# REVITALISING GROWTH.
# REFRESHING BRANDS.
# REIMAGINING FASHION.

ANNUAL REPORT

2021

ARVIND FASHIONS

# CONTENTS



## Board of Directors

Mr. Sanjay Lalbhai - Chairman & Non-Executive Director
Mr. Shailesh Chaturvedi - Managing Director & CEO
Mr. Kulin Lalbhai - Non-Executive Director
Mr. Punit Lalbhai - Non-Executive Director
Mr. Suresh Jayaraman - Non-Executive Director
Ms. Nithya Easwaran - Non-Executive Director
Mr. Nilesh Dhirajlal Shah - Non-Executive Independent Director
Ms. Abanti Sankaranarayanan - Non-Executive Independent Director
Mr. Nagesh Dinkar Pinge - Non-Executive Independent Director
Mr. Achal Anil Bakeri - Non-Executive Independent Director
Mr. Vallabh Roopchand Bhanshali - Non-Executive Independent Director
Ms. Vani Kola - Non-Executive Independent Director

## Audit Committee

Mr. Nagesh Dinkar Pinge - Chairman
Mr. Nilesh Dhirajlal Shah - Member
Ms. Abanti Sankaranarayanan - Member
Ms. Nithya Easwaran - Member

## Nomination and Remuneration Committee

Mr. Nilesh Dhirajlal Shah - Chairman
Mr. Achal Anil Bakeri - Member
Mr. Punit Lalbhai - Member
Ms. Nithya Easwaran - Member

## Corporate Social Responsibility Committee

Mr. Kulin Lalbhai - Chairman
Mr. Punit Lalbhai - Member
Mr. Nilesh Dhirajlal Shah - Member

## Stakeholders Relationship Committee

Mr. Kulin Lalbhai - Chairman
Ms. Nithya Easwaran - Member
Mr. Nilesh Dhirajlal Shah - Member

## Risk Management Committee

Mr. Suresh Jayaraman - Chairman
Mr. Shailesh Chaturvedi - Member
Mr. Nagesh Dinkar Pinge - Member
Mr. Nilesh Dhirajlal Shah - Member
Ms. Abanti Sankaranarayanan - Member
Ms. Nithya Easwaran - Member

## Committee of Directors

Mr. Sanjay Lalbhai - Member
Mr. Kulin Lalbhai - Member
Mr. Punit Lalbhai - Member
Mr. Suresh Jayaraman - Member
Mr. Shailesh Chaturvedi - Member

## Chief Financial Officer

Mr. Pramod Kumar Gupta

## Company Secretary & Compliance Officer

Mr. Vijay Kumar B S

## Auditors

M/s. Sorab S. Engineer & Co.
902, Raheja Centre, Free Press Journal Marg,
Nariman Point Mumbai 400-021
Phone: 022-22824811, 22040861
E-mail: sbchokshi@sseco.in

## Bankers to our Company

ICICI Bank Limited
HDFC Bank Limited
IDFC Bank Limited
Kotak Mahindra Bank Limited
Yes Bank Limited
State Bank of India
IndusInd Bank
RBL Bank Limited
Bank of Baroda

## Registered Office

Main Building, Arvind Limited Premises,
Naroda Road, Ahmedabad – 380025 Gujarat, India.
Website: www.arvindfashions.com

## Registrar And Transfer Agent

Link Intime India Private Limited
506 – 508, Fifth Floor, Opp. Municipal Market
Amarnath Business Centre – 1 (ABC-1),
Beside Gala Business Centre,
Near St. Xaviers College Corner, Off. C. G. Road,
Navrangpura, Ahmedabad -380009.
Phone & Fax No : 079-26465179
Email :ahmedabad@linkintime.co.in
Website: www.linkintime.co.in

# Message from the Chairman

FY21 was an important year for your company Arvind Fashions Limited (AFL). The company carried forward the initiatives started in FY20 with the rationalization of its portfolio and strengthening its operations in its journey to become a more nimble and agile organization that can respond to economic headwinds at a short notice. FY21 was also a watershed moment in the history of our nation and of your company as well. The pandemic, that started to disrupt the economic activity as early as Mar'20, peaked during the fiscal, including a few months of almost complete standstill in the economy, esp. in discretionary categories.

Anticipating the need to have a focused approach towards the well-being of the organization and its constituents, the priorities of the company were repurposed to respond to this once in a century black swan event. Following actions were undertaken to tide over the pandemic induced slowdown:

1. Extended medical care and support to all its employees – Hospital & Bed support, medical help line, critical care support

2. Digital drive to reach to the customer directly at her home – Direct to consumer focus

3. Cost optimization with suppressed revenues – Rent negotiation, manpower optimization, fixed cost reduction

4. Working capital optimization – Reduction of gross working capital by ~500 Cr

5. Recapitalization of the company

6. Strategic partnership with leading e-commerce player for one of the power brand – Flying machine

7. Closing of unviable stores and brands, leading to a lean portfolio of 6 focus brands (USPA, Tommy Hilfiger, Flying Machine, Arrow, Calvin Klein and Sephora)

The above actions helped us to tide over this pandemic and emerge stronger to grow profitably in the years to come.

First half of the fiscal was a wash out because of extended lockdowns, first nationally and then regional. The business started to pick up pace with reduced number of Covid cases and the onset of festival & wedding season in Q3. Q4 saw some impact of Covid second wave in March '21, but given the significantly larger impact of Covid in March '20, our retail channel saw growth over corresponding quarter last year. Our key brands eg. USPA, Tommy Hilfiger, Calvin & Sephora registered high double digit same store growth with improved share of direct to consumer revenue. In addition, the focused categories like footwear & innerwear emerged as our next growth engines. Footwear more than doubled its revenue in Q4 and grew high double digit year on year basis despite Covid impact.

The company has witnessed a sea change in the consumer behavior in the post pandemic world and believes that most of these changes are going to become the new normal in times to come. There was an accelerated shift towards casualization and a high degree of digital adoption, with e-commerce channel becoming extremely prominent and more relevant than ever.

Your company is well poised to capitalize on the new consumer behavior with its digital eco system & "right for online" casual brands. We are India's leading offline to online apparel led lifestyle organization with a complete tech stalk capable of managing own website, market place operations and full on-ground omni operations. Our portfolio of brands is apt for the digital casualization in the post pandemic world. Our portfolio includes U.S Polo Assn. – the market leader among casual brands, Tommy Hilfiger – the leading super premium casual wear brand, Flying Machine – amongst the top three denim brands in the country & Calvin Klein – the leading super premium denim brand. The strategic tie up with Flipkart group last year on Flying machine brand has helped the brand scale up multifold on digital channels.

Your company has been an early adopter of digital with a deep focus on Omni-channel capabilities even before onset of Covid. We were able to further scale up our digital & Omni play by extending our marketplace integrations with all large e-commerce players. Connecting the stores and warehouses to online portals helped manage our inventory turns and store productivity. We also further strengthened our e-commerce fulfillment capabilities with 5 dedicated B2C (Business to customer) warehouses with capacity to service up to ~30000 orders per day, thereby reducing the delivery time for customers. Your company was able to leverage its existing and fresh investments in the digital ecosystem during the pandemic crisis, with digital revenue contributing to ~1/3rd of the annual revenues.

The company has witnessed a sea change in the consumer behavior in the post pandemic world and believes that most of these changes are going to become the new normal in times to come. There was an accelerated shift towards casualization and a high degree of digital adoption, with e-commerce channel becoming extremely prominent and more relevant than ever.

Your company is really excited about the opportunity that our prestige beauty retailer Sephora presents. With its share of exclusive brands from the global portfolio Sephora has a niche of its own. With scaling up of Omni competence, we believe that Sephora is ready to outpace the growing beauty market in India.

In the year gone by, there was a renewed focus to reduce fixed cost on multiple fronts in order to achieve a leaner cost structure and create a 'Fit for Future' organization. Store rentals were negotiated for the lock down periods and structural changes were made to store costs. Unviable stores were closed down across the brand portfolio. Your company also consolidated B2B (Business to Business) warehouses from 11 locations to 4 locations leading to a large structural cost saving in B2B warehouse operations. Corporate overheads were rationalized significantly. Overall your company was able to save around ~500 Cr of fixed cost for the year. The efforts of the year gone by are likely to result in structural annual cost saving of over 100 Cr on an on-going basis.

Your company put equal emphasis on optimizing working capital needs of the organization. Significant progress was made in FY21 to reduce the inventory levels, especially aged inventory, across brands. We were able to reduce overall Inventory by ~400 Cr to take the inventory COGS turns up to 2.0 (annualized on H2 sales) from 1.5 last year. Receivables also improved markedly by ~125 Cr as we linked customer credit to their credit worthiness. Further processes have been adopted to manage timely inventory flow that allows buying much closer to the market, thereby reducing the inventory holding period and improving response to market trends. This will help your company to further enhance inventory turns and reduce future capital requirements as we get back on growth path.

Your company has also raised non-debt funds of Rs 760 Crs during FY21 through a combination of rights issue and strategic investment from Flipkart into Flying Machine. With this funds infusion, coupled with the release of Rs. 525 Crore in inventory and debtors, your company was able to reduce the debt by ~300 Cr

For the financial year ending March 2021, Arvind Fashions posted revenue of Rs 2,201 Crs and an EBITDA profit of Rs 121 Crs. Expectedly, revenue and even more so profitability was significantly impacted by Covid pandemic.

In summary, with a focused portfolio of six strong brands and significant Omni eco system capabilities, your company is in a strong position to leverage the opportunities available in the new post pandemic world, where consumer buying behavior is strongly moving towards direct to consumer channels. With low fixed cost structure and working capital optimization, we are a more capital efficient organization. Moving forward we will invest behind our high-conviction brands and ensure that we significantly enhance our profitability and return ratios in the years to come.

Warmest regards,

Sanjay Lalbhai

Sanjay Lalbhai
Chairman

# About Arvind Fashions

Arvind Fashions Limited aspires to be India's leading casual lifestyle company, defining how India dresses up in the new post pandemic world. With a powerful portfolio of leading global brands - we have something for every occasion & everyone. From entrepreneurs to millennials to value conscious families, and from the office going to work from home dressing, our brands are for the India of the present and the future.

The Company has an unmatched portfolio of renowned brands, both international and indigenous, like U.S. Polo Assn., Tommy Hilfiger, Calvin Klein, Arrow, Flying Machine etc. With Sephora, AFL is the leading player in India in prestige beauty. AFL also plays in the value segment through its own retail chain 'Unlimited'.

U.S Polo Assn., has defined casual dressing in India and is now the leading casualwear brand in its price segment across multiple product categories. We also brought to India the 2 most successful designer brands – Tommy Hilfiger & Calvin Klein, in the premium casual wear space. These brands are the top 2 brands in their segment. Fueling India's booming fashion aspiration, we launched India's first denim brand – Flying Machine as early as 1980. Today Flying Machine is the top digital-first youth brand of India. With Arrow, India's first premium international men's wear brand, we raised the bar of excellence. Today Arrow is not only the go-to work wear of choice for everyone from corporate honchos to the bold and young professionals, it has also defined work from home dressing with its Sports & New York offering. AFL has successfully been able to extend into category adjacencies such as premium innerwear, kidswear, footwear and accessories across its portfolio of brands.

At Arvind Fashions, we care about our employees. Our 'One AFL' culture and our humane approach to people attracts and retains the top talent in the country. Our HR practices focus is on the wellness & holistic growth of our employees. Customers & consumers first is our philosophy and that is the reason why we are India's first choice in fashion and retail since our inception.


U.S. Polo Assn. #1 casual wear brand in India. This sport inspired lifestyle brand is the authentic and official brand of the United States Polo Association, the governing body for the sport of polo in the United States since 1890. The brand speaks to what is authentic about the sport, honours the tradition and grandeur of polo. It embraces the genuine spirit known throughout the world as Classic American Style promoting its core value as "Live Authentically". This power brand has a multi category play in men casual, footwear, innerwear, kids & accessories.


Tommy Hilfiger is one of the world's leading designer lifestyle brands with an American spirit. Communicating the universal language of style through top of line global brand ambassadors. The brand is internationally recognized for celebrating the essence of classic American cool, featuring preppy designs with a twist. Founded in 1985, Tommy Hilfiger delivers premium styling, quality and value to consumers with a wide portfolio of categories including men's, women's and kid's sportswear, denim, accessories and footwear. The brand has had its presence in India since 2004 and is the #1 international premium casual wear brand in the country


Cities 138

Stores 279

Catering to the coolest digital natives in the country, Flying Machine is Arvind's home-grown and India's digital first, youth brand with significant small town potential. Driven to innovate, Flying Machine has gained popularity with its attitude of pushing boundaries and innovating much like today's millennials. The brand is a trendsetter rather than a fad-follower and this attitude is reflected in each one of its 3 well defined segments. Incredible prices, strong market presence across India and with stores in all major cities, Flying Machine is an exciting brand in the Arvind Fashions portfolio.


Arrow, a brand that is the authority in dressing gentlemen since 1851, has been India's first international premium menswear brand. Launched in India in 1993, it has gone on to become the leading formal wear brand with a distinct heritage. The brand boasts of marquee innovations over the years such as introducing detachable collars, launching trousers with adjustable waistbands and pioneering some of the greatest product developments such has Autopress (Wrinkle free) shirts, 4-in-1 shirts, Anti-UV shirt etc. and brought wrinkle-free, stain free concepts to clothing. The brand understands the changing consumer preferences in the current context and has been offering 3 distinct lines – Elegant formal wear, Relaxed workwear (Arrow sports) & youthful new age workwear (Arrow New York). The brand appeal has been elevated by signing up Bollywood royalty, Hrithik Roshan, as the brand ambassador.

## CALVIN KLEIN

Cities 32

Stores 69

Calvin Klein is a global lifestyle brand that exemplifies bold, progressive ideals and a seductive and often minimal aesthetic. Founded in 1968, Calvin Klein is one of the most legendary fashion brands in the world. The brand is a leader in American fashion and seeks to thrill and inspire its audience while using provocative imagery and striking designs to ignite the senses. It has a market leadership in premium denimwear, innerwear, tees and fragrances. Through its many sub brands Calvin Klein Collection, Calvin Klein Platinum Label, Calvin Klein Underwear & Calvin Klein Performance the brand designs and markets women's and men's designer collection apparel. The brand has had its presence in India since 2007 and is the #2 international premium casual wear brand in the country.

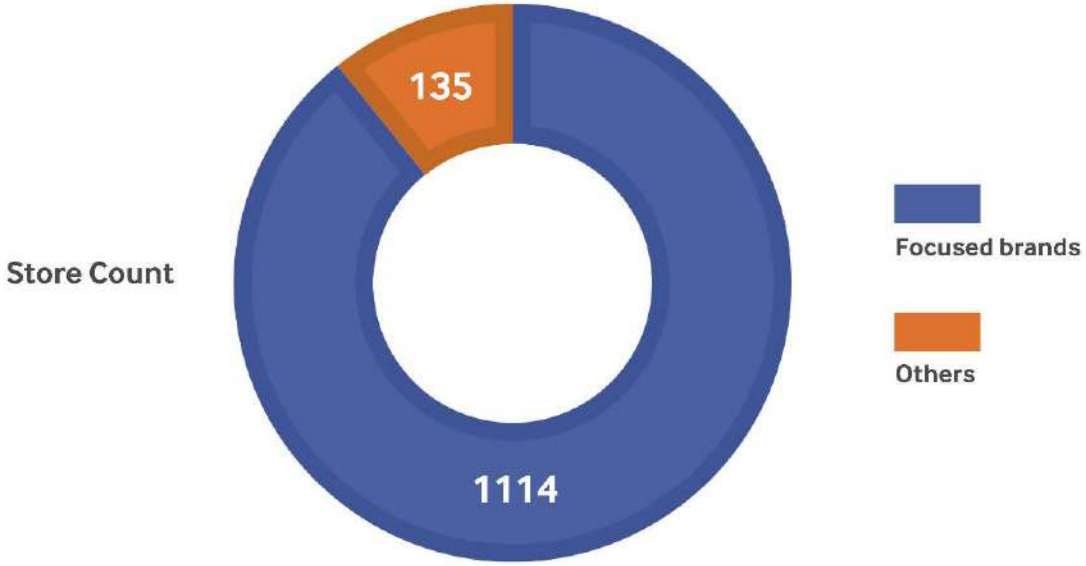

Arvind launched its beauty portfolio with the launch of Sephora - the world's largest beauty retailer, owned by LVMH. Sephora is the world's most loved beauty community, offering a unique retail experience for passionate clients and innovative beauty brands, encouraging them to be fearless in their creativity and self-expression. Being the #1 prestige beauty retailer in India, the brand is associated with amazing beauty selection and energetic retail experience. Growing from strength to strength, Sephora stands tall with 24 stores in India and a portfolio of more than 90 global brands in each store across categories like cosmetics, fragrances, skincare, make up & hair care.

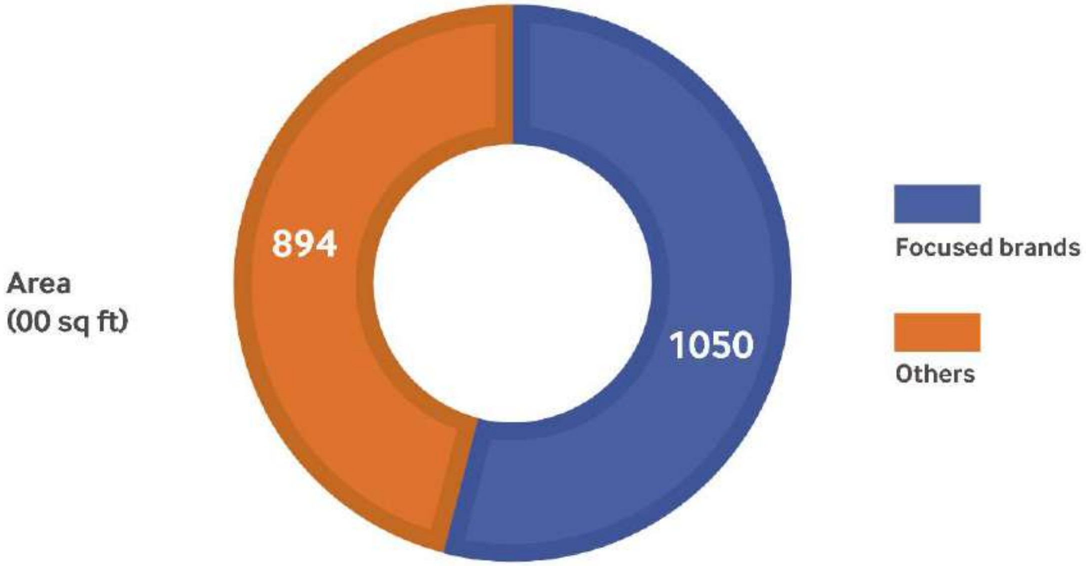

At UNLIMITED, fashion is unlimited! Unlimited is the retail chain from the trusted house of Arvind with a wide presence across multiple states. Its large well laid out stores offer the customer a unique and delightful shopping experience. With its own labels and selected partner brands, Unlimited brings to its customers a wide range of curated fashion across menswear, womenswear, kidswear, footwear and accessories. Carefully chosen fabrics, best in class manufacturing and strict adherence to testing standards ensures that the customers get only the best in quality, with the assurance of Arvind. At Unlimited you always get the freshest, latest styles – at prices that delight the value conscious shopper. Ask More & Get More – that's Unlimited!


Aéropostale
AÉROPOSTALE


Ed Hardy

# Geographical Footprint



# Notice

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of Arvind Fashions Limited will be held on Monday, August 23, 2021 at 11.00 a.m. through Video Conference ("VC")/ Other Audio Visual Means ("OAVM") ("hereinafter referred to as "electronic mode") to transact the following Business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited financial statements [including consolidated financial statements] of the Company for the financial year ended March 31, 2021 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Sanjay Lalbhai (DIN: 00008329), who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Punit Lalbhai (DIN 05125502), who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad as the Joint statutory auditors of the Company to hold office for a term of five years starting from 6th Annual General Meeting of the Company until the conclusion of the 11th Annual General Meeting of the Company and to authorise the Board of Directors of the Company to fix their remuneration.

   To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification, amendment or enactment thereof, for the time being in force), M/s. Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad (Firm Registration No.: 117365W) be and are hereby appointed as the Joint Statutory Auditor of the Company to hold the office from the conclusion of the 6th Annual General Meeting until the conclusion of the 11th Annual General Meeting of the Company to be held in the year 2026 at such remuneration plus applicable taxes and reimbursement of out-of-pocket expenses in connection with the Audit as may be mutually agreed between the Board of Directors of the Company and the Auditors."

**SPECIAL BUSINESS**

5. **To regularize appointment of Mr. Suresh Jayaraman (DIN: 03033110), as a Director of the Company**

   To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

   "**RESOLVED THAT** pursuant to the provisions of Sections 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Mr. Suresh Jayaraman (DIN: 03033110), who was appointed as an Additional Director by the Board of Directors of the Company with effect from February 01, 2021, and who holds office as such up to the date of this Annual General Meeting in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member in terms of Section 160 of the Companies Act, 2013, signifying its intention to propose Mr. Suresh Jayaraman (DIN: 03033110), as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company and that his office as a Director shall be subject to retirement by rotation."

6. **To approve appointment of Mr. Shailesh Shyam Chaturvedi, as Managing Director & Chief Executive Officer (CEO) of the Company for a term of five years.**

   To consider and if thought fit, to pass the following resolution with or without modification(s) as a Special Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Sections 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Mr. Shailesh Shyam Chaturvedi (DIN: 03023079), who was appointed as an Additional Director by the Board of Directors of the Company with effect from 12th November, 2020, and who holds office as such up to the date of this Annual General Meeting in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member in terms of Section 160 of the Companies Act, 2013, signifying its intention to propose Mr. Shailesh Shyam Chaturvedi (DIN: 03023079), as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company.

   **RESOLVED THAT** pursuant to the provisions of Sections 196, 197 and 203 and other applicable provisions, if any, of the Companies Act, 2013, (including any amendment thereto or enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013, the consent of the Company be and is hereby accorded to the terms of appointment of Mr. Shailesh Shyam Chaturvedi (holding DIN 03023079) as Managing Director & CEO of the Company, to hold office for a period of five years from 1st February , 2021 up to 31st January 2026 on the terms and conditions of appointment and remuneration as set out in the draft agreement of the appointment submitted to the meeting and initialled by the Chairman for identification and that he be paid remuneration by way of salary, perquisites, allowances and commission as approved by the Board of Directors of the Company and the Nomination & Remuneration Committee and as set out in the Explanatory Statement annexed hereto."

   **RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to revise, enhance, alter and vary from time to time the terms and conditions of the appointment and/or remuneration based on the recommendation of the and the

Nomination & Remuneration Committee in such manner as may be agreed to by the Board of Directors within the maximum amounts payable to the Directors in terms of the provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force).

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid resolutions."

**7. To approve raising of funds through issuance of securities of the Company**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to and in accordance with the applicable provisions of Sections 23, 42, 62, 179 and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder, including the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the Companies (Share Capital and Debentures) Rules, 2014, including any amendment(s) thereto or reenactment(s) thereof for the time being in force (collectively, the "Companies Act"), all other applicable laws, rules and regulations, the Foreign Exchange Management Act, 1999, and the rules and regulations made thereunder, including the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, each as amended from time to time (collectively, "FEMA"), the relevant provisions of the Memorandum and Articles of Association of the Company, applicable provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "SEBI ICDR Regulations"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the listing agreements entered into by the Company with the BSE Limited ("BSE"), National Stock Exchange of India Limited ("NSE", and together with BSE, the "Stock Exchanges") where the equity shares of the Company of face value of ₹4 each ("Equity Shares") are listed and such other statutes, clarifications, rules, regulations, circulars, notifications, guidelines, if any, as may be applicable, as amended from time to time issued by the Government of India ("Government of India"), the Ministry of Corporate Affairs ("MCA"), the Reserve Bank of India ("RBI"), BSE, NSE, the Registrar of Companies ("RoC"), the Securities and Exchange Board of India ("SEBI") and any other appropriate governmental or regulatory authority and subject to all other approval(s), consent(s), permission(s) and / or sanction(s) as may be required from various regulatory and statutory authorities, including the Government of India, the RBI, SEBI, MCA, RoC and the Stock Exchanges (hereinafter referred to as "Appropriate Authorities"), and subject to such terms, conditions and modifications as may be prescribed by any of the Appropriate Authorities while granting such approval(s), consent(s), permission(s) and/ or sanction(s), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall be deemed to mean and include any duly constituted committee thereof for the time being exercising the powers conferred by the Board), the approval of the members of the Company be and is hereby accorded to create, offer, issue and allot (including with provisions on firm and/or competitive basis, or such part of issue and for such categories of persons as may be permitted) such number of Equity Shares and/ or other securities convertible into or exchangeable into Equity Shares (including warrants or otherwise) (the "Securities") for cash, for an aggregate amount up to Rs.400 crores (Rupees Four Hundred crores), inclusive of such premium as maybe fixed on the Securities, by way of private placement through one or more qualified institutions placement ("QIP") in accordance with Chapter VI of the SEBI ICDR Regulations, to eligible "qualified institutional buyers" as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations ("QIBs") or by way of preferential issue in accordance with Chapter V of the SEBI ICDR Regulations, or through any other permissible mode or any combination thereof of any of the above (the "Issue"), subject to applicable laws, through placement documents, private placement offer cum application letters and/ or such other documents/ writings/ circulars/ memoranda, on such terms and conditions considering the prevailing market conditions and other relevant factors wherever necessary, including securities premium, at such price or prices, (whether at prevailing market price(s) or at permissible discount or premium to market price(s) in terms of applicable regulations) and on such terms and conditions as the Board may determine in consultation with the book running lead manager(s) to be appointed for the Issue ("Lead Manager(s)"), including, without limitation, the total number of Securities to be issued, face value, fixing book closure terms if any, as the Board may in its absolute discretion decide, in each case subject to applicable law and on such terms and conditions as may be determined and deemed fit and appropriate by the Board, at the time of such issue and allotment considering the prevailing market conditions and other relevant factors in consultation with the Lead Manager(s) so as to enable the Company to list the Securities issued, on the Stock Exchanges.

**RESOLVED FURTHER THAT** in the event that Securities are offered to QIBs through a QIP, the following shall apply:

a. the Securities, or any combination thereof as may be decided by the Board and subject to applicable laws, will be allotted within 365 days from the date of passing of the special resolution of the shareholders of the Company or such other time as may be allowed under the SEBI ICDR Regulations, at a price which is not less than the price determined in accordance with Regulation 176(1) of the SEBI ICDR Regulations (the "QIP Floor Price"), with the authority to the Board to offer a discount of not more than 5% (five percent) on the QIP Floor Price or such other discount as may be permitted under SEBI ICDR Regulations to the QIP Floor Price;

b. the "relevant date" for the purpose of pricing of any Equity Shares to be issued, shall be the date of the meeting in which the Board or the Committee of Directors authorized by the Board decides to open the proposed QIP;

c. in case of allotment of eligible convertible securities, the "relevant date" for the purpose of pricing of such convertible securities shall be the date of the meeting in which the Board or the Committee of Directors authorized by the Board decides to open the proposed QIP, or the date on which the holders of the eligible convertible securities are entitled to apply for Equity Shares;

d. no single allottee shall be allotted more than 50% of the QIP size and the minimum number of allottees shall be in accordance with the SEBI ICDR Regulations; and

e. the Equity Shares and/ or other securities convertible into or exchangeable into Equity Shares (including warrants or otherwise) allotted in a QIP shall not be eligible for sale by the respective allottees, for a period of one year from the date of allotment, except on a recognized stock exchange or except as may be permitted from time to time by the SEBI ICDR Regulations.

**RESOLVED FURTHER THAT,** in pursuance of the resolutions above:

a) the Securities to be so created, offered, issued and allotted, shall be subject to the provisions of the Memorandum and Articles of Association of the Company; and

b) the Equity Shares created, offered, issue or allotted by the Company shall rank pari passu in all respects with the existing Equity Shares of the Company, in all respects.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolutions, the Board or a Committee thereof be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things including but not limited to finalization and approval of preliminary placement documents and placement documents, private placement offer-cum-application letters, determining the form and manner of the Issue, including the number of Securities to be allotted, issue price, date of the opening and closing of the Issue, or execution of various transaction documents, as the Board may in its absolute discretion deem fit and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Equity Shares and/ or other securities convertible into or exchangeable into Equity Shares (including warrants or otherwise) and utilization of the proceeds as it may in its absolute discretion deem fit.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above, the Board, or a duly authorized committee, in consultation with the Lead Manager(s), advisors and/or other intermediaries as may be appointed in relation to the Issue, is authorized to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient for the Issue and listing thereof with the Stock Exchanges or otherwise as may be required in relation to the Issue and to resolve and settle all questions and difficulties that may arise in the Issue, including finalization of the number of Securities to be issued in each tranche thereof, form, terms and timing of the Issue, utilization of Issue proceeds, to enter into and execute (and amend from time to time, as may be deemed appropriate by the Board in its sole discretion (subject to the conditions set forth in the resolutions herein), all such arrangements/ agreements with any Lead Managers, placement agents, managers, underwriters, lawyers, advisors, guarantors, depositories, custodians, registrars and all such agencies and intermediaries as may be involved or concerned in the Issue, including any amendments or supplements thereto, as necessary or appropriate and to remunerate all such agencies including by way of payment of commissions, brokerage, fees or the like and also to reimburse them out of pocket expenses incurred by them, and to finalize, approve and issue any document(s) or agreements including, but not limited, to placement documents, and filing such documents (in draft or final form) with any Indian or foreign regulatory authority or Stock Exchanges, sign all deeds, documents and writings, settle all questions, difficulties or doubts that may arise in regard to the Issue and other related, incidental or ancillary matters as the Board may deem fit at its absolute discretion, to make such other applications to concerned statutory or regulatory authorities as may be required in relation to the Issue and to agree to such conditions or modifications that may be imposed by any relevant authority or that may otherwise be deemed fit or proper by the Board or a duly authorised committee and to do all acts, deeds, matters and things in connection therewith and incidental thereto as the Board or a duly authorised committee in its absolute discretion deems fit and to settle any questions, difficulties or doubts that may arise in relation to the any of the aforesaid or otherwise in relation to the Issue.

**RESOLVED FURTHER THAT** in respect of the Issue, the Board or any duly authorised committee be and is hereby authorised to do all such acts, deeds, matters and things as it may in its sole and absolute discretion consider necessary, desirable or appropriate, including submitting the relevant application to the Stock Exchange(s) for obtaining in-principle approvals, listing of the Securities, filing of requisite documents/making declarations with the MCA, RoC, RBI, SEBI and any other statutory/regulatory authority(ies), and any other deed(s), document(s), declaration(s) as may be required under the applicable laws.

**RESOLVED FURTHER THAT** the Board or a duly authorised committee thereof be and is hereby authorised to delegate all or any of the powers herein conferred to any Director(s) or Officer(s) of the Company and to generally do all such acts, deeds, matters and things as may be required in connection with the aforesaid resolutions, including making necessary filings with the Stock Exchange(s) and statutory/ regulatory authorities and execution of any deeds and documents for and on behalf of the Company and to represent the Company before any governmental authorities, to give effect to this resolution."

**8. To approve payment of Remuneration/Commission to Non-Executive Directors and Independent Directors of the Company in case in any financial year the Company has no profits or its profits are inadequate.**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Sections 197, 198 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Schedule V thereto and the Rules made thereunder and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 including any amendment(s), statutory modification(s) or re-enactment(s) thereof for the time being in force and in supersession of the Ordinary Resolution no. 5 passed in the Annual General Meeting held on 16th July 2018, consent of the members of the Company be and is hereby accorded for the payment of commission to the Director(s) of the Company who is / are neither in the whole time employment nor a Managing Director(s), in accordance with and up to the limits not exceeding 1% as laid down under the provisions of Section 197 of the Act, for a period of 5 years from 1st April 2021 to 31st March 2026.

**RESOLVED FURTHER THAT** in the event of the Company having no profits or inadequate profits in any financial year, during the above mentioned period, the consent of the members of the Company be and is hereby accorded for the payment of Remuneration / Commission to the Director(s) of the Company who is / are neither in the whole time employment nor a Managing Director(s) in accordance with the limits specified in Part II of Section II (A) of Schedule V to the Act as applicable to the Company but not exceeding Rs. 75,00,000/- (Rupees Seventy Five Lakhs only) in such manner and up to such amount as the Board and/or Committee of the Board may, from time to time, determine.

**RESOLVED FURTHER THAT** Board of Directors or Committee of Directors of the Company be and is hereby authorised to do all acts, deeds and things as may be necessary to give effect to the foregoing resolution."

**9. To approve to give loans or guarantees or provide security to the Subsidiary and Joint Venture Companies.**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Section 185 and all other applicable provisions, if any of the Companies Act, 2013 read with the Companies (Amendment) Act, 2017 and Rules made thereunder, including any statutory modification(s) thereto or re-enactment(s) thereof, for the time being in force, and subject to such other consents, permissions, approvals, as may be required in that behalf, the approval of the members of the Company be and is hereby accorded to the Board of Directors of the Company to advance any loan including any loan represented by a book debt, or give any guarantee or provide any security in connection with any loans taken by M/s. Arvind Youth Brands Private Limited, a 99.99% subsidiary of the Company or PVH Arvind Fashion Private Limited, a 50% Joint Venture of the Company up to Rs. 250 crores (Rupees Two Hundred Fifty Crores only) collectively, from time to time, in one or more tranches as and when required by the said subsidiary and Joint Venture company in their absolute discretion as may be deemed beneficial and in the interest of the Company, provided that such loans are utilized by the borrowing company for its principal business activities.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above, Board of Directors or Committee of Directors of the Company and/or any person authorized by the Board from time to time be and is hereby empowered and authorised to take such steps as may be necessary in relation to the above and to settle all matters arising out of and incidental thereto and to sign and to execute deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution."

**10. To approve Re-issue forfeited shares by the Board of Directors of the Company**

To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"**RESOLVED THAT** in accordance with provisions of Regulation 41(4) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, provisions of Article No. 57 of the Articles of Association of the Company and the applicable provisions of the Companies Act, 2013 and other applicable laws, consent of the members be and is hereby accorded to the Board of Directors of the Company to offer and re-issue equity shares which may be forfeited by the Board on account of non-payment of the First and Final Call Money in accordance with the letter of offer dated February 19, 2021 and the Articles of Association of the Company, to any person/s and at such price and on such terms and conditions as the Board thinks proper."

**RESOLVED FURTHER THAT** the Board of Directors (including any Committee thereof) be and are hereby severally authorised to do all such acts, deeds, matters and things and to take all such steps as may be considered necessary, proper or expedient to give effect to this resolution.

**By Order of the Board**

Date: June 03, 2021
Place: Bangalore

**Vijay Kumar B S**
Company Secretary

**Registered Office:**
Main Building,
Arvind Limited Premises,
Naroda Road,
Ahmedabad-380025.

**NOTES:**

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its Circular No. 02/2021 dated January 13, 2021 read with Circular No. 20 dated May 5, 2020, Circular No. 17 dated April 13, 2020 and circular No. 14 dated April 8, 2020 (hereinafter collectively referred to as "MCA Circulars") and Circular Nos. SEBI/HO/CFD/CMD1/CIR/P/2020/79 and SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated May 12, 2020 and January 15, 2021 respectively, permitted the holding of Annual General Meeting through VC or OAVM without the physical presence of Members at a common venue. In compliance with these MCA Circulars and the relevant provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Annual General Meeting of the Members of the Company is being held through VC/OAVM. **Hence, Members can attend and participate in the AGM through VC/OAVM only.** The deemed venue for the Annual General Meeting of the Company shall be the Registered Office of the Company. The detailed procedure for participating in the meeting through VC/OAVM is explained at Note No. 18 below.
2. The Notice of the Annual General Meeting along with the Annual Report for the financial year 2020-21 is being sent only by electronic mode to those Members whose email addresses are registered with the Company/ Depositories in accordance with the aforesaid MCA and SEBI Circulars. Members may note that the Notice of Annual General Meeting and Annual Report for the financial year 2020-21 will also be available on the Company's website www.arvindfashions.com; websites of the Stock Exchanges i.e. National Stock Exchange of India Ltd and BSE Limited at www.nseindia.com and www.bseindia.com respectively.
3. Pursuant to the provisions of the Companies Act, 2013, a Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC/OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the Annual General Meeting and hence the Proxy Form and Attendance Slip are not annexed to the Notice.
4. Members attending the meeting through VC/OAVM shall be counted for the purposes of reckoning the quorum under Section 103 of the Companies Act, 2013.
5. In case of joint holders attending the AGM, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.
6. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. Members may note that the VC/OAVM Facility, provided by NSDL, allows participation of 1,000 Members on a first-come-first-served basis. The large shareholders (i.e. shareholders holding 2% or more shareholding), promoters, institutional investors, directors, key managerial personnel, the Chairpersons of the Audit Committee, Nomination cum Remuneration Committee and Stakeholders Relationship Committee, auditors, etc. can attend the AGM without any restriction on account of first-come-first-served principle.
7. The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 setting out material facts concerning the business under Item Nos. 5 to 10 of the Notice, is annexed hereto. The relevant details, as required under Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard – 2 on General Meetings issued by the Institute of Company Secretaries of India, of the person seeking appointment/ re-appointment as a Director under Item No. 2, 3, 5 and 6 of the Notice is also annexed to the notice.
8. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, August 17, 2021 till Monday, August 23, 2021 (both days inclusive).
9. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, telephone/ mobile numbers, mandates, nominations, power of attorney, bank details such as, name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs in case the shares are held by them in electronic form and to the Company's Registrars and Transfer Agents, Link Intime India Pvt. Ltd. in case the shares are held by them in physical form.

   SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to Link Intime India Pvt. Ltd.
10. As per Regulation 40 of SEBI Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from April 1, 2019, except in case of request received for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company or Link Intime India Pvt. Ltd. for assistance in this regard.
11. Members holding shares in physical form, in identical order of names, in more than one folio are requested to send to the Company or Link Intime India Pvt. Ltd., the details of such folios together with the share certificates for consolidating their holdings in one folio. A consolidated share certificate will be issued to such Members after making requisite changes.
12. Members intending to require information about Accounts in the Meeting are requested to inform the Company at least 7 days in advance of the AGM.
13. To support the 'Green Initiative', Members who have not registered their e-mail addresses are requested to register the same with DPs/ Link Intime India Pvt. Ltd.
14. All documents referred to in the accompanying Notice of the AGM and explanatory statement shall be open for inspection without any fee at the registered office of the Company during normal business hours on any working day upto and including the date of the AGM of the Company.

15. A person who is not a Member as on the cut-off date should treat this Notice for information purposes only.

16. Since the AGM will be held through VC/OAVM, the Route Map is not annexed with Notice.

17. **Instructions for voting through electronic means (e-Voting):**

    I. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the Listing Regulations, the Company is pleased to provide to its Members facility to exercise their right to vote on resolutions proposed to be passed in the Meeting by electronic means.

    II. The Company has engaged the services of NSDL as the Agency to provide remote e-Voting facility and e-Voting during the AGM.

    III. Mr. Hitesh Buch, Practicing Company Secretary (Membership No. FCS 3145, COP 8195) has been appointed as the Scrutinizer to scrutinize the e-Voting during the AGM and remote e-Voting in a fair and transparent manner.

    IV. The Results of voting will be declared within 48 hours from the conclusion of the AGM. The declared Results, along with the Scrutinizer's Report will be submitted with the Stock Exchanges where the Company's equity shares are listed (BSE Limited & National Stock Exchange of India Limited) and shall also be displayed on the Company's website www.arvindfashions.com and NSDL's website www.evoting.nsdl.com.

    V. Voting rights of the Members for voting through remote e-Voting and voting during the AGM shall be in proportion to shares of the paid-up equity share capital of the Company as on the cut-off date i.e. Monday, August 16, 2021. A person, whose name is recorded in the Register of Members or in the Register of Beneficial owners (as at the end of the business hours) maintained by the depositories as on the cut-off date shall only be entitled to avail the facility of remote e-Voting and voting during the AGM.

    VI. The remote e-Voting facility will be available during the following period:

      a. Commencement of remote e-Voting: 09:00 A.M. (IST) on Thursday, August 19, 2021.

      b. End of remote e-Voting: 05:00 P.M. (IST) on Sunday, August 22, 2021.

      c. The remote e-Voting will not be allowed beyond the aforesaid date and time and the remote e-Voting module shall be disabled by NSDL upon expiry of aforesaid period.

    VII. Those Members, who will be present in the AGM through VC/OAVM facility and have not cast their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system during the AGM.

    VIII. The Members who have cast their vote by remote e-Voting prior to the AGM may also attend/ participate in the AGM through VC/OAVM but shall not be entitled to cast their vote again.

    IX. Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holds shares as of the cut-off date, may obtain the login ID and password by sending a request at evoting@nsdl.co.in mentioning their demat account number/ folio number, PAN, name and registered address. However, if he/ she is already registered with NSDL for remote e-Voting then he/ she can use his/ her existing User ID and password for casting the vote.

    X. **Process and manner for Remote e-Voting:**

    Members are requested to follow the below instructions to cast their vote through e-Voting:

    The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

    Step 1: Access to NSDL e-Voting system

    Step 2: Cast your vote electronically on NSDL e-Voting system

    **Step 1: Access to NSDL e-Voting system**

**(A) Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode**

In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

| Type of shareholders | Login Method |
|---|---|
| Individual Shareholders holding securities in demat mode with NSDL. | 1. If you are already registered for **NSDL IDeAS facility,** please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the **"Beneficial Owner"** icon under "Login" which is available under **"IDeAS"** section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on options available against |

| Type of shareholders | Login Method |
|---|---|
| | company name or **e-Voting service provider - NSDL** and you will be re-directed to NSDL e-Voting website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.<br>2. If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select **"Register Online for IDeAS"** Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp<br>3. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on options available against company name or **e-Voting service provider - NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. |
| Individual Shareholders holding securities in demat mode with CDSL | 1. Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. |

| Type of shareholders | Login Method |
|---|---|
| | 2. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of **e-Voting service provider i.e. NSDL**. Click on **NSDL** to cast your vote.<br>3. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration<br>4. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. **NSDL** where the e-Voting is in progress. |
| Individual Shareholders (holding securities in demat mode) login through their depository participants | You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Once login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on options available against company name or **e-Voting service provider-NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. |

**Important note:** Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at above mentioned website.

**Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.**

| Login type | Helpdesk details |
|---|---|
| Individual Shareholders holding securities in demat mode with NSDL | Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30 |
| Individual Shareholders holding securities in demat mode with CDSL | Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022- 23058738 or 022-23058542-43 |

**(B) Login Method for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.**

**How to Log-in to NSDL e-Voting website?**

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.
3. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

   *Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.*
4. Your User ID details are given below :

| Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical | Your User ID is: |
|---|---|
| a) For Members who hold shares in demat account with NSDL. | 8 Character DP ID followed by 8 Digit Client ID<br>For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******. |
| b) For Members who hold shares in demat account with CDSL. | 16 Digit Beneficiary ID<br>For example if your Beneficiary ID is 12************** then your user ID is 12************** |
| c) For Members holding shares in Physical Form. | EVEN Number followed by Folio Number registered with the company<br>For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001*** |

5. Password details for shareholders other than Individual shareholders are given below:
   a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
   c) How to retrieve your 'initial password'?
      (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
      (ii) If your email ID is not registered, please follow steps mentioned below in **process for those shareholders whose email ids are not registered**
6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:
   a) Click on "**Forgot User Details/Password?**"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
   b) **Physical User Reset Password?"** (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
   c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address etc.

d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.

**Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system.**

**How to cast your vote electronically and join General Meeting on NSDL e-Voting system?**

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.
2. Select "EVEN" of company for which is Arvind Fashions Limited, for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join General Meeting".
3. Now you are ready for e-Voting as the Voting page opens.
4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
5. Upon confirmation, the message "Vote cast successfully" will be displayed.
6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General Guidelines for shareholders**

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to pcs.buchassociates@gmail.com with a copy marked to evoting@nsdl.co.in.
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800 1020 990 and 1800 22 44 30 or send a request to Ms. Sarita Mote at evoting@nsdl.co.in

**Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:**

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to investor.relations@arvindbrands.co.in.
2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to investor.relations@arvindbrands.co.in. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at **step 1 (A)** i.e. **Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.**
3. Alternatively shareholder/members may send a request to evoting@nsdl.co.in for procuring user id and password for e-voting by providing above mentioned documents.
4. In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

**Instructions for members for e-Voting on the day of the AGM:**

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.
3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

**In case you have not registered your e-mail address with the Company/ Depository, please follow below instructions for registration of e-mail address for obtaining Annual Report and / or login details for e-voting:**

| | |
|---|---|
| **Physical Holding** | **Visit the link:** https://web.linkintime.co.in/EmailReg/Email_Register.html and follow the registration process as guided therein. The members are requested to provide details such as name, folio number, certificate number, PAN, mobile number and e-mail address |
| **Demat Holding** | Please Contact your Depository Participant (DP) and register your email address in your demat account as per the process communicated by your DP |

**18. Instructions for Members to attend the AGM through VC/OAVM:**

I. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for **Access to NSDL e-Voting system**. After successful login, you can see link of "VC/OAVM link" placed under "**Join General meeting**" menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

II. Members are encouraged to join the Meeting through Laptops for better experience.

III. Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

IV. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/ Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

V. Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in / 1800-222-990.

VI. Members seeking any information with regard to the annual accounts for 2020-21 or any business to be dealt at the AGM, are requested to send an e-mail on investor.relations@arvindbrands.co.in on or before August 16, 2021 along with their name, DP ID and Client ID/ folio number, PAN and mobile number. The same will be replied by the Company suitably.

VII. Further, members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered e-mail address mentioning their name, DP ID and Client ID/ Folio Number, PAN and mobile number at investor.relations@arvindbrands.co.in on or before August 16, 2021. Those Members who have registered themselves as a speaker will only be allowed to express their views/ ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

**By Order of the Board**

Date: June 03, 2021
Place: Bangalore

**Vijay Kumar B S**
Company Secretary

**Registered Office:**

Main Building,
Arvind Limited Premises,
Naroda Road,
Ahmedabad-380025.

# Annexure to Notice

## EXPLANATORY STATEMENT UNDER SECTION 102(1) OF THE COMPANIES ACT, 2013

**Item No. 5**

The Board of Directors ('Board'), on recommendation of Nomination and Remuneration Committee has appointed Mr. Suresh Jayaraman (DIN 03033110) as an Additional Director (Non-Executive) of the Company with effect from February 02, 2021. Pursuant to the provisions of Section 161 of the Companies Act, 2013 and Article of Association of the Company, Mr. Suresh Jayaraman, will hold office up to the date of the ensuing Annual General Meeting ('AGM') and is eligible to be appointed as a Director of the Company. In terms of section 160 of the Companies Act, 2013, the Company has received a notice in writing, from a member, proposing the candidature of Mr. Suresh Jayaraman, for the office of Director. Mr. Suresh Jayaraman, once appointed will be liable to retire by rotation

The Company has also received Mr. Suresh Jayaraman, consent to act as a Director in terms of section 152 of the Companies Act, 2013 and a declaration that he is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013.

Disclosures as required under Regulation 36 of the Listing Regulations and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India are appended to this Notice.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives, except Mr. Suresh Jayaraman, to whom the resolution relates, is concerned or interested in the Resolution mentioned in Item No. 5 of the Notice.

The Board of Directors recommends resolution as set out in item No. 5 for approval of the members of the Company by way of passing an Ordinary Resolution.

**Item No. 6**

The Nomination and Remuneration Committee (NRC), at its meeting held on 12th November 2020, had recommended the appointment of Mr. Shailesh Shyam Chaturvedi as Managing Director & CEO of the Company and terms of remuneration payable to him for a period of five years from 1st February, 2021 upto 31st January 2026. The Board of Directors, at their meeting held on 12th November 2020 had inducted him to the Board as an Additional Director with effect from 12th November 2020 and designated him as the Managing Director & CEO of the Company with effect from 1st February, 2021 upto 31st January 2026, subject to the approval of the Members. The Nomination and Remuneration Committee and the Board of Directors of the Company are of the opinion that he is fit and proper person to hold the said office and his appointment will be in the interest of the Company.

Pursuant to the provisions of Section 161 of the Companies Act, 2013 and Article of Association of the Company, Mr. Shailesh Shyam Chaturvedi, will hold office up to the date of the ensuing Annual General Meeting ('AGM') and is eligible to be appointed as a Director of the Company. In terms of section 160 of the Companies Act, 2013, the Company has received a notice in writing, from a member, proposing the candidature of Mr. Shailesh Shyam Chaturvedi, for the office of Director.

The Company has also received Mr. Shailesh Shyam Chaturvedi, consent to act as a Director in terms of section 152 of the Companies Act, 2013 and a declaration that he is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013.

Disclosures as required under Regulation 36 of the Listing Regulations and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India are appended to this Notice.

In accordance with the provisions of Section 152, 196, 197 and 203 and other applicable provisions of the Companies Act, 2013, approval of the Members is required for appointment of Mr. Shailesh Shyam Chaturvedi as the Managing Director & CEO of the Company with effect from 1st February, 2021.

The material terms of remuneration of Mr. Shailesh Chaturvedi effective from 1st February, 2021 upto 31st January 2026 as approved by both the Nomination and Remuneration Committee and Board of Directors in their respective meetings held on 3rd February 2021 are as under:

| | **Remuneration** |
|---|---|
| A. Basic Salary per month | Rs.8,50,000/- (Rupees Eight Lacs Fifty Thousand only) per month with such increase as may be decided by Board of Directors (which includes any Committee thereof) from time to time subject to a maximum of Rs.11,00,000/- (Rupees Eleven Lakhs only) per month. |
| B. Perquisites & Allowances | In addition to salary, the following perquisites / allowances shall be allowed to the Managing Director & CEO<br>**CATEGORY – A**<br>(i) HRA, medical & Other Allowances, meal coupons etc. as per the company policy<br>(ii) Personal Accident insurance as per the company policy<br>The aggregate value of perquisites for (i) to (ii) above for each year shall be computed as per the provisions of Income-tax Act, 1961. In case of benefits for which no specific rule of valuation is provided under the Income-tax Act, the perquisites value of such benefit shall be taken at actual cost.<br>**CATEGORY - B**<br>(i) The Company shall contribute towards Provident Fund/ Superannuation Fund/ Annuity Fund/ National Pension Fund provided that such contributions either singly or put together shall not exceed the tax-free limit prescribed under the Income-tax Act.<br>(ii) The Company shall pay Gratuity as per rules of the Company.<br>(iii) Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the |

| | Remuneration |
|---|---|
| | leave accumulated but not availed of will be allowed to be en-cashed at the end of the term as per rules of the Company.<br>The above shall not be included in the computation of ceiling on remuneration or perquisites aforesaid.<br>**CATEGORY - C**<br>(i) The Company shall provide car(s) & driver(s) at the cost of the Company for use on Company's business and the same will not be considered as perquisites.<br>(ii) The Company shall provide telephone and other communication facilities to the MD & CEO at the cost of the Company.<br>**CATEGORY - D**<br>The Managing Director & CEO shall be entitled to Performance Linked Variable Pay / Special Allowance / Role Award / Bonus / Commission on profits etc. or in any other form as the Nomination and Remuneration Committee and the Board of Directors may determine from time to time. |
| C. Entitlement to shares | He has been granted options under various Employees Stock Option Plans of the Company. Out of these, 7,08,000 (Seven Lakhs Eight Thousand) stock options are pending to be exercised by him and may lead to salary in form of perquisite on exercise. Further options may also be granted by NRC, if he is found eligible under active Employees Stock Option Plan of the Company. |

**Maximum Remuneration:** Notwithstanding anything to the contrary herein contained, wherein any financial year during the currency of the tenure of office of the MD & CEO, if there is profit then the overall managerial remuneration payable to Mr. Shailesh Chaturvedi shall be such amount as may be fixed by the Board of Directors from time to time on recommendation of the NRC, but not exceeding Rs. 8,00,00,000/- (Rupees Eight Crores only) per annum at any point of time, excluding value of perquisite, if any, for entitlement to shares as per para C above, which may or may not exceed 11% (eleven per cent) of net profits of the Company as laid down in Section 197 read with Part II of Section I of Schedule V to the Companies Act, 2013.

**Minimum Remuneration:** Notwithstanding anything to the contrary herein contained, in the event if the Company has no profits or its profits are inadequate in any financial year, the Company will pay a minimum remuneration by way of salary, perquisites, benefits and allowances, performance incentive, entitlement to shares, etc. for a period not exceeding 3 (Three) years as per Part II of Section II (A) of Schedule V to the Companies Act, 2013 and rules made thereunder or any statutory modifications and / or re-enactment thereof as may be decided by the Board from time to time on recommendation of NRC.

The above-mentioned remuneration may be altered, amended, varied, enhanced or modified from time to time by the Board of Directors of Company on recommendation of NRC as it may, in its discretion, deem fit, within the minimum and maximum amount as mentioned above as Managerial Remuneration in accordance with the provisions of the Companies Act, 2013 including those of Schedule V or any amendments thereto made hereafter in this regard.

He will hold office for a term of 5 (five) years for a period of five years from 1st February, 2021 upto 31st January 2026. He satisfies the conditions set out in Section 196(3) and Part 1 of Schedule V to the Companies Act, 2013. He has given his consent to act as MD & CEO of the Company.

The Companies (Amendment) Act, 2017 brought changes in the provisions of Section 197 and Schedule V of the Companies Act, 2013 relating to Appointment and Remuneration of Managerial Personnel by removing the requirement of Central Government approval for payment of remuneration in excess of limits set out in Section 197 and Schedule V of the Companies Act, 2013. The Companies Amendment Act, 2017 replaces the requirement of Central Government approval with the requirement of obtaining shareholders' approval through a special resolution and accordingly, the approval of the shareholders is being sought by way of a special resolution.

**Statement of Information for the members pursuant to Section II of Part II of Schedule V to the Companies Act:**

**I. GENERAL INFORMATION:**

| Sr. No. | Information | Description |
|---|---|---|
| 1 | Nature of industry | Apparel Industry |
| 2 | Date or expected date of commencement of commercial production | Business commenced in 2016, since the Company is into Apparel Industry, hence there is no date of commercial production. |
| 3 | In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus | Not Applicable. |
| 4 | Financial performance based on given indicators (As per audited financial statements for the year ended 31.03.2021) | see table below |
| 5 | Foreign investments or collaborations, if any | The Company has not made any foreign investments and neither entered into any foreign collaborations. |

| Particulars | Rs. in Crores | |
|---|---|---|
| | Standalone | Consolidated |
| Sales & Other Income | 313.04 | 2,329.50 |
| EBIDTA | (10.72) | (26.54) |
| Net Profit | (59.41) | (595.99) |

## II. INFORMATION ABOUT THE APPOINTEE:

1. **Background details:**

Mr. Shailesh Chaturvedi is one of Arvind's strongest leaders who has successfully led several of our brands over the last 15 years. Mr. Shailesh Chaturvedi joined Arvind in 2006 to lead our Tommy Hilfiger JV. Over the past 15 years he has made Tommy one of the most admired and aspirational brands in the country. He also took over the Calvin Klein brand in FY18 and has scripted a strong turnaround of the business. Most recently he took over the Arrow business in FY19 and is currently working on a plan to energise and reinvigorate the franchise. Shailesh is a proven leader in the apparel space with a total career that spans 28 years in leadership roles in Madura coats, UCB and then Arvind. His deep expertise in working with international brands gives him a unique insight into global best practices and trends. Before his long stint in building the bridge to luxury brand portfolio for Arvind he has worked extensively in the mass premium men's wear segment as well.

2. **Past remuneration:**

Mr. Shailesh Chaturvedi, was not drawing any remuneration as managerial personnel under the Companies Act, 2013.

3. **Recognition or awards:**

No awards in his individual capacity however, the Group Companies have received many awards in the Branded Apparel Industry including in categories of Sourcing, Supply Chain, Retail and Best Employer under his leadership.

4. **Job profile and his suitability:**

He is being appointed as the Managing Director & CEO of the Company and devotes whole time attention to the management of the affairs of the Company and exercises powers under the supervision and superintendence of the Board of the Company.

5. **Remuneration proposed:**

The details of the proposed remuneration have already been explained hereinabove.

6. **Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):**

Mr. Shailesh Chaturvedi is working as an independent professional and in an executive capacity, not related to Promoters/directors of the Company and also that the Company is at a growing stage where it needs to retain/reward the professionals with a remuneration in accordance with prevailing market conditions and benchmark. Considering the size of the Company, the profile of Mr. Shailesh Chaturvedi, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed to be paid to him is commensurate with the remuneration packages being paid to similar appointees in other companies.

7. **Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:**

Besides the remuneration proposed and to the extent of ESOPs granted to him, Mr. Shailesh Chaturvedi, does not have any pecuniary relationship with the Company and its managerial personnel.

## III. OTHER INFORMATION:

| Sr. No. | Information | | Description |
|---|---|---|---|
| 1 | Reasons of loss or inadequate profits | : | Not Applicable |
| 2 | Steps taken or proposed to be taken for improvement | : | Not Applicable |
| 3 | Expected increase in productivity and profits in measurable terms | : | Not Applicable |

In view of the provisions of Sections 152, 196, 197, 203 and any other applicable provisions of the Companies Act, 2013, the Board recommends the Special Resolution set out at Item No.6 of the accompanying Notice for the approval of the Members.

The Draft of Agreement to be entered into between the Company and Mr. Shailesh Chaturvedi for remuneration is available for inspection by the shareholders at the Registered Office of the Company during business hours on any working day.

Since the resolution at Item No. 6 relates to payment of remuneration to Mr. Shailesh Chaturvedi, he is deemed to be concerned or interested in the said resolution. None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 6.

**Item No. 7**

The Company, on an ongoing basis, seeks to meet two objectives in terms of its financial planning:

1. Keeping the leverage and debt levels of the Company and its subsidiaries at reasonable levels
2. Ensuring availability of financial resources and retaining financial flexibilities to be in a position to capitalize on available growth opportunities, both organic and inorganic growth.

The proceeds from the Issue will be utilized towards limiting debt and leverage levels to reasonable levels, augmenting long term cash resources, funding the organic or inorganic growth opportunities in the area of the Company's operations and adjacencies, making investments in companies including in subsidiaries or otherwise (either through debt or equity or any convertible securities), growing existing businesses or entering into new businesses in line with the strategy and Object clause of the Company, pre-payment and / or repayment of outstanding borrowings, or for any other general purposes as may be permissible under the applicable law and approved by the Board of directors of the Company or a duly constituted committee of the Board.

In line with the above, the Company proposes to raise funds through the issuance of equity shares of face value of ₹4/- each of the Company ("Equity Shares") and/ or other securities convertible into or exchangeable into Equity Shares (including warrants or otherwise) (collectively, the "Securities") for an aggregate amount of up to Rs.400 Crores (Rupees Four Hundred Crores) to eligible investors including eligible qualified institutional buyers (as defined under Regulation 2(1)(ss) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI ICDR Regulations")) and/ or any other category of investors whether or not such investors are members of the Company, for cash, in one or more tranches by way of qualified institutions placement ("QIP") or a preferential issue or through any other permissible mode or any combination thereof of any of the above, subject to applicable laws, in terms of (a) the SEBI ICDR Regulations; (b) applicable provisions of the Companies Act, 2013 and the applicable rules made thereunder (including the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the Companies (Share Capital and Debentures) Rules, 2014), each including any amendment(s), statutory modification(s), or re-enactment(s) thereof ("Companies Act"); and (c) other applicable law (the "Issue"). Accordingly, the Board, at its meeting held on June 03, 2021, subject to the approval of the members of the Company, approved the issuance of Securities at such price and on such terms and conditions as may be deemed appropriate by the Board or a duly authorised committee of the Board, taking into consideration market conditions and other relevant factors and wherever necessary, in consultation with the book running lead manager and/or other advisor(s) appointed in relation to the Issue, in accordance with applicable laws, and subject to regulatory approvals (as necessary). The Securities allotted will be listed and traded on stock exchange(s) where Equity Shares are currently listed, subject to obtaining necessary approvals. The offer, issue, allotment of the Securities shall be subject to obtaining of regulatory approvals, if any by the Company.

Pursuant to Sections 23, 42 and 62 of the Companies Act, 2013, as amended read with applicable rules notified thereunder, including Rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended and the SEBI ICDR Regulations, a company offering or making an invitation to subscribe to Securities is required to obtain prior approval of the shareholders by way of a special resolution.

In terms of Section 62(1)(c) of the Companies Act, 2013, shares may be issued to persons who are not the existing shareholders of a company, if the Company is authorised by a special resolution passed by its members. Therefore, consent of the members is being sought for passing the special resolution, pursuant to applicable provisions of the Companies Act and other applicable law. The Securities offered, issued, and allotted by the Company pursuant to the Issue in terms of the resolution would be subject to the provisions of the memorandum of association and articles of association of the Company and any Equity Shares and/ or other securities convertible into or exchangeable into Equity Shares (including warrants or otherwise) that may be created, offered, issued and allotted by the Company shall rank, in all respects, pari-passu with the existing Equity Shares of the Company.

The pricing of the Securities shall be determined in accordance with the relevant provisions of the SEBI ICDR Regulations, the Companies Act, and any other applicable law. In the event that Securities are issued through a QIP, the resolution enables the Board or its duly constituted committee, in accordance with applicable law and in consultation with the Lead Managers/ placement agents/ underwriters or any such other intermediary, to offer a discount of not more than 5% or such percentage as may be permitted under applicable law on the floor price determined in accordance with the SEBI ICDR Regulations.

In the event that Equity Shares are issued through a QIP, the 'relevant date' for the purpose of the pricing of the Equity Shares to be issued and allotted in the proposed QIP shall be decided in accordance with the applicable provisions of the SEBI ICDR Regulations, which shall be either the date of the meeting in which the Board / its duly constituted committee decides to open the QIP, as decided by the Board, which shall be subsequent to receipt of members' approval in terms of provisions of Companies Act, 2013 and other applicable laws, rules, regulations and guidelines in relation to the proposed issue of the Equity Shares. Further, in the event that eligible convertible securities are issued through a QIP, the "relevant date" for the purpose of pricing of such convertible securities shall be the date of the meeting in which the Board or the committee of directors authorized by the Board decides to open the proposed QIP, or the date on which the holders of the eligible convertible securities are entitled to apply for Equity Shares as and when the Board does take a decision on matters on which it has discretion (subject to the compliance with the conditions set forth herein), necessary disclosures will be made to the stock exchanges as may be required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

The resolution proposed is an enabling resolution and the exact price, proportion and timing of the issue of the Securities in one or more tranches and the remaining detailed terms and conditions for the fund raising, including issuance of Securities through the Issue will be decided by the Board or its duly constituted committee, in accordance with the SEBI ICDR Regulations, in consultation with book running lead managers and/ or other advisor(s) appointed in relation to the Issue and such other authorities and agencies as may be required to be consulted by the Company.

Further, the Company is yet to identify the investor(s) and decide the quantum of Equity Shares to be issued to them. Hence, the details of the proposed allottees, percentage of their post – Issue shareholding and the shareholding pattern of the Company are not provided. The proposal, therefore, seeks to confer upon the Board or its duly constituted committee the absolute discretion and adequate flexibility to determine the terms of the Issue, including but not limited to the identification of the proposed investors in the Issue and quantum of Equity Shares to be issued and allotted to each such investor, in accordance with the provisions of the SEBI ICDR Regulations, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Companies Act, 2013, the Foreign Exchange Management Act, 1999 and the regulations made thereunder, including the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, the Consolidated FDI Policy issued by the Department for Promotion of Industry & Internal Trade, Ministry of Commerce and Industry, Government of India from time to time, each as amended, and other applicable law.

The approval of the members is being sought to enable the Board or its duly constituted committee, to decide on the Issue, to the extent and in the manner stated in the special resolution, as set out in Item no. 7 of this notice, without the need for any fresh approval from the members of the Company in this regard.

Pursuant to the above, the Company may, in one or more tranches, issue and allot Equity Shares and/ or other eligible Securities on such date as may be determined by the Board but not later than 365 days from the date of passing of the resolution or such other period as may be permitted under applicable law. The aforesaid issue of Securities will be subject to receipt of requisite approvals from appropriate authorities, as may be applicable.

Equity Shares, proposed to be issued, shall in all respects, rank pari passu with the existing Equity Shares of the Company.

If the Issue is made through a QIP, the Promoters will not participate in the Issue.

The proposed Issue is in the interest of the Company and the Board recommends the resolution set out at Item no. 7 of the notice for the approval of the members as a special resolution.

None of the directors or key managerial personnel of the Company, or their respective relatives, is concerned or interested, financially or otherwise, except their shareholding, if any, in the Company, in the resolution set out at Item No. 7 of the Notice.

**Item No. 8**

Currently, the Non-Executive Directors (other than the Managing Director, Wholetime Directors) are paid commission not exceeding 1% per annum of the net profits of the Company in terms of the resolution passed by the Members at the Annual General Meeting held on 16th July 2018 and as decided by the Board of Directors of the Company. However, in the event, if the Company has no profits or its profits are inadequate in any financial year, the Non-Executive Directors are paid only the sitting fees towards attending the meetings of Board or Committees, as the case may be, and no remuneration is paid which is unfair with regards to the efforts, expertise and the responsibility expected from them in accordance with the Corporate Governance Policies. The Board, therefore, in the view of contributions made by them so far, recognizes the need to suitably remunerate the director(s) of the Company who are neither in the wholetime employment nor Managing Director(s) irrespective of the profit of the Company.

The Ministry of Corporate Affairs has recently amended Section 197(3) of the Companies Act, 2013 and Schedule V thereto, which permits the payment of following remuneration to a Director who is neither a Wholetime Director, nor a Managing Director of a Company, in the event, if the Company has no profits or its profits are inadequate in any financial year by passing Special or Ordinary Resolution, as the case may be:

| Sr. No. | Where the effective capital (in rupees) is | Limit of yearly remuneration payable shall not exceed (in rupees) in case of other director |
|---|---|---|
| 1 | Negative or less than 5 crores. | 12 lakhs |
| 2 | 5 crores and above but less than 100 crores. | 17 lakhs |
| 3 | 100 crores and above but less than 250 crores. | 24 lakhs |
| 4 | 250 crores and above. | 24 Lakhs plus 0.01% of the effective capital in excess of Rs.250 crores |

The above limits can be exceeded if the resolution passed by the shareholders is a special resolution.

The Board and/ or Committee of the Board may from time to time determine, every year the amount of commission within the limit of 1% of the net profit and in the event of the Company having no profits or inadequate profits in any financial year during the above mentioned period, as per the limits specified in Part II of Section II (A) of Schedule V to the Act as applicable to the Company but not exceeding Rs. 75,00,000/- (Rupees Seventy Five Lakhs only) and the same be apportioned amongst the Non-Executive Directors [other than the Managing Director and Wholetime Director(s)] in such manner and up to such amount as the Board and/or Committee of the Board may, from time to time, determine..

Notwithstanding anything to the contrary herein contained, where in any financial year during the above period(s), the Company has no profits or its profits are inadequate, the Company will pay remuneration for a period not exceeding three years as per the limits set out in Section II of Part II of Schedule V of the Companies Act, 2013.

The payment of remuneration by way of commission to Non-Executive Directors will be in addition to the sitting fees payable to them for attending each meeting of the Board/ Committee.

**Statement of Information for the members pursuant to Section II of Part II of Schedule V to the Companies Act:**

**I. GENERAL INFORMATION:**

<table>
<tr><th>Sr. No.</th><th>Information</th><th>Description</th></tr>
<tr><td>1</td><td>Nature of industry</td><td>Apparel Industry</td></tr>
<tr><td>2</td><td>Date or expected date of commencement of commercial production</td><td>Business commenced in 2016, since the Company is into Apparel Industry, hence there is no date of commercial production.</td></tr>
<tr><td>3</td><td>In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus</td><td>Not Applicable.</td></tr>
<tr><td>4</td><td>Financial performance based on given indicators (As per audited financial statements for the year ended 31.03.2021)</td><td><table>
<tr><th rowspan="2">Particulars</th><th colspan="2">Rs. in Crores</th></tr>
<tr><th>Standalone</th><th>Consolidated</th></tr>
<tr><td>Sales & Other Income</td><td>313.04</td><td>2,329.50</td></tr>
<tr><td>EBIDTA</td><td>(10.72)</td><td>(26.54)</td></tr>
<tr><td>Net Profit</td><td>(59.41)</td><td>(595.99)</td></tr>
</table></td></tr>
<tr><td>5</td><td>Foreign investments or collaborations, if any</td><td>The Company has not made any foreign investments and neither entered into any foreign collaborations.</td></tr>
</table>

**II. INFORMATION ABOUT THE APPOINTEE:**

1. **Past remuneration:**

   Currently, the Non-Executive Directors (other than the Managing Director, Wholetime Directors) are paid commission not exceeding 1% per annum of the net profits of the Company in terms of the resolution passed by the Members at the Annual General Meeting held on 16th July 2018.

2. **Recognition or awards:** Not Applicable

3. **Job profile and his suitability:** Not Applicable

4. **Remuneration proposed:** The details of the proposed remuneration have already been explained hereinabove.

5. **<u>Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):</u>**

   Not Applicable

6. **<u>Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:</u>**

   The non-executive directors do not have any pecuniary relationship with the Company except the remuneration and the sitting fees being paid to them. They do not have any pecuniary relationship with managerial personnel of the company.

| Sr. No. | Information | | Description |
|---|---|---|---|
| 1 | Reasons of loss or inadequate profits | : | Not Applicable |
| 2 | Steps taken or proposed to be taken for improvement | : | Not Applicable |
| 3 | Expected increase in productivity and profits in measurable terms | : | Not Applicable |

The Board recommends the Resolution set out at Item No. 8 of the accompanying Notice as Special Resolution for the approval of the Members.

**Item No. 9**

As per the provisions of Section 185 of the Companies Act, 2013, no company shall, directly or indirectly, advance any loan including any loan represented by a book debt, to any of its Directors or to any other person in whom the Director is interested or give any guarantee or provide any security in connection with any loan taken by him or such other person. However, in order to promote ease of doing business, the entire Section 185 of the Companies Act, 2013 has been substituted vide Companies (Amendment) Act, 2017 and the same was notified by the Ministry of Corporate Affairs on 7th May, 2018. In terms of the amended Section 185 of the Act, a company may advance any loan, including any loan represented by a book debt, to any person in whom any of the Directors of the Company is interested or give any guarantee or provide any security in connection with any loan taken by any such person, subject to the condition that approval of the shareholders of the Company is obtained by way of passing a Special Resolution and requisite disclosures are made in the Explanatory Statement.

As an abundant caution, the Board decided to seek approval of the shareholders to advance any loan including any loan represented by a book debt, or give any guarantee or provide any security in connection with any loans taken by Arvind Youth Brands Private Limited, a 99.99% subsidiary of the Company or PVH Arvind Fashion Private Limited, a 50% Joint Venture of the Company up to Rs. 250 crores (Rupees Two Hundred Fifty Crores only) collectively.

The Board of Directors recommends resolution as set out in item No. 9 for approval of the members of the Company by way of passing a Special Resolution.

None of the directors, KMPs or any of their relatives is, directly or indirectly, concerned or interested in the proposed resolution except to the extent of their shareholding, Common Directorship's if any, in the aforesaid Companies.

**Item No. 10**

The Company came out with a Rights Issue of 1,48,02,856 equity shares of Rs.4 each at a premium of Rs.131 per equity share **("Rights Equity Shares")** to the existing Equity Shareholders of the Company in the ratio of 3 Equity Shares for every 20 Equity Shares held in the Company on the record date i.e. Wednesday, February 24, 2021 through letter of offer dated February 19, 2021 **("Letter of Offer")** and the Company received Application Money of Rs.2 per Rights Equity Share with a premium of Rs.68 per Rights Equity Share and 1,48,01,776, Rights Equity Shares were allotted to the eligible applicants on March 25, 2021.

Subsequently, in terms of the Letter of Offer and board resolution dated April 7, 2021, the First and Final Call Money Notice requiring payment of the balance amount of Rs. 2 per Rights Equity Share with a premium of Rs.63 per Rights Equity Share was dispatched on May 6, 2021 and the holders of partly paid equity shares were given time till May 24, 2021, to make the payment of the First and Final Call Money. Pursuant to the above Notice, the Company has received full payment of First and Final Call Money on 1,45,56,343 partly paid-up equity shares (out of the total of 1,48,01,776 partly paid up equity shares) and the said shares became fully paid up. In respect of balance 2,45,433 partly paid-up equity shares for which the First and Final Call Money has not been received, the Company will send final demand cum forfeiture notice giving the holders of such partly paid-up equity shares a specified time period to make the payment of First and Final Call Money with or without interest and in case, any such holder(s) fails to make payment within the specified time, the Company will forfeit such equity shares in accordance with the Letter of Offer and in terms of the Articles of Association of the Company and subsequently, the equity shares which may be forfeited on account of non-payment of First and Final Call Money **("Forfeited Shares")** may be offered and reissued to such person(s) as the Board thinks proper.

In terms of provisions of Regulation 41(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, approval of the Members is required for issue and offer of any shares otherwise than through pro-rata basis. Since it is proposed to offer and reissue Forfeited Shares to any person(s) as the Board may think proper, the approval of members is being sought enable the Board of Directors of the Company to re-issue the Forfeited Shares to any person/s at such price and on such terms and conditions as it thinks proper.

The proposed resolution is in the interest of the Company hence the Board recommends resolution as set out in item No. 10 for approval of the members of the Company by way of passing a Special Resolution.

None of the directors, KMPs or any of their relatives is, directly or indirectly, concerned or interested in the proposed resolution except to the extent of their shareholding, if any in the Company and to the extent of offer of Forfeited Shares, if any to any of them.

**By Order of the Board**

Date: June 03, 2021

Place: Bangalore

**Vijay Kumar B S**

Company Secretary

**Registered Office:**

Main Building,
Arvind Limited Premises,
Naroda Road,
Ahmedabad-380025.

**Details of Directors seeking Appointment / Re-appointment at the Fifth Annual General Meeting**
[Pursuant to Regulations 26 and 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015] and SS-2 – Secretarial Standards on General Meetings

| Name of the Director | Mr. Sanjay Lalbhai | Mr. Punit Lalbhai | Mr. Suresh Jayaraman | Mr. Shailesh Shyam Chaturvedi |
|---|---|---|---|---|
| DIN | 00008329 | 05125502 | 03033110 | 03023079 |
| Date of Birth | October 04, 1954 | March 12, 1982 | January 06, 1957 | June 15, 1968 |
| Age | 66 Years | 38 Years | 64 Years | 53 Years |
| Qualifications | B.Sc., MMS | MBA from INSEAD and a Masters of Environmental Science from Yale University | BE, PGDM | MBA |
| Expertise in specific functional areas | Industrialist, Apparel & Textile Industry domain, Entrepreneur, Technology Expert | Financial Services, Asset Management, Capital Markets, Wealth Management, Private Equity. | Apparel & Textile Industry domain, FMCG Industry domain, Marketing, Business Strategy & Corporate Planning. | Apparel & Textile Industry domain, Marketing, Finance, Business Strategy & Corporate Planning. |
| Brief Profile | Mr. Sanjay Lalbhai is the Chairman and Managing Director of Arvind Ltd., a 1.3 Billion Dollar Indian conglomerate. Over last four decades he has led the transformation of Arvind from a traditional textile mill into one of the world's leading manufacturers of denims, fine woven fabrics, and apparel solutions. He laid the foundations for the branded apparel business by bringing India's initial brands – Flying Machine and Arrow, and opening Exclusive Brand Outlets. Sanjay Lalbhai serves on the Board of Adani Ports & Special Economic Zone Ltd. He is the president of Ahmedabad Education Society, Ahmedabad University and CEPT University, and the Chairman of Council of Administration of Ahmedabad Textile Industry Research Association (ATIRA).<br>Mr. Lalbhai believes that addressing societal concerns and creating long lasting benefit to society is integral to the business strategy and a duty of every | Mr. Punit Lalbhai is the Executive Director of Arvind Limited. He is currently working on building new businesses for the company such as Advanced Materials, Engineering & Agribusiness.<br>Mr. Punit Lalbhai has an MBA from INSEAD, France. He is also deeply involved in sustainability conservation. He has done his Masters in Environmental Science from Yale University, USA. He has a Bachelor's degree in Conservation Biology from University of California. | Mr. Suresh has over 30 years of experience in the FMCG, Lifestyle Brands & Retail industries. This included an 18-year stint at Hindustan Unilever Limited, where he headed the Sales Operations of the beverages business and was a management committee member of the Foods & Beverages business between 1999 and 2002. After HUL, he joined MTR Foods Ltd as its Chief Executive Officer and turned a regional brand into a national and global brand. He is an engineering graduate and has a Master's degree in Business Administration from Indian Institute of Management, Bangalore. | Mr. Shailesh Chaturvedi is one of Arvind's strongest leaders who has successfully led several of our brands over the last 15 years. Mr. Shailesh Chaturvedi joined Arvind in 2006 to lead our Tommy Hilfiger JV. Over the past 15 years he has made Tommy one of the most admired and aspirational brands in the country. He also took over the Calvin Klein brand in FY18 and has scripted a strong turnaround of the business. Most recently he took over the Arrow business in FY19 and is currently working on a plan to energise and reinvigorate the franchise. Shailesh is a proven leader in the apparel space with a total career that spans 28 years in leadership roles in Madura coats, UCB and then Arvind. His deep expertise in working with international brands gives him a unique insight into global best practices and trends. Before his long stint in building the bridge to luxury brand portfolio for Arvind he has worked extensively in the |

| **Name of the Director** | **Mr. Sanjay Lalbhai** | **Mr. Punit Lalbhai** | **Mr. Suresh Jayaraman** | **Mr. Shailesh Shyam Chaturvedi** |
|---|---|---|---|---|
| | business leader. He provides strategic leadership SHARDA Trust, the CSR arm of Arvind. Mr. Lalbhai is an MBA from Jamnalal Bajaj Institute. | | | mass premium men's wear segment as well. He took over as Managing Director and CEO of the Company with effect from 1st February 2021. |
| Date of first appointment | February 02, 2017 | April 02, 2019 | August 01, 2018 | November 12, 2020 |
| Directorships held in other public companies (excluding, private, foreign and Section 8 companies) | 1. Arvind Limited<br>2. Arvind SmartSpaces Limited<br>3. The Anup Engineering Limited | 1. Arvind Limited<br>2. The Anup Engineering Limited<br>3. Arvind Smart Textiles Limited<br>4. Arvind Envisol Limited | 1. Value Fashion Retail Limited<br>2. Arvind Lifestyle Brands Limited | 1. Arvind Lifestyle Brands Limited |
| Memberships/Chairmanships of committees of other companies (includes only Audit Committee and Stakeholder Relationship Committee) | Member - Stakeholders' Relationship Committee (Arvind Limited)<br>Chairman – Stakeholders' Relationship Committee (Arvind Smart Spaces Limited) | Chairman – Stakeholders' Relationship Committee (The Anup Engineering Limited) | Nil | Nil |
| Inter-se relationship with other Directors and Key Managerial Personnel | Mr. Sanjay Lalbhai is father of Mr. Kulin Lalbhai and Mr. Punit Lalbhai, Non-Executive Directors of the Company. | Mr. Punit Lalbhai is son of Mr. Sanjay Lalbhai, Chairman & Non-Executive Director and brother of Mr. Kulin Lalbhai, Non-Executive Director of the Company. | Nil | Nil |
| Number of shares held in the Company | 563 | 1,342 | 7,39,220 | 34,149 |
| The number of Meetings of the Board attended during the year | 7 out of 7 | 7 out of 7 | 7 out of 7 | 1 out of 1 |
| Details of remuneration sought to be paid | Refer report on Corporate Governance | Refer report on Corporate Governance | Refer report on Corporate Governance | Refer report on Corporate Governance |
| Remuneration last drawn | Refer Annexure - D to the Directors' Report | Refer Annexure - D to the Directors' Report | Refer Annexure - D to the Directors' Report | Refer Annexure - D to the Directors' Report |

# DIRECTORS' REPORT

To

The Members,

Arvind Fashions Limited.

Your Directors are pleased to present the Directors Report of the Company together with the audited accounts for the financial year ended March 31, 2021.

## 1. Financial Highlights

The Company's financial performances for the year under review along with previous year's figures are given hereunder:

[₹in Crores]

| Particulars | Standalone | | Consolidated | |
|---|---|---|---|---|
| | **2020-21** | 2019-20 | **2020-21** | 2019-20 |
| Revenue from operations (Net) | **298.30** | 854.11 | **2,201.18** | 3,613.57 |
| Profit/(Loss) Before Interest, Depreciation, Tax & Exceptional Items | **35.01** | 62.29 | **121.33** | 317.57 |
| Less: Finance Cost | **31.43** | 37.32 | **224.90** | 273.55 |
| Profit/(Loss) Before Depreciation, Tax & Exceptional Items | **3.58** | 24.97 | **-103.57** | 44.02 |
| Less: Depreciation/Amortization | **17.54** | 13.04 | **302.69** | 420.66 |
| Profit/(Loss) before exceptional items & tax | **-13.96** | 11.93 | **-406.26** | -376.64 |
| Less: Exceptional items | **45.73** | 19.26 | **45.2** | 60.69 |
| Profit/(Loss) before tax | **-59.69** | -7.33 | **-451.46** | -437.33 |
| Less: Current tax/Deferred tax | **-0.28** | -2.44 | **41.86** | -77.43 |
| Profit/(Loss) after Tax from Continuing Operations | **-59.41** | -4.89 | **-493.32** | -359.90 |
| Profit/(Loss) Before Tax for the period from Discontinuing Operations | **-** | - | **-102.67** | -59.09 |
| Tax Expense/(Credit) on Discontinuing Operations | **-** | - | **-** | -19.80 |
| Profit/(Loss) after Tax from Discontinuing Operations | **-** | - | **-102.67** | -39.29 |
| **Net Profit/(Loss) for the period from Continuing Operations and Discontinuing Operations** | **-59.41** | -4.89 | **-595.99** | -399.19 |
| Add: Other Comprehensive Income | **0.01** | -0.17 | **-2.68** | 6.62 |
| Profit/(Loss) after Tax and OCI | **-59.40** | -5.06 | **-598.67** | -392.57 |
| Profit /(Loss) after tax carried over to Balance Sheet | **-59.40** | -5.06 | **-598.67** | -392.57 |
| Proposed Dividend | **-** | - | **-** | - |
| Transfer to General Reserve | **-** | - | **-** | - |

## 2. Review of Business Operations

Your Company has posted Revenue from operations (Net) for the current year Consolidated at Rs. 2201.18 Crores which was at Rs. 3613.57 Crores during the previous year. The Profit before interest, depreciation, tax and exceptional items for the current year Consolidated stands at Rs.121.33 crores which were at Rs. 317.57 Crores during the previous year.

## 3. Material Events during the year under review

**Rights Issue of Equity Shares**

During the year under review, the Company had raised funds through two rights issue by the issue of equity shares;

- **First Rights issue of Equity Shares**

  The Company had issued and allotted 3,99,79,347 Equity Shares of Rs. 4 each of the Company on rights basis in the ratio of 62 equity shares for every 91 equity shares held, to eligible equity shareholders of the Company at an issue price of Rs. 100/- per Equity Share (including premium of Rs. 96 per Rights Equity Share) for an aggregate amount up to Rs. 399.79 crores and the same were allotted on July 24, 2020.

  The funds raised by the Company through Rights Issue, have been utilised for the objects stated in the Letter of Offer, dated May 18, 2020 read with the Addendum to Letter of Offer dated June 23, 2020 and other addenda issued in connection with the Rights Issue towards repayment of certain borrowings of the Company and its wholly-owned subsidiary and for General Corporate purpose

- **Second Rights issue of Equity Shares**

  The Company had issued 1,48,02,856 Equity Shares and allotted 14,801,776 Equity Shares of Rs. 4 each of the Company on rights basis in the ratio of 3 equity share for every 20 equity shares held, to eligible equity shareholders of the Company at an issue price of Rs. 135/- per Equity Share (including premium of Rs. 131 per Rights Equity Share) for an aggregate amount up to Rs. 199.84 crores. An amount equivalent to 51.85% of the issue price viz. Rs. 70 per equity share was received on application and an amount equivalent to 58.15% of the issue price viz. Rs. 65 per equity share is pending to be raised as the first and final call.

  The funds raised by the Company through aforesaid Rights Issue, have been utilised for the objects stated in the Letter of Offer, dated February 19, 2021, towards repayment of certain borrowings of the Company and its wholly-owned subsidiary and for General Corporate purpose

**Strengthen Partnership with Flipkart Group**

The Company had entered into a Strengthen Partnership with Flipkart Group on July 09, 2020, wherein Flipkart had purchased a significant minority stake for an amount of Rs. 260 Crores in Arvind Youth Brands Private Limited, a step-down subsidiary of the Company which owns and operates Flying Machine Brand.

**4. Dividend**

On account of losses incurred for the year under review and keeping in mind the need to conserve resources, your Directors did not recommend any dividend on Equity Shares for the year ended March 31, 2021.

In terms of the provisions of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has formulated a Dividend Distribution Policy and the same is available on the Company's Website at

https://www.arvindfashions.com/wp-content/uploads/2018/11/AFL-Dividend-Distribution-Policy.pdf

**5. Board Meetings held during the year**

The Company had held seven Board meetings during the financial year under review on 22/05/2020, 21/06/2020, 03/07/2020, 09/07/2020, 02/09/2020, 12/11/2020 and 03/02/2021.

**6. Directors' Responsibility Statement**

The Directors hereby make the following Responsibility Statement as required by Section 134(3)(c) of the Companies Act, 2013:

a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss account of the company for that period.

c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

d) The Directors have prepared the annual accounts on a going concern basis.

e) They have laid down internal financial controls, which are adequate and are operating effectively.

f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**7. Explanation or Comments on Qualifications, Reservations or Adverse Remarks or Disclaimers made by the Auditors and the Practicing Company Secretary in their Reports**

There were no qualifications, reservations or adverse remarks made by the Statutory Auditors or the Secretarial Auditor of the Company.

**8. Particulars of Loans, guarantees or investments under Section 186 of the Companies Act, 2013**

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the Notes to the financial statements.

**9. Related Party Transactions under Section 188 of the Companies Act, 2013**

All the related party transactions are entered on an arm's length basis, in the ordinary course of business and are in compliance with the applicable provisions of the Companies Act, 2013 and the SEBI (LODR) Regulations. There are no materially significant related party transactions made by the Company with Promoters, Directors or Key Managerial Personnel etc. which may have potential conflict with the interest of the Company at large or which warrants the approval of the shareholders. Accordingly, no transactions are being reported in Form AOC-2 in terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014. However, the details of the transactions with Related Party are provided in the Company's financial statements in accordance with the Accounting Standards.

All Related Party Transactions are presented to the Audit Committee and the Board. Omnibus approval is obtained for the transactions which are foreseen and repetitive in nature. A statement of all related party transactions is presented before the Audit Committee on a quarterly basis, specifying the nature, value and terms and conditions of the transactions.

The Policy on Related Party Transactions as approved by the Board is available on Company's website at

https://www.arvindfashions.com/wp-content/uploads/2018/11/AFL-RPT-Policy.pdf

**10. Extract of Annual Return**

The details forming part of the extract of the Annual Return is available on Company's website at:

https://www.arvindfashions.com/corporate-governance/

**11. Material changes and commitments affecting the financial position of the Company which have occurred between March 31, 2021 and June 03, 2021 (date of the Report).**

In accordance with the terms of the Letter of Offer dated February 19, 2021, the Board of Directors in its meeting held on April 07, 2021, made the First and Final call on partly paid equity shares of Rs. 65 per share (comprising Rs. 2 towards face value and Rs. 63 towards securities premium), payable during the period from May 10, 2021 to May 24, 2021, both days inclusive and converted the partly paid-up shares to fully paid-up with effect from June 01, 2021.

**12. Information on Conservation of Energy, Absorption of technology and Foreign Exchange Earnings and Outgo.**

**i) Conservation of Energy**

The Company is making efforts to achieve energy efficiency and increase the mix of renewable energy within the operations

**a) Energy Efficiency**

- The Company strives to shift conventional lighting fixtures at the end of their life with LEDs in entire operations thereby reducing the overall energy demand
- The company is evaluating the potential of Internet of Things (IoT) for energy management within its store operations. Two different pilots were undertaken in FY 20 and FY 21 that indicated a potential reduction of 5%-8% in the energy demand. The same is being evaluated for commercial ramp up for few store operations
- The company is also working on SOPs to achieve behavioural based energy efficiency within the operations

**b) Renewable energy**

- We signed an agreement to wheel solar power from an independent power producer in FY 19, expected to cover 80-95% of the energy demand at AFL's corporate office. We have the potential of mitigating ~1,030 tons of carbon dioxide on an annual basis
- The Company is exploring the potential of shifting its warehouses to renewable energy in the near future. The same was planned in FY21 but was postponed due to the Covid-19 pandemic
- The Company is also engaging with its vendor partners to enable their transition to renewable energy thereby reducing the overall carbon footprint of its products

**ii) Absorption of technology**

The Company has not absorbed any technology.

**iii) Foreign Exchange Earnings and Outgo**

₹in Crores

| Particulars | 2020-2021 | 2019-2020 |
|---|---|---|
| Earning in Foreign Currency | 4.24 | 13.53 |
| Expenditure in Foreign Currency | 9.9 | 29.10 |

**13. Nomination & Remuneration Policy of the Company**

The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy for selection and appointment of Directors, Key Managerial Personnel and Senior Management and their remuneration. The Remuneration Policy is available on the Company's website at

https://www.arvindfashions.com/wp-content/uploads/2019/05/Nomination-and-Remuneration-Policy.pdf

**14. Statement concerning development and implementation of Risk Management policy of the company**

The Board has framed a policy to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. The Risk Management Policy is available on the Company's website at

https://www.arvindfashions.com/wp-content/uploads/2019/03/Risk-Management-Policy.pdf

**15. Corporate Social Responsibility (CSR)**

The Company's initiatives for social advancement has been undertaken through Strategic Help Alliance to Relief to Distressed Areas (SHARDA) Trust. In addition, the skills of the vast majority of Employee Talents that the company has will be utilised in the accomplishment of its CSR vision.

We have supported and will continue to fund the ongoing projects mentioned below:

1. Supporting Government School Children
2. Providing Scholarships for higher education
3. Projects around Company's Area of Operations

During the year the company has spent Rs. 178 Lakhs on CSR projects through Strategic Help Alliance to Relief to Distressed Areas (SHARDA) Trust.

The Annual Report on CSR Activities in prescribed format including details of Corporate Social Responsibility Initiatives is enclosed as an **Annexure-A.**

**16. Board Evaluation**

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17(10) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors ("Board") has carried out an annual evaluation of its own performance and that of its Committees and individual Directors. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

**17. Change In the nature of the Business**

There was no change in the nature of the business during the year under review

**18. Directors & Key Managerial Personnel**

The Board of Directors consists of 12 (Twelve) members, comprising of 1 Managing Director, 5 Non-Executive Directors and 6 Non-Executive Independent Directors.

As per the provisions of Section 152 (6) of the Companies Act, 2013, Mr. Punit Lalbhai (DIN 05125502) and Mr. Sanjay S. Lalbhai (DIN: 00008329), will retire by rotation at the ensuing Annual General Meeting and being eligible, offered themself for re-appointment as the Directors of the Company.

The Independent Directors have submitted a declaration that each of them meets the criteria for independence as provided in Section 149 (6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing

Obligations and Disclosure Requirements) Regulations, 2015 and there has been no change in the circumstances which may affect their status as an Independent Director during the year.

During the year under review, Mr. Jayesh Kantilal Shah (DIN 00008349) has resigned as the Director of the Company w.e.f. November 12, 2020.

During the year under review, Mr. Shailesh Shyam Chaturvedi (DIN:03023079), was appointed as an Additional Director of the Company w.e.f. November 12, 2020, to hold office up to the date of the Annual General Meeting of the Company to be held thereafter and subject to the approval of shareholders in the ensuing annual general meeting

During the year under review, Mr. Suresh Jayaraman (DIN 03033110) has resigned as the Managing Director and Chief Executive Officer of the Company w.e.f. February 01, 2021.

During the year under review, Mr. Shailesh Shyam Chaturvedi (DIN:03023079), was elevated to the position of the Managing Director and Chief Executive Officer of the Company w.e.f. February 01, 2021, subject to the approval of the members in the ensuing General Meeting

During the year under review, Mr. Suresh Jayaraman (DIN 03033110) was appointed as a Non-Executive Additional Director of the Company w.e.f. February 02, 2021 to hold office up to the date of the Annual General Meeting of the Company to be held thereafter and subject to the approval of shareholders in the ensuing annual general meeting.

As per the provisions of Section 203 of the Companies Act, 2013, Mr. Shailesh Shyam Chaturvedi Managing Director & CEO, Mr. Pramod Kumar Gupta, Chief Financial Officer and Mr. Vijay Kumar B S, Company Secretary are the Key Managerial Personnel of the Company.

## 19. Disclosure under Section 67(3)(c) of the Companies Act, 2013

No disclosure is required under section 67(3)(c) of the Companies Act, 2013 read with Rule 16(4) of the Companies (Share Capital and Debentures) Rules, 2014, in respect of voting rights not exercised directly by the employees of the Company as the provisions of the said section are not applicable.

## 20. Auditors

### Statutory Auditors

M/s. Sorab S. Engineer & Co, Chartered Accountants (ICAI Firm Registration No. 110417W) were appointed as the statutory auditors of your Company at the Annual General Meeting ("AGM") held on August 04, 2017, for a period of five consecutive years. The Report given by the Auditors on the financial statements of the Company is part of the Annual Report.

### Secretarial Auditors

Pursuant to provisions of Section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, your Company engaged the services of M/s. N. V. Kathiria & Associates, Company Secretary in Practice, Ahmedabad to conduct the Secretarial Audit of the Company for the financial year ended March 31, 2021. The Secretarial Audit Report (in Form MR-3) of the Company and its material Subsidiary Company is enclosed as an **Annexure-B** to this Report.

## 21. Subsidiaries /Joint Ventures / Associates

As on March 31, 2021, the Company has 4 subsidiary companies and 1 Joint Venture Companies.

Pursuant to the provisions of Section 129(3) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, a statement containing salient features of financial statements of subsidiaries, associates and joint venture companies in Form AOC-1 is attached to the Financial Statements. The separate audited financial statements in respect of each of the subsidiaries shall be kept open for inspection at the Registