial assets</b>			
Loans	7	162.09	134.37
Other financial assets	8	3.78	11.24
Income tax assets (net)		36.19	29.19
Deferred tax assets (net)	17	55.91	21.64
Other non-current assets	9	21.04	63.14
<b>Total non-current assets</b>		<b>1,526.57</b>	<b>801.59</b>
<b>Current assets</b>			
Inventories	10	1,546.03	1,230.43
<b>Financial assets</b>			
Trade receivables	11	1,106.16	1,195.18
Cash and cash equivalent	12	3.47	20.40
Other bank balances	13	-	1.16
Others financial assets	8	73.29	32.65
Other current assets	9	406.41	363.20
<b>Total current assets</b>		<b>3,135.36</b>	<b>2,843.02</b>
<b>Total assets</b>		<b>4,661.93</b>	<b>3,644.61</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	14	298.95	298.95
Other equity	15	1,085.53	1,156.61
<b>Total equity</b>		<b>1,384.48</b>	<b>1,455.56</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Lease liability	6	626.36	-
Provisions	16	-	1.60
<b>Total non-current liabilities</b>		<b>626.36</b>	<b>1.60</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	18	1,391.58	1,242.95
<b>Trade payables</b>			
Total outstanding dues of micro enterprises and small enterprises	19	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		784.04	659.49
Security deposits from customers	20	11.34	7.70
Lease liability	6	209.18	-
Other financial liabilities	21	77.77	69.21
Provisions	16	22.76	27.97
Current tax liability (net)		9.49	22.62
Other current liabilities	22	144.93	157.51
<b>Total current liabilities</b>		<b>2,651.09</b>	<b>2,187.45</b>
<b>Total liabilities</b>		<b>3,277.45</b>	<b>2,189.05</b>
<b>Total equity and liabilities</b>		<b>4,661.93</b>	<b>3,644.61</b>
Summary of significant accounting policies	2		

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

As per our report of even date  
For Sorab S Engineer & Co.  
Chartered Accountants  
ICAI Firm Registration Number: 110417W  
*Chokshi Shreyas B.*  
CA Chokshi Shreyas B.  
Partner  
Membership No.: 100892

Place: Bangalore  
Date: *May 21, 2020*

For and on behalf of the board of directors of  
Tommy Hilfiger Arvind Fashion Private Limited

*Shatruvedi*  
Shailesh Chaturvedi  
Managing Director  
DIN: 03023079

*Ravi Rao*  
Ravi Rao  
Chief Financial Officer

*Pramod Kumar Gupta*  
Pramod Kumar Gupta  
Director  
DIN: 00064041  
*Lipi Jha*  
Lipi Jha  
Company Secretary

Place: Bangalore  
Date: 21.05.2020



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

	Notes	March 31, 2020 Rs. million	March 31, 2019 Rs. million
<b>Income</b>			
Revenue from contracts with customers	23	4,343.57	4,205.08
Other income	24	18.36	9.66
Finance income	25	14.13	13.46
<b>Total income</b>		<b>4,376.06</b>	<b>4,228.20</b>
<b>Expenses</b>			
Purchase of traded goods	26	2,422.72	2,271.90
Increase in inventories of traded goods and right of return assets	27	(313.66)	(274.89)
Employee benefits expense	28	237.95	196.84
Other expenses	29	1,402.25	1,647.70
<b>Total expenses</b>		<b>3,749.26</b>	<b>3,841.55</b>
<b>Profit before interest, depreciation/ amortisation and taxes (PBIDT)</b>		<b>626.80</b>	<b>386.65</b>
Depreciation and amortisation expense	30	373.57	141.17
Finance costs	31	226.69	110.08
<b>Profit before tax</b>		<b>26.54</b>	<b>135.40</b>
<b>Income tax expense</b>			
Current tax	17	31.91	77.28
Deferred tax	17	(8.65)	(28.69)
<b>Total tax expense</b>		<b>23.26</b>	<b>48.59</b>
<b>Profit for the year</b>		<b>3.28</b>	<b>86.81</b>
<b>Other comprehensive income for the year</b>			
Items that will not be reclassified subsequently to profit and loss		5.49	0.51
Re-measurement gains/ (loss) of defined benefit plans	17	(1.41)	(0.18)
Income tax effect on above			
<b>Net other comprehensive income/ (loss) that will not be reclassified subsequently to profit and loss</b>		<b>4.08</b>	<b>0.33</b>
Items that will be reclassified subsequently to profit and loss		40.70	(21.07)
Net movement in cash flow hedge reserve	17	(10.43)	7.36
Income tax effect on above			
<b>Net other comprehensive loss that will be reclassified subsequently to profit and loss</b>		<b>30.27</b>	<b>(13.71)</b>
<b>Other comprehensive income/ (loss) for the year, net of tax</b>		<b>34.35</b>	<b>(13.38)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>37.63</b>	<b>73.43</b>
<b>Earning per equity share [nominal value per share Rs. 10 (March 31, 2019: Rs. 10)]</b>	33		
Basic and diluted [in Rs. per share]		0.11	2.90
Summary of significant accounting policies	2		

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

As per our report of even date

For Sorab S Engineer & Co.  
Chartered Accountants  
ICAI Firm Registration Number: 110417W  
*Chokshi Shreyas B.*  
CA Chokshi Shreyas B.  
Partner  
Membership No.: 100892

Place: Bangalore  
Date: *May 21, 2020*

For and on behalf of the board of directors of  
Tommy Hilfiger Arvind Fashion Private Limited

*Shailesh Chaturvedi*  
Shailesh Chaturvedi  
Managing Director  
DIN: 03023079

*Ravi Rao*  
Ravi Rao  
Chief Financial Officer

Place: Bangalore  
Date: 21.05.2020

*Pranad Kumar Gupta*  
Pranad Kumar Gupta  
Director  
DIN: 00064041  
*Lipi Jha*  
Lipi Jha  
Company Secretary





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

A. Equity share capital (refer note 14)

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

	No. of shares	Rs. million
As at April 1, 2018	29,894,318	298.95
Issue of equity share capital	-	-
As at March 31, 2019	29,894,318	298.95
Issue of equity share capital	-	-
As at March 31, 2020	29,894,318	298.95

B. Other equity (refer note 15)

	Reserves and surplus		Other comprehensive income	(Rs. million)
	Securities premium	Retained earnings	Cash flow hedge reserve	Total equity
Balance as at April 1, 2018	643.02	440.16	-	1,083.18
Profit for the year	-	86.81	-	86.81
Other comprehensive income for the year, net of tax	-	0.33	(13.71)	(13.38)
Balance as at March 31, 2019	643.02	527.30	(13.71)	1,156.61
Profit for the year	-	3.28	-	3.28
Impact on account of adoption of Ind AS 116	-	(146.17)	-	(146.17)
Tax impact on leases implementation	-	37.46	-	37.46
Other comprehensive income for the year, net of tax	-	4.08	30.27	34.35
Balance as at March 31, 2020	643.02	425.95	16.56	1,085.53

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

As per our report of even date

For Sorab S Engineer & Co.

Chartered Accountants

ICAI Firm Registration Number: 110417W

*Chokshi Shreyas B.*

CA Chokshi Shreyas B.

Partner

Membership No.: 100892

For and on behalf of the board of directors of  
Tommy Hilfiger Arvind Fashion Private Limited

*Shailesh Chaturvedi*

Shailesh Chaturvedi

Managing Director

DIN: 03023079

*Ravi Rao*

Ravi Rao

Chief Financial Officer

Place: Bangalore

Date: 21.05.2020

*Pranod Kumar Gupta*

Pranod Kumar Gupta

Director

DIN: 00064041

*Lipi Jha*

Lipi Jha

Company Secretary

Place: Bangalore

Date: *May 21, 2020*



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

	Notes	March 31, 2020 Rs. million	March 31, 2019 Rs. million
<b>A Operating activities</b>			
<b>Profit before tax</b>		<b>26.54</b>	<b>135.40</b>
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	30	110.71	113.48
Amortisation of intangible assets	30	27.88	27.69
Finance income	25	(14.13)	(13.46)
Finance costs		125.13	93.90
Finance costs - Lease liability		86.73	-
Depreciation on right of use assets	6	234.98	-
Net foreign exchange gain		(4.16)	(1.26)
Property, plant and equipment written-off	29	1.10	5.04
Net loss/ (gain) on disposal of property, plant and equipment	29, 24	(2.88)	1.46
Gain on reassessment of lease		(10.33)	-
Rent expense (Ind AS adjustment)		-	8.46
Working capital adjustments:			
Increase in inventories		(315.61)	(231.79)
Increase in loans		(16.13)	(26.24)
Decrease/ (increase) in trade receivable		89.02	(205.46)
Decrease/ (increase) other bank balances		1.16	(0.06)
Increase in other financial assets		(6.61)	(9.20)
Increase in other assets		(38.14)	(112.16)
Increase in trade payables		120.43	119.26
Increase in security deposit from customers		3.64	4.76
Increase in other financial liabilities		20.35	6.94
Increase/ (decrease) in provisions		(1.31)	3.09
Increase/ (decrease) in other liabilities		(12.54)	104.14
		<b>425.83</b>	<b>23.99</b>
Income tax paid (net of refunds)		(52.04)	(42.39)
<b>Net cash flows used in operating activities (A)</b>		<b>373.79</b>	<b>(18.40)</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of property, plant and equipment		21.40	0.14
Purchase of property, plant and equipment		(153.80)	(130.68)
Interest received (finance income)	25	3.16	5.83
<b>Net cash flows used in investing activities (B)</b>		<b>(129.24)</b>	<b>(124.71)</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		148.62	246.95
Payment for leases		(285.91)	-
Interest paid		(124.19)	(92.56)
<b>Net cash flow from financing activities (C)</b>		<b>(261.48)</b>	<b>154.39</b>
<b>Net increase in cash and cash equivalents [A+B+C]</b>		<b>(16.93)</b>	<b>11.28</b>
Cash and cash equivalent at the beginning of the year	12	20.40	9.12
Cash and cash equivalent at the end of the year	12	3.47	20.40
<b>Cash and cash equivalents comprise of (refer note 12):</b>			
Balances with bank in current accounts		3.39	13.07
Cash on hand		0.08	7.33
<b>Cash and cash equivalents</b>		<b>3.47</b>	<b>20.40</b>

Notes:

- a. 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.  
b. Additions to property, plant and equipment include movement of capital work-in-progress, capital advances and capital creditors.

Summary of significant accounting policies

2

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

As per our report of even date  
For Sorab S Engineer & Co.

Chartered Accountants  
ICAI Firm Registration Number: 110417W  
*Chokshi Shreyas B.*  
CA Chokshi Shreyas B.  
Partner  
Membership No.: 100892

Place: Bangalore

Date: *May 21, 2020*

For and on behalf of the board of directors of  
Tommy Hilfiger Arvind Fashion Private Limited

*Shailesh Chaturvedi*  
Shailesh Chaturvedi  
Managing Director  
DIN: 03028079

*Ravi Rao*  
Ravi Rao  
Chief Financial Officer

*Pramod Kumar Gupta*  
Pramod Kumar Gupta  
Director  
DIN: 00064011

*Lipi Jha*  
Lipi Jha  
Company Secretary

Place: Bangalore  
Date: 21.05.2020



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**Tommy Hilfiger Arvind Fashion Private Limited**  
Notes to the financial statements for the year ended March 31, 2020

**Note 3: Property, plant and equipment**

Cost							(Rs. million)
	Plant and equipment	Data processing equipment	Office equipment	Furniture and fixture	Leasehold improvements	Vehicles	Total
As at April 1, 2018	0.35	14.34	9.79	4.28	423.28	6.37	458.41
Additions	-	6.15	6.73	2.09	117.49	-	132.46
Disposals/ deletions	-	(0.02)	(0.01)	(1.67)	(17.39)	-	(19.09)
As at March 31, 2019	0.35	20.47	16.51	4.70	523.38	6.37	571.78
Additions	-	8.40	6.59	6.32	134.19	1.02	156.52
Disposals/ deletions	-	(0.32)	(0.43)	-	(43.05)	(2.45)	(46.25)
As at March 31, 2020	0.35	28.55	22.67	11.02	614.52	4.94	682.05
<b>Depreciation and impairment</b>							
As at April 1, 2018	0.09	8.31	5.86	1.90	106.93	4.42	127.51
Depreciation for the year	0.03	4.27	4.03	0.84	103.41	0.90	113.48
Disposals/ deletions	-	-	(0.01)	(0.70)	(11.74)	-	(12.45)
As at March 31, 2019	0.12	12.58	9.88	2.04	198.60	5.32	228.54
Depreciation for the year	0.03	5.60	4.20	1.18	98.80	0.90	110.71
Disposals/ deletions	-	(0.26)	(0.20)	-	(23.71)	(2.45)	(26.62)
As at March 31, 2020	0.15	17.92	13.88	3.22	273.69	3.77	312.63
<b>Net book value</b>							
As at March 31, 2019	0.23	7.89	6.63	2.66	324.78	1.05	343.24
As at March 31, 2020	0.20	10.63	8.79	7.80	340.83	1.17	369.42

Note: Also refer to note 36 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

**Note 4: Capital work-in-progress**

(Rs. million)

As at March 31, 2019	1.85
As at March 31, 2020	14.39

Note: Capital work-in-progress mainly comprises of pending capitalization of leasehold improvements for office premises and stores under construction.

**Note 5: Intangible assets**

(Rs. million)

Cost			(Rs. million)
	Trademark license fee	Computer Software	Total
As at April 1, 2018	297.55	7.25	304.80
Additions	-	2.34	2.34
Disposals/ deletions	-	-	-
As at March 31, 2019	297.55	9.59	307.14
Additions	-	1.11	1.11
Disposals/ deletions	-	-	-
As at March 31, 2020	297.55	10.70	308.25
<b>Amortisation and impairment</b>			
As at April 1, 2018	78.14	4.39	82.53
Amortisation for the year	26.02	1.67	27.69
Disposals/ deletions	-	-	-
As at March 31, 2019	104.16	6.06	110.22
Amortisation for the year	26.10	1.79	27.89
Disposals/ deletions	-	-	-
As at March 31, 2020	130.26	7.85	138.11
<b>Net book value</b>			
As at March 31, 2019	193.39	3.53	196.92
As at March 31, 2020	167.29	2.85	170.14

**Notes:**

On September 7, 2011, the Company has entered into a License Agreement with Tommy Hilfiger Europe BV and obtained an exclusive and assignable license to use the Trademark Tommy Hilfiger, in connection with the manufacture, import, distribution, promotion, advertising and sale of Tommy Hilfiger products in India for a consideration of Rs. 377.98 million (USD 7.5 million), which has been capitalised as an intangible asset, in accordance with Ind AS 38, "Intangible Assets". The ownership of aforesaid Trademark rests with Tommy Hilfiger Europe BV.

Under the aforesaid agreement, the Company must achieve certain minimum sales level with respect to the licensed products and pay royalty on higher of the actual and minimum sales value of license products. As at March 31, 2020: Rs. 349.51 million (March 31, 2019: Rs. 490.39 million) is the total minimum royalty to be paid under this agreement over the balance period of the term. The Company is required to spend 1% of net sales on advertising the license products and trademarks on an annual basis. As per the agreements entered by the Company with sub-franchisees, certain minimum sales level with respect to the licensed products must be achieved by the sub-franchisees and royalty is earned on the higher of the actual and minimum sales value of the licensed products.

The initial term of license is for a period of 10 years. However, the same can be renewed for a further period of 5 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 5 years. Accordingly, the Company has amortised the trademark over a period of 15 years.





**Note 6 : Leases**

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

On transition, the Company recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at April 1, 2019. The weighted average incremental borrowing rate of 9% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

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

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

The Company has adopted modified retrospective approach as per para C8 (C) (i) of IND-AS 116, Leases to its leases effective from accounting period beginning from April 01, 2019 and recognised Right of Use assets and Lease Liability as on April 01, 2019 and difference between Right of Use Assets and Lease Liability, net of deferred tax Rs. 108.71 million (Deferred Tax Rs. 37.46 million) has been adjusted in retained earnings.

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

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

Particulars	March 31, 2020
Recognition of ROU Asset on account of adoption of Ind AS 116	923.78
Regrouping on account of adoption of Ind AS 116	29.53
Additions	8.88
Deletions	(33.60)
Depreciation	(234.98)
<b>Balance at the end of the year</b>	<b>693.61</b>

**D. Movement in lease liabilities**

Particulars	March 31, 2020
Recognition of ROU Asset on account of adoption of Ind AS 116	1,069.95
Additions	8.70
Deletions	(43.93)
Finance cost accrued during the year	86.73
Payment of lease liabilities	(285.91)
<b>Balance at the end of the year</b>	<b>835.54</b>
<b>Current</b>	<b>209.18</b>
<b>Non-current</b>	<b>626.36</b>

**E. Contractual maturities of lease liabilities**

Particulars	March 31, 2020
Less than one year	211.97
One to five years	544.23
More than five years	79.34
<b>Total</b>	<b>835.54</b>

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

- G. The Company incurred Rs. 10.40 million for the year ended March 31, 2020 towards expenses relating to short-term leases and leases of low-value assets.

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Note 7: Loans

	Non-current	
	March 31, 2020 Rs. million	March 31, 2019 Rs. million
<b>Unsecured, considered good</b>		
Security deposits	162.09	134.37
	<u>162.09</u>	<u>134.37</u>

Note 8: Other financial assets (unsecured, considered good)

	Non-current		Current	
	March 31, 2020 Rs. million	March 31, 2019 Rs. million	March 31, 2020 Rs. million	March 31, 2019 Rs. million
<b>Carried at amortised cost:</b>				
Other bank balance (refer note 13)	3.78	11.24	-	-
Accrued interest on bank deposits	-	-	0.32	0.94
Employee advances	-	-	5.37	4.51
Unbilled revenue	-	-	4.42	5.44
Other receivable from related party (refer note 37)	-	-	35.99	21.76
	<u>3.78</u>	<u>11.24</u>	<u>46.10</u>	<u>32.65</u>

Note: No other receivables are due from directors of the Company either severally or jointly with any other person.

Carried at fair value:

Derivative instruments	-	-	27.19	-
	<u>3.78</u>	<u>11.24</u>	<u>73.29</u>	<u>32.65</u>

Note 9: Other assets

	Non-current		Current	
	March 31, 2020 Rs. million	March 31, 2019 Rs. million	March 31, 2020 Rs. million	March 31, 2019 Rs. million
<b>Unsecured, considered good</b>				
Capital advances	3.10	10.44	-	-
Prepaid expenses	-	25.08	12.29	11.95
Advances to suppliers	-	-	67.83	55.48
Balances with statutory/ government authorities	17.94	20.97	255.48	244.56
Right of return assets	-	-	41.16	43.10
Prepaid gratuity	-	-	2.14	-
Other advances	-	6.65	27.51	8.11
	<u>21.04</u>	<u>63.14</u>	<u>406.41</u>	<u>363.20</u>
<b>Unsecured, considered doubtful</b>				
Capital advances	2.48	2.48	-	-
	<u>23.52</u>	<u>65.62</u>	<u>406.41</u>	<u>363.20</u>
Provision for doubtful advances	(2.48)	(2.48)	-	-
	<u>21.04</u>	<u>63.14</u>	<u>406.41</u>	<u>363.20</u>

Note 10: Inventories (valued at lower of cost and net realisable value)

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Traded goods including stock-in-transit of Rs.163.23 million (March 31, 2019: Rs. 74.39 million)	1,546.03	1,230.43
	<u>1,546.03</u>	<u>1,230.43</u>

Note: During the year ended March 31, 2020: Rs. 97.93 million (March 31, 2019: Rs. 48.13 million) was recognised as an expense for inventories carried at net realisable value.

Note 11: Trade receivables

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Trade receivables	1,096.29	1,194.93
Trade receivables from related parties (refer note 37)	9.87	0.25
	<u>1,106.16</u>	<u>1,195.18</u>

Break-up for security details:

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Unsecured, considered good	1,106.15	1,195.18
Unsecured, considered doubtful	5.00	5.00
	<u>1,111.15</u>	<u>1,200.18</u>
Allowance for doubtful trade receivables	(5.00)	(5.00)
	<u>1,106.15</u>	<u>1,195.18</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.
- For related party disclosures, refer note 37.
- Trade receivables are non-interest bearing and are generally on payment/ credit tenure of 30 to 180 days (March 31, 2019: 30 to 180 days)



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**Note 12: Cash and cash equivalent**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Balances with bank - current accounts	3.39	13.07
Cash on hand	0.08	7.33
	<u>3.47</u>	<u>20.40</u>

**Note 13: Other bank balances**

	Non-current		Current	
	March 31, 2020 Rs. million	March 31, 2019 Rs. million	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Deposits with maturity of more than 12 months	-	-	-	1.16
Other deposits [refer note (a) below]	3.78	11.24	-	-
	<u>3.78</u>	<u>11.24</u>	-	<u>1.16</u>
Amount disclosed under "Other financial assets" (refer note 8)	<u>(3.78)</u>	<u>(11.24)</u>	-	<u>1.16</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.16</u>

**Notes:**

a. Other deposits includes deposits placed as bank guarantee to sales tax department of various states.

**Break-up of financial assets carried at amortised cost:**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Loans (note 7)	162.09	134.37
Others financial assets (note 8)	49.88	43.89
Trade receivables (note 11)	1,106.15	1,195.18
Cash and cash equivalents (note 12)	3.47	20.40
Other bank balances (note 13)	-	1.16
	<u>1,321.59</u>	<u>1,395.00</u>

**Break-up of financial assets carried at fair value:**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Others financial assets (note 8)	27.19	-
	<u>27.19</u>	<u>-</u>

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

Note 14: Equity share capital

	March 31, 2020		March 31, 2019	
	No. of shares	Rs. million	No. of shares	Rs. million
<b>Authorised share capital</b>				
Equity shares of Rs.10 each	30,000,000	300.00	30,000,000	300.00
	<u>30,000,000</u>	<u>300.00</u>	<u>30,000,000</u>	<u>300.00</u>
<b>Issued, subscribed and paid-up share capital</b>				
Equity shares of Rs.10 each	29,894,318	298.95	29,894,318	298.95
Shares issued during the year	-	-	-	-
	<u>29,894,318</u>	<u>298.95</u>	<u>29,894,318</u>	<u>298.95</u>

14.1. 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. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to the number of equity shares held by the shareholder.

14.2. 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. million	No. of shares	Rs. million
At the beginning of the period	29,894,318	298.95	29,894,318	298.95
Add: Issue of shares during the year	-	-	-	-
<b>Outstanding at the end of the period</b>	<u>29,894,318</u>	<u>298.95</u>	<u>29,894,318</u>	<u>298.95</u>

14.3. 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 (Joint venture partner)	14,947,159	50%	14,947,159	50%
PVH BV (Joint venture partner)	14,947,159	50%	14,947,159	50%

Note 15: Other equity

	March 31, 2020	March 31, 2019
	Rs. million	Rs. million
<b>Securities premium:</b>		
Balance as per last financial statements	643.02	643.02
Changes during the year	-	-
<b>Balance at the end of the year</b>	<u>643.02</u>	<u>643.02</u>

Note: Securities premium is used to record the premium on issue of shares. This reserve is utilised in accordance with the provisions of the Act.

Retained earnings:

Balance as per last financial statements	527.30	440.16
Less: Impact on account of adoption of Ind AS 116	(146.17)	-
Less: Tax impact on leases implementation	37.46	-
Add: Profit for the year	3.28	86.81
Less: Other comprehensive income/ (loss) for the year, net of tax	4.08	0.33
<b>Balance at the end of the year</b>	<u>425.95</u>	<u>527.30</u>

Items of other comprehensive income:

Balance as per last financial statements	(13.71)	-
Net movement in cash flow hedge reserve	40.70	(21.07)
Less: Tax impact on additions	(10.43)	7.36
<b>Balance at the end of the year</b>	<u>16.56</u>	<u>(13.71)</u>

Note: The Company uses hedging instruments as part of its management of foreign currency risk. 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 cash flow hedging reserve. Amounts recognised in the cash flow hedging reserve is reclassified to the statement of profit or loss when the hedged item affects profit or loss.

Total other equity 1,085.53 1,156.61

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Note 16: Provisions

	Non-current		Current	
	March 31, 2020 Rs. million	March 31, 2019 Rs. million	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Provision for employee benefits (refer note 35)				
Provision for leave encashment	-	-	5.26	8.81
Provision for gratuity	-	1.60	-	1.66
Provision for litigation/ dispute (refer note below)	-	-	17.50	17.50
	-	1.60	22.76	27.97

Note: Provisions for litigation/ dispute represents provisions made in respect of claims against the Company for ongoing tax disputes.

Movement in provisions for litigation/ dispute

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
At the beginning of the period	17.50	15.00
Provision recognised during the year	-	2.50
Amount utilised/ reversed during the year	-	-
Balance as at end of the period	17.50	17.50

Note 17: Income tax

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

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Statement of Profit and Loss		
a) Current income tax:		
Current income tax charge	31.91	77.28
b) Deferred tax:		
Relating to origination and reversal of temporary differences	(8.65)	(28.69)
Income tax expense reported in the Statement of Profit and Loss	23.26	48.59
c) OCI section		
Deferred tax related to items recognised in OCI during the year:		
Net loss/ (gain) on re-measurement of defined benefit plans	(1.41)	(0.18)
Net loss on revaluation of cash flow hedge reserve	(10.43)	7.36
Income tax charged to OCI	(11.84)	7.18

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

The Company has exercised the option to pay income tax at the rate of 22% (plus applicable surcharge and cess), as per Section 115BAA of the Income Tax Act, 1962, as it has complied with eligibility criteria.

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Accounting profit before tax	26.54	135.40
At India's statutory income tax rate of 25.625% (March 31, 2019: 34.944%)	6.80	47.31
Deductible expenses disallowed in earlier years for tax purpose:		
Depreciation (net of books and tax)	0.46	(1.95)
Disallowance/ (allowance) u/s 43B	5.38	-
Other disallowances	6.23	2.76
Tax rate difference	2.02	-
Non-deductible expenses for tax purposes:		
Corporate social responsibility	0.21	0.30
Ind AS adjustment	2.16	0.17
At the effective income tax rate of 87.64% (March 31, 2019: 35.89%)	23.26	48.59

C. Deferred tax relates to the following:

	Balance Sheet		Retained Earnings	Statement of Profit and Loss and Other Comprehensive Income	
	March 31, 2020 Rs. million	March 31, 2019 Rs. million	April 1, 2019 Rs. million	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Accelerated depreciation for tax purposes	14.78	(1.04)		(15.82)	(26.55)
Provision for doubtful debt	1.28	1.75		0.47	(0.02)
Expenditure allowable on payment basis	13.11	12.16		(0.95)	6.02
Revaluation of cash flow hedges	(6.79)	7.61		14.40	(14.79)
Impact of Ind AS 116 - Leases	36.38	-	(37.46)	1.08	-
Expenses disallowed u/s 40a	(2.85)	1.16		4.01	(0.53)
Deferred tax expense/ (income)			(37.46)	3.19	(35.87)
Net deferred tax assets/ (liabilities)	55.91	21.64			

D. Reconciliation of deferred tax assets/ (liabilities), net:

	April 1, 2019 Rs. million	March 31, 2019 Rs. million
Opening balance as of April 1	21.64	(14.23)
Tax income/ (expense) during the period recognised in profit or loss	8.65	28.69
Impact on Account of Ind AS 116 recognised in retained earnings	37.46	-
Tax income/ (expense) during the period recognised in OCI	(11.84)	7.18
Closing balance as at March 31	55.91	21.64

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Financial liabilities

Note 18: Borrowings

	Effective interest rate (%)	Maturity	March 31, 2020 Rs. million	March 31, 2019 Rs. million
<b>Short-term borrowings (secured)</b>				
Working capital demand loans	Refer note below	30 to 180 days	1,179.31	724.92
Cash credits	Refer note below	Repayable on demand	212.27	518.03
			<u>1,391.58</u>	<u>1,242.95</u>

Notes:

a. Working capital demand loans availed by the Company are sub-limit of cash credits, which carries interest rate of 8.40% to 8.80% (March 31, 2019: 8.40% to 8.80%). The loans generally have a tenure of 30 days to 180 days (March 31, 2019: 30 days to 180 days) from the date of availment.

b. Cash credits are Indian Rupee loans from banks, which carries interest rate of 9.00% to 9.05% (March 31, 2019: 9.00% to 9.05%). The loans are repayable on demand along with interest outstanding.

c. Refer note 42(c) for liquidity risk.

Note 19: Trade payables

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Trade payables	627.24	564.95
Bills Acceptance	65.04	-
Trade payables to related parties (refer note 37)	91.76	94.54
	<u>784.04</u>	<u>659.49</u>

Notes:

a. Trade payables are non-interest bearing and are normally settled on 45 days term (March 31, 2019: 45 days term).

b. For terms and conditions with related parties, refer note 37.

c. The disclosures with regard to Micro, Small and Medium Enterprises Development Act is based on the information collected by the management based on enquires 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.

Note 20: Security deposits from customers

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Security deposits from customers	11.34	7.70
	<u>11.34</u>	<u>7.70</u>

Note 21: Other financial liabilities

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
<b>Carried at amortised cost:</b>		
Payable for capital supplies/ services	20.12	11.10
Payable to employees	54.13	33.77
Interest accrued but not due on borrowings	3.52	2.57
	<u>77.77</u>	<u>47.44</u>
<b>Carried at fair value through OCI</b>		
Cash flow hedge		
Foreign exchange forward contracts	-	21.77
	<u>77.77</u>	<u>69.21</u>

Note: Financial liabilities at fair value through OCI reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future purchases in USD.

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**Tommy Hilfiger Arvind Fashion Private Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

**Break-up of financial liabilities carried at amortised cost:**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Borrowings (note 18)	1,391.58	1,242.95
Trade payables (note 19)	784.04	659.49
Security deposits from customers (note 20)	11.34	7.70
Other financial liabilities (note 21)	77.77	47.44
	<b>2,264.73</b>	<b>1,957.58</b>

**Break-up of financial liabilities carried at fair value:**

Other financial liabilities (note 21)	-	21.77
	-	<b>21.77</b>

**Note 22: Other current liabilities**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Advances from customers	31.20	25.16
Statutory dues (refer note below)	11.43	29.72
Refund liability for expected sales return	102.30	102.63
	<b>144.93</b>	<b>157.51</b>

**Note 23: Revenue from contracts with customers**

**a) Disaggregated revenue information**

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

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Sale of products	4,109.72	3,991.63
Sale of services:		
Trademark sublicensing fees	233.49	213.02
Other operating income:		
Commission from franchisee	0.36	0.43
	<b>4,343.57</b>	<b>4,205.08</b>

**b) Contract balances**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Trade receivables (refer note 11)	1,106.15	1,195.18
Contract liabilities - Refund liability for expected sales return (refer note 22)	102.30	102.63

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

**c) Reconciling the amount of revenue recognised in the statement of profit and loss with contracted price**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Revenue as per contracted price	4,516.53	4,363.96
Adjustments:		
Expected sales return	(91.02)	(91.25)
Expected discount	(81.94)	(67.63)
Revenue from contract with customers	<b>4,343.57</b>	<b>4,205.08</b>

**d) Performance obligations**

- i) Sale of products: The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 180 days from delivery of goods.  
ii) Sale of services/ Other operating income: The performance obligation is satisfied as and when the services are rendered i.e., invoices are raised and revenue is recognised on accrual basis and payment is generally due within 30 days from raising of invoice.

**Note 24: Other income**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Net gain on disposal of property, plant and equipment	2.88	-
Sale of scrap	0.75	0.58
Forex gain	-	6.39
Gain on reassessment of lease	10.33	-
Miscellaneous income	4.40	2.69
	<b>18.36</b>	<b>9.66</b>

**Note 25: Finance income**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Interest on deposit with banks	0.54	0.92
Interest on income tax refunds	1.98	4.95
Interest income - others	11.61	7.59
	<b>14.13</b>	<b>13.46</b>

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**Note 26: Purchases of traded goods**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Purchases of traded goods	2,422.72	2,271.90
	<u>2,422.72</u>	<u>2,271.90</u>

**Note 27: Increase in inventories of traded goods and right of return assets**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Inventories at the beginning of the year	1,230.43	998.64
Less: Inventories at the end of the year	1,546.03	1,230.43
<b>Increase in inventories (a)</b>	<b>(315.60)</b>	<b>(231.79)</b>

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Right of return assets at the beginning of the year	43.10	-
Less: Right of return assets at the end of the year	41.16	43.10
<b>Increase in right of return assets (b)</b>	<b>1.94</b>	<b>(43.10)</b>

**Increase in inventories of traded goods and right of return assets (a + b)**

	<u>(313.66)</u>	<u>(274.89)</u>
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**Note 28: Employee benefits expense**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Salaries, wages and bonus	195.03	156.18
Contribution to provident and other funds (refer note 35)	8.09	7.73
Gratuity expense (refer note 35)	2.10	2.58
Staff welfare expense	32.73	30.35
	<u>237.95</u>	<u>196.84</u>

**Note 29: Other expenses**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Packing material consumed	51.21	57.09
Power and fuel	19.81	19.85
Rent (refer note 6)		
- Short-term leases and leases of low-value assets	10.40	241.95
- Rent others	25.85	17.27
Repairs and maintenance		
-Building	69.99	104.42
-Plant and machinery	7.68	6.00
-Others	0.45	0.58
Insurance	11.05	6.06
Rates and taxes	14.37	3.25
Travelling and conveyance	53.74	70.60
Legal and professional charges	38.74	53.99
Payments to auditors (refer below for details)	3.25	4.26
Communication expenses	14.09	13.80
Freight	45.38	57.28
Royalty expenses	328.34	307.75
Advertisement and sales promotion expenses	107.08	128.62
Selling expenses	159.58	141.02
Property plant and equipment written off	1.10	5.04
Warehousing charges	62.98	69.12
Loss on sale of assets	-	1.46
Foreign exchange fluctuations, net	6.76	0.70
Outsourced services	342.31	314.36
Corporate social responsibility (refer note 32)	1.64	1.62
Miscellaneous expenses	26.45	21.61
	<u>1,402.25</u>	<u>1,647.70</u>

**Payment to auditors:**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Payment to auditors as:		
Statutory audit fees	2.50	3.58
Tax audit fees	0.45	0.44
Other services (certification fees)	0.15	0.10
Reimbursement of expenses	0.15	0.14
	<u>3.25</u>	<u>4.26</u>

**Note 30: Depreciation and amortization expense**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Depreciation of tangible assets (refer note 3)	110.71	113.48
Amortization of intangible assets (refer note 5)	27.88	27.69
Depreciation of right of use asset (refer note 6)	234.98	-
	<u>373.57</u>	<u>141.17</u>



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**Note 31: Finance costs**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Interest on borrowings	122.39	92.70
Interest on Income tax	2.74	1.20
Interest on lease liability (refer note 6)	86.73	-
Bank charges	14.83	16.18
	<b>226.69</b>	<b>110.08</b>

**Note 32: Disclosure in respect of CSR expenditure u/s 135 of the Companies Act, 2013 and rules thereon:**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
a) Gross amount required to be spent by the Company during the year	1.64	1.62
b) Amount spend during the year (in cash)		
i) Construction/ acquisition of any asset	-	-
ii) on purposes other than (i) above	1.64	1.62
c) Amount unspent during the year	-	-

**Note 33: Earnings per share**

Weighted average number of shares used in calculating basic and diluted earning per share is 29,894,318 (March 31, 2019: 29,894,318).

**Note 34: 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 amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation 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 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.

**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 35.

**Provision on inventory**

The provision on inventory is based on policy, past experience, current trend and future expectations of these materials depending on the category of goods.

**Provision on receivables**

The Company has defined policy for provision of receivables which is based on ageing of receivables. 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 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 discounts 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 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, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of goods with discounts, the Company determined that using expected value method is appropriate.

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.



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**b) Estimating variable consideration for returns 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 used 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 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.

The Company updates its assessment of expected returns and discounts based on historical trends and effects of lockdown amid COVID-19 and the refund liabilities are adjusted accordingly. Estimates of expected returns and discounts are sensitive to changes in circumstances and the Company's past experience regarding returns and discount entitlements may not be representative of customers' actual returns and discount entitlements in the future. As at March 31, 2020, the amount recognised as refund liabilities for the expected returns and discounts was Rs. 194.37 millions (March 31, 2019: Rs. 178.63 millions).

**Lease**

The Company assesses whether a contract contains a lease, at inception of a contract as per the requirements of Ind AS 116. Identification of lease requires significant judgement.

The Company uses significant judgement in assessing the lease term the applicable discount rate.

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 revises the lease term if there is a change in the non-cancellable period of a lease.

The discount rate is generally based on the incremental borrowing rates specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

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**Note 35: 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 basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions to recognised funds in India.

The Company contributes to the fund based on the latest actuarial valuation report. The Company has contributed to the Insurer Managed Fund (managed by Life Insurance Corporation of India), details of which is available in the table of investment pattern of plan assets. Hence, the Company is not exposed to any market risk.

The following tables summarise the components of net benefit expense recognised in the Statement of Profit and Loss and the funded status and amounts recognised in the balance sheet for the respective plans:

**Funded defined benefit plan**

**a. Net benefit expense recognised through Statement of Profit and Loss:**

**Amounts recognised in Employee benefits expense in the Statement of Profit and Loss in respect of gratuity:**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Current service cost	1.96	2.39
Interest cost on benefit obligations (net)	0.14	0.19
<b>Net gratuity cost</b>	<b>2.10</b>	<b>2.58</b>

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

**Changes in present value of the obligation:**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Opening DBO	16.50	14.50
Current service cost	1.96	2.39
Interest on DBOs	1.06	1.09
Actuarial (gain)/ loss recognised in OCI	(5.47)	(0.51)
Benefits paid	(0.49)	(0.97)
<b>Closing DBO</b>	<b>13.56</b>	<b>16.50</b>

**c. Change in fair value of plan assets:**

**Change in fair value of plan assets:**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Opening fair value of the plan assets	13.24	10.82
Contributions by the employer	2.00	2.49
Interest on plan assets	0.91	0.90
Actuarial gain recognised in OCI	0.02	-
Benefits paid	(0.49)	(0.97)
<b>Closing fair value of the plan assets</b>	<b>15.68</b>	<b>13.24</b>

**d. Amounts recognised in the Balance Sheet:**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Present value of the DBO at the end of the year:	13.57	16.50
Fair value of plan assets	(15.71)	(13.24)
<b>Net liability</b>	<b>(2.14)</b>	<b>3.26</b>

**e. Net liability is bifurcated as follows:**

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Current	(2.14)	1.66
Non-current	-	1.60
	<b>(2.14)</b>	<b>3.26</b>

**f. The principal assumptions used in determining gratuity (funded) DBOs for the Company are shown below:**

	March 31, 2020	March 31, 2019
Discount rate	6.65%	7.75%
Salary escalation rate	3.00%	10.00%

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion, economical challenges due to COVID-19 and other relevant factors such as supply and demand in the employment market.

The overall expected rate of return on plan assets is determined based on the market prices prevailing as on that date, applicable to the period over which the obligation is expected to be settled.

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g. A quantitative sensitivity analysis for significant assumption as at March 31, 2020 is as follows:

Sensitivity level:	March 31, 2020		March 31, 2019	
	Rs. million		Rs. million	
<b>Discount rate</b>	1% increase	1% decrease	1% increase	1% decrease
Impact on DBO	(0.99)	1.13	(1.48)	1.72
<b>Salary escalation rate</b>	1% increase	1% decrease	1% increase	1% decrease
Impact on DBO	1.06	(0.93)	1.04	(0.95)
<b>Employees turnover</b>	1% increase	1% decrease	1% increase	1% decrease
Impact on DBO	0.23	(0.25)	(0.14)	0.15

The sensitivity analyses 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.

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

	March 31, 2020	March 31, 2019
	Rs. million	Rs. million
Within the next 12 months (next annual reporting period)	1.56	1.65
From 2 to 5 years	3.66	3.60
Beyond 5 years	21.42	38.51
<b>Total expected payments</b>	<b>26.64</b>	<b>43.76</b>

The average duration of the defined benefit plan obligation at the end of the reporting period is 8.76 years (March 31, 2019: 12.73 years).

i. Defined benefit and contribution plans:

Amount recognised as an expense and included in note 28 as "Contribution to provident and other funds":

	March 31, 2020	March 31, 2019
	Rs. million	Rs. million
Contribution to government provident fund	8.09	7.73
	<b>8.09</b>	<b>7.73</b>

Note 36: Commitments

a. Capital and other commitments

	March 31, 2020	March 31, 2019
	Rs. million	Rs. million
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances):	5.52	9.11

b. Contingent liabilities not provided for

	March 31, 2020	March 31, 2019
	Rs. million	Rs. million
<b>Claims against the Company not acknowledged as liability:</b>		
Litigation - direct tax matters	-	0.23
Litigation - indirect tax matters	4.57	16.40
Matters relating to customs duty under dispute (refer note below)	92.28	92.28
Bank guarantees	0.35	8.40
	<b>97.20</b>	<b>117.31</b>

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

a) The Company's pending litigations comprise of claims against the Company primarily for income tax and indirect tax matters.

b) 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 financials statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results. Refer above note for details on contingent liability.

c) The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law or accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.

d) The Company had received demand cum show cause notice under section 28(4) read with section 124 of the Customs Act, 1962 from the Directorate of Revenue Intelligence ('DRI'), for short payment of duty due to non-inclusion of certain payments to vendors for determining assessable value for payment of Custom Duty. The Company is confident that its position will likely be upheld in the appellate process against the above demand. However, the Company had deposited Rs. 12.7 million under protest in previous year, refer note 9.

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

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Note 37: Related party disclosure

a. Name of related parties and nature of relationship:

i. Joint venture partners

Arvind Fashion Limited  
PVH B.V.  
Tommy Hilfiger Europe B.V. (till March 28, 2019)

ii. Members of the group of the joint venture partners

Arvind Internet Limited  
Arvind Limited  
Arvind Lifestyle Brands Limited  
Arvind Goodhill Suit Mfg Pvt Ltd.,  
Aura Securities Private Limited  
Calvin Klein Arvind Fashion Private Limited  
PVH Hong Kong Sourcing Services Limited (amalgamated with PVH Far East Limited in February, 2020)  
PVH Far East Limited  
PVH Corp.  
Tommy Hilfiger Asia Limited  
Tommy Hilfiger (HK) Limited  
Tommy Hilfiger Licensing LLC

iii. CEO & Managing Director

Mr. Shailesh Chaturvedi

b. Disclosure in respect of related party transactions:

Nature of transactions	March 31, 2020	March 31, 2019
	Rs. million	Rs. million
<b>Sales of goods and materials (net of returns)</b>		
Aura Securities Private Limited	-	(12.07)
Arvind Limited	1.42	0.48
Arvind Lifestyle Brands Limited	5.21	-
<b>Cross charge of expenses by Company</b>		
Calvin Klein Arvind Fashion Private Limited	58.02	79.76
Arvind Fashion Limited	5.90	-
<b>Purchase of traded goods</b>		
Tommy Hilfiger Europe B.V.	1.40	4.33
PVH Corp	-	3.61
PVH Far East Limited	-	0.06
Arvind Goodhill Suit Mfg Pvt Ltd.,	6.07	-
<b>Purchase of Property Plant Equipment</b>		
Arvind Limited	0.84	2.76
<b>Buying office commission</b>		
Tommy Hilfiger (HK) Limited	11.46	15.03
Tommy Hilfiger Europe B.V.	26.06	21.62
Tommy Hilfiger Licensing LLC	1.23	0.66
PVH Corp	7.78	3.42
PVH Far East Limited	8.54	-
PVH Hong Kong Sourcing Services Limited	25.43	30.73
<b>Royalty expenses</b>		
Tommy Hilfiger Europe B.V.	328.34	307.75
<b>Management commission</b>		
Aura Securities Private Limited	-	2.14
<b>Other expenses</b>		
Tommy Hilfiger Europe B.V.	0.26	1.36
Tommy Hilfiger (HK) Limited	-	0.30
Tommy Hilfiger Asia Limited	3.66	7.42
Arvind Goodhill Suit Mfg Pvt Ltd.,	-	-
Arvind Limited	2.04	-
Arvind Lifestyle Brands Limited	2.04	0.04
<b>Salaries, bonus and contribution to provident fund</b>		
Key management personnel	35.93	36.73

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	March 31, 2020 Rs. million	March 31, 2019 Rs. million
<b>c. Outstanding balances payable/ receivable from related parties</b>		
<b>Nature of transactions</b>		
<b>Trade payables</b>		
Tommy Hilfiger Europe B.V.	77.06	81.27
Tommy Hilfiger (HK) Limited	2.71	9.10
Tommy Hilfiger Licensing LLC	0.80	0.26
Tommy Hilfiger Asia Limited	1.32	1.15
PVH Corp	1.33	-
PVH Far East Limited	8.54	0.06
PVH Hong Kong Sourcing Services Limited	-	2.70
<b>Other payables</b>		
Arvind Limited	-	0.27
Key management personnel	11.56	10.90
<b>Trade receivables</b>		
Arvind Limited	2.86	-
Arvind Internet Limited	-	0.25
Arvind Lifestyle Brands Limited	7.01	-
<b>Other receivables</b>		
Calvin Klein Arvind Fashion Private Limited	29.15	21.76
Arvind Fashion Limited	6.84	-

**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 receivables or payables. 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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**Note 38: Segment reporting**

**Business segments**

The Company is primarily engaged in a single business segment viz., trading and retailing of readymade garments, accessories and licensing of other Tommy Hilfiger branded products, which is governed by similar set of risks and returns. Accordingly, no separate segment disclosures are required.

**Geographical segments**

The Company's geographical areas of operations comprises of a) India and b) outside India. The operations outside India for the year are not falling within the criteria of reportable segment hence geographical segment reporting is not applicable for the year.

**Note 39: Hedging activities and derivatives**

**Cash flow hedges**

**Foreign currency risk**

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast purchases in US dollar. These forecast transactions are highly probable. The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates.

**The Company is holding the following foreign exchange forward contracts**

	Maturity					(Rs. millions)
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 month	Total
<b>At March 31, 2020</b>						
Foreign exchange forward contracts (highly probable forecast purchases)						
Notional amount (in INR million)	54.35	159.16	308.08			521.59
Notional amount (in USD million)	0.75	2.20	4.23			7.18
Average forward rate (INR/USD)	72.47	72.35	72.92	-	-	72.70
<b>At March 31, 2019</b>						
Foreign exchange forward contracts (highly probable forecast purchases)						
Notional amount (in INR million)	122.23	167.16	548.74	227.76	-	1,065.90
Notional amount (in USD million)	1.75	2.28	7.63	3.20	-	14.85
Average forward rate (INR/USD)	69.85	73.48	71.97	71.18	-	71.78

**The impact of the hedging instruments on the balance sheet is, as follows:**

	31-Mar-20			March 31, 2019	
	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period	
<b>At March 31, 2020</b>					
Foreign exchange forward contracts	521.59	27.19	Other financial assets	-	
<b>At March 31, 2019</b>					
Foreign exchange forward contracts	1,065.90	21.77	Other current financial liability	-	

**The impact of hedged item on the balance sheet is as follows:**

	31-Mar-20						March 31, 2019		
	Balance in cash flow hedge reserve			Balance in cash flow hedge reserve			Balance in cash flow hedge reserve		
	Change in fair value used for measuring ineffectiveness	For continuing hedges	For hedge no longer required	Change in fair value used for measuring ineffectiveness	For continuing hedges	For hedge no longer required	Change in fair value used for measuring ineffectiveness	For continuing hedges	For hedge no longer required
Highly probable forecast purchase	-		(27.19)	-			21.77		-

**The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income is, as follows:**

	31-Mar-20						March 31, 2019		
	Total hedging loss recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Cost of hedging recognise in OCI	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss	Total hedging loss recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss
<b>Year ended March 31, 2020</b>									
Highly probable forecast purchases	(40.70)	-	NA	-	(7.57)	Other expenses			
<b>Year ended March 31, 2019</b>									
Highly probable forecast purchases	21.07	-		-	0.70	Other expenses			

**Derivative not designated as hedging instruments**

During the previous year, the Company used foreign exchange forward contracts to manage some of its foreign currency transaction exposure. The foreign exchange forward contracts were not designated as cash flow hedges and were entered into for periods consistent with foreign currency exposure of the underlying transactions.

**Note 40: Fair values**

The carrying amounts of trade receivables, trade payables, capital creditors, and cash and cash equivalents are considered to be same as their fair values, due to their short-term nature.

The carrying values of loans and security deposits are considered to be reasonably same as their fair values. These are classified as level 2 fair values in the fair value hierarchy due to inclusion of unobservable inputs including counterparty credit risk.



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**Note 41: Fair value hierarchy**

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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
- 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2020:

Company's assets and liabilities which are measured at amortised cost for which fair value are disclosed at March 31, 2020.

	Carrying amount as at March 31, 2020	Fair value		
		Level I	Level II	Level III
<b>Financial assets at amortized cost:</b>				
Loans (refer note 7)	162.09	-	-	162.09
<b>Financial assets carried at fair value through OCI:</b>				
Cash flow hedge				
Foreign exchange forward contracts (refer note 8)	27.19		27.19	

Company's assets and liabilities which are measured at amortised cost for which fair value are disclosed at March 31, 2019.

	Carrying amount as at March 31, 2019	Fair value		
		Level I	Level II	Level III
<b>Financial assets at amortized cost:</b>				
Loans (refer note 7)	134.37	-	-	134.37
<b>Financial liabilities carried at fair value through OCI:</b>				
Cash flow hedge				
Foreign exchange forward contracts (refer note 21)	21.77		21.77	

The fair values of the Company's security deposits are determined by using Discounted Cash Flow (DCF) method using discounting rate that reflects the issuers borrowing rate for the respective financial assets/ liabilities as at the end of the reporting period.

**Note 42: Financial risk management objectives and policies**

The Company's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to support the Company's operations. The Company's principal financial assets include trade and other receivables and cash and cash equivalents that derive directly from its operations.

The Company's activities is exposed to market risk, credit risk and liquidity risk. In order to minimize any adverse effects on the financial performance of the Company, foreign exchange forward contract, are entered to hedge foreign currency exposures. Derivatives are used exclusively for hedging purpose and not as trading/ speculative instruments. The board of directors reviews and agrees policies for managing each of these risks, which are summarized below:

**a) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as at March 31, 2020 and March 31, 2019.

The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post-retirement obligations; provisions.

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2020 and March 31, 2019.

**i) Interest rate risk**

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



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**Interest rate sensitivity**

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

	March 31, 2020		March 31, 2019	
	Rs. million		Rs. million	
Basis points	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Effect on profit before tax	(7.21)	7.21	(5.52)	5.52

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

**ii) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities denominated in foreign currency.

The Company manages its foreign currency risk by hedging its foreign currency exposure using foreign currency forward contracts. As at March 31, 2020, the Company has hedged 63% (March 31, 2019: 48%) of its payables in foreign currency.

**Foreign currency sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in USD and Euro, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	March 31, 2020		March 31, 2019	
	Rs. million		Rs. million	
Change in USD	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Effect on profit before tax	(0.38)	0.38	(0.50)	0.50
Change in EUR	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Effect on profit before tax	(0.08)	0.08	(0.09)	0.09

**Unhedged foreign currency exposure**

1. Foreign exchange forward contracts outstanding to hedge foreign currency payables/ highly probable forecasted payables:

	March 31, 2020	March 31, 2019
USD (in million)	7.18	14.85
INR equivalent of above (Rs. million) [at closing exchange rates]	540.53	1,029.48

2. Un-hedged foreign currency exposures as at the Balance Sheet date:

	March 31, 2020		March 31, 2019	
	Amount in foreign currency (million)	Amount in INR (Rs. million)	Amount in foreign currency (million)	Amount in INR (Rs. million)
Trade payables (USD)	1.01	76.29	1.45	100.23
Trade payables (EUR)	0.20	16.66	0.23	18.07

**b) Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables).

**Trade receivable**

Customer credit risk is managed as per the Company's established policy, procedures and control relating to customer credit risk management. Credit limit are established for all customer based on internal rating criteria. Outstanding customer receivables are regularly monitored. The Company has no concentration of credit risk as the customer base is widely distributed.

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At March 31, 2020, the Company had 17 customers (March 31, 2019: 21 customers) that owed the Company more than Rs. 10 million each and accounted for approximately 90% (March 31, 2019: 93%) of all the receivables outstanding. There were 6 customers (March 31, 2019: 7 customers) with balances greater than Rs. 50 million accounting for just over 69% (March 31, 2019: 67%) of the total amounts receivable.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on exchange losses historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 11. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in different geographical regions and operate in largely independent markets.



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c) Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligation without incurring unacceptable losses. The Company's objective is to, at all times maintain optimum level of liquidity to meet its cash and collateral requirements.

The Company monitors its risk of shortage of funds. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts/ bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be moderate. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

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

	(Rs. million)			
	Less than 1 year	1 year to 5 years	More than 5 years	Total
<b>As at March 31, 2020</b>				
Borrowings (note 18)	1,391.58	-	-	1,391.58
Trade payables (note 19)	784.04	-	-	784.04
Security deposits from customers (note 20)	11.34	-	-	11.34
Other financial liabilities (note 21)	77.77	-	-	77.77
Lease liability (note 6)	209.18	-	-	209.18
<b>As at March 31, 2019</b>				
Borrowings (note 18)	1,242.95	-	-	1,242.95
Trade payables (note 19)	659.49	-	-	659.49
Security deposits from customers (note 20)	7.70	-	-	7.70
Other financial liabilities (note 21)	69.21	-	-	69.21

Excessive risk concentration

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

Note 43: Capital management

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

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

	March 31, 2020 Rs. million	March 31, 2019 Rs. million
Borrowings (note 18)	1,391.58	1,242.95
Less: Cash and cash equivalent (note 12)	(3.47)	(20.40)
Less: Other current bank balances (note 13)	-	(1.16)
Net debt	1,388.11	1,221.39
Equity share capital (note 14)	298.95	298.95
Other equity (note 15)	1,085.53	1,156.61
Total capital	1,384.48	1,455.56
Capital and net debt	2,772.59	2,676.95
Gearing ratio	50%	46%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any borrowing in the current period.

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

Note 44: Transfer pricing

During the year ended March 31, 2020, the Company has entered into certain transactions with its related parties as defined under section 92BA of Income Tax Act, 1961 ("the Act"). The Company, as required under the Act, is in the process of getting the transfer pricing evaluation conducted for International and Specified Domestic Transactions undertaken during the year. The Company is confident that the International and Specified Domestic Transactions with associated/ related enterprises are at arm's length, and accordingly does not expect any material financial adjustment on completion of the transfer pricing evaluation.



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**Note 45: Scheme of amalgamation**

In the board meetings held on November 4, 2019, the respective Board of Directors of Tommy Hilfiger Arvind Fashion Private Limited (Company) and Calvin Klein Arvind Fashion Private Limited ("CK") have approved the scheme of amalgamation between the Company and CK pursuant to provisions of Section 230 to 232 of the Companies Act, 2013 whereby it is proposed to amalgamate the Company into CK. The Scheme is subject to approval of relevant regulatory authorities. Pending such approvals, the Company has not given effect of the scheme in the audited financial information for the year ended March 31, 2020.

**Note 46: Note on COVID 19 Pandemic**

The spread of COVID-19 has severely impacted businesses around the globe. It has caused severe effects on the economy, world over including India due to lockdowns, disruptions in transportation, supply chain, travel plans, quarantines, social distancing and other emergency measures.

The Company is engaged in the business of trading and retailing of readymade garments, accessories and licencing of other Tommy Hilfiger branded products through its retail stores at various locations in India. The business of the Company is also affected by this disruption. The effects such as lower than normal business, other disruptions are expected to have continuing effect at least for the next two quarters based on current assessment.

However, the Company has made detailed assessment of the liquidity position for the next one year and of the recoverability and carrying value of its assets comprising Property, Plant and Equipment, Right of Use Assets, Intangible Assets, Trade Receivables, inventory as at balance sheet date and has made appropriate adjustment along with adjustment to revenue recognition and actuarial assumptions. In assessing the recoverability of its assets including receivables and inventories, the Company has considered internal and external information up to the date of approval of these financial statements including economic forecasts. The Company has performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets. The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Company will continue to closely monitor any material changes to future economic conditions

As per our report of even date  
For Sorab S Engineer & Co.  
Chartered Accountants  
ICAI Firm Registration Number: 110417W  
*Chokshi Shreyas B.*  
CA Chokshi Shreyas B.  
Partner  
Membership No.: 100892

Place: Bangalore  
Date: *May 21, 2020*

For and on behalf of the board of directors of  
Tommy Hilfiger Arvind Fashion Private Limited

*Shatesh Chaturvedi*  
Shatesh Chaturvedi  
Managing Director  
DIN: 03023079

*Ravi Rao*  
Ravi Rao  
Chief Financial Officer  
Place: Bangalore  
Date: 21.05.2020

*Pranod Kumar Gupta*  
Pranod Kumar Gupta  
Director  
DIN: 00064041  
*Lipi Jha*  
Lipi Jha  
Company Secretary



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## **1. Corporate information**

Tommy Hilfiger Arvind Fashion Private Limited ("the Company") is a joint venture (JV) between Arvind Fashion Limited and PVH BV and Tommy Hilfiger Europe BV (till March 28, 2019). The Company has the license to use Tommy Hilfiger trademarks in connection with the manufacture, import, distribution, promotion, advertising and sale of products in India. The Company is engaged in marketing and wholesale trading activity of Tommy Hilfiger brand apparels, accessories and other products in India. Further, the Company has also sublicensed its rights to third parties for sale of other Tommy Hilfiger licensed products.

During the year ended March 31, 2017, the Company had received approval from the Department of Industrial Policy and Promotion (DIPP) for Foreign Direct Investment (FDI) up to 50% for single brand retail trading of Tommy Hilfiger branded products. Basis which, the Company has started retail activity of Tommy Hilfiger brand apparels, accessories and other products in India from August 22, 2016.

The financial statements were approved by Board of Directors in the meeting held on May 21, 2020.

## **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) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III), as applicable.

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 INR and all values are rounded to the nearest millions (INR 000,000), except when otherwise indicated.

### **2.2 Summary of significant accounting policies**

The following are the significant accounting policies applied by the Company in preparing its financial statements:

#### **i) 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 equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is 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.



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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 or cash equivalents. The Company has identified twelve months as its operating cycle.

**ii) Foreign currencies**

The Company's financial statements are presented in Indian rupees (INR), which is also the Company's functional currency.

**Transactions and balances:**

Transactions in foreign currencies are initially recorded by the Company's at the functional currency spot rates at the date the transaction first qualifies for recognition. 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 are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or on translation of monetary items are recognised in 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).

**iii) 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;

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- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- 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.

Fair value for measurement and/ or disclosure purpose in these financial information is determined on such a basis, except for leasing transaction that are within the scope of Ind AS 17 and measurement that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

#### **iv) Revenue from contracts with customers**

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

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 34.

##### **a) Sale of goods**

Revenue from the sale of goods is recognized at the point in time when control of the goods is transferred to the customer, i.e., generally on delivery of the goods. The normal credit term is 30 to 180 days upon delivery.

##### **Variable consideration**

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

##### **i. Rights of return**

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

##### **ii. Discounts**

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



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**b) Interest**

For all financial 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 net carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in finance income in the Statement of Profit and Loss.

**c) License fee/ Commission**

Revenue from license fee and commission is recognized as per contractual terms, on an accrual basis.

**d) Contract balances**

**i. Contract assets**

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

**ii. Trade receivables**

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

**iii. Contract liabilities**

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

**e) Assets and liabilities arising from rights of return**

**i. Right of return assets**

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

**ii. Refund liabilities**

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

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**v) Income tax**

a) Current income tax

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

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income 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.

b) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 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.

**vi) Property, plant and equipment**

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost includes the purchase price, borrowing costs if capitalization criteria are met

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and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Capital work-in-progress are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Cost includes borrowing costs for long term construction projects if the recognition criteria is met.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gains or losses arising from derecognition of property, plant and equipments are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

The Company identifies and determines cost of asset significant to the total cost of the asset having useful life that is materially different from that of the remaining life.

**Depreciation on property, plant and equipment**

Depreciation on property, plant and equipment is calculated on a straight line basis using the rates arrived at based on the useful lives estimated by the management. The identified components are depreciated over their useful lives; the remaining assets are depreciated over the life of the principal asset. The Company has used the following rates to provide depreciation on its tangible fixed assets:

Assets Description	Useful lives estimated by management (in years)	Useful life as per Schedule II (in years)
Plant and equipment	15	15
Computers and servers		
-Computers	3	3
-Servers	6	6
Vehicle	4	8
Office equipment	3	5
Furniture and fixtures	8	10

Leasehold improvements are depreciated over the useful life of 8 years or over the period of the lease, whichever is lower.

Prorated depreciation is provided on all assets purchased or sold during the year.

Where the estimated useful lives are different from lives prescribed under Schedule II, management has estimated these useful lives after taking into consideration technical assessment, prior asset usage experience and the risk of technology obsolescence. The management believes that the estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

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

**vii) Intangible assets**

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

The useful lives of intangible assets are assessed as finite.



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

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

The intangible asset comprising Trademark license fee is amortised over a term of 15 years and software licenses are amortised over the term of 3 - 5 years.

**viii) 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 cost also includes 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.

**ix) Leases**

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

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

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

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

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

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

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

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

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

**x) 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 realizable value is the estimated selling price in the ordinary course of business, less 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 on the basis of management estimates.

**xi) 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 units (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.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally covers a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/ forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the Statement of Profit and Loss, except for previously revalued property, plant and equipment, with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus.

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 recognized 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the Statement of

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Profit and Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

**xii) Provisions**

Provisions are recognized when the Company has a present obligation 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.

**xiii) Retirement and other employee benefits**

**a) Defined contribution plan**

Retirement benefits 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 recognizes 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 recognized 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 recognized 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**

The Company operates a defined benefit gratuity plan. The Company contributes to a gratuity fund maintained by an independent insurance company.

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

Remeasurements, 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. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in 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:

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

**c) Leave encashment/ compensated absence**



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Accumulated leave, which is expected to be utilized 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 twelve months after the reporting date.

**xiv) 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.

**a) 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:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- 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:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

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- 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.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables. For more information on receivables, refer to note 11.

#### Debt instrument at FVTOCI:

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

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- 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 recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI 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 categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized 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 recognized in the Statement of Profit and Loss.

#### Derecognition:

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

- The rights to receive cash flows from the asset have expired, or
- 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:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- Financial assets that are debt instruments and are measured as at FVTOCI
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 115/ Ind As 18.
- Loan commitments which are not measured as at FVTPL
- Financial guarantee contracts which are not measured as at FVTPL

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables or contract revenue 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:

- 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;
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/expense in the Statement of Profit and Loss (P&L). This amount is reflected under the head 'other expenses' in the P&L. The balance sheet presentation for various financial instruments is described below:

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





**Tommy Hilfiger Arvind Fashion Private Limited**  
**Notes to financial statements for the year ended March 31, 2020**

- 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.

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

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

**b) Financial liabilities**

**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 trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

**Subsequent measurement:**

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

**Loans and borrowings:**

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss. This category generally applies to borrowings. For more information refer note 18.

**Derecognition:**

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 derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit 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.

**xv) Derivative financial instruments and hedge accounting**

**Initial recognition and subsequent measurement**

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The Company uses derivative financial instruments, such as forward currency 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 ongoing 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 39 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 sale 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.

#### **xvi) Cash and cash equivalents**

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

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

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**xvii) Earnings per share**

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity 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.

**xviii) Measurement of profit before interest, depreciation/ amortization and tax (PBIDT)**

As per Ind AS 1 "Presentation of financial statements", the Company has elected to present PBIDT as a separate line item on the face of the Statement of Profit and Loss. The Company measures PBDIT on the basis of profit/loss from continuing operations. In its measurement, the Company does not include depreciation/amortisation expenses, finance costs and tax expenses.

**xix) Contingent liability**

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 recognized 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 recognized because it cannot be measured reliably. The Company does not recognize 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.

**xx) Segment reporting**

**Identification of segments**

The Company's operating businesses are organized 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.

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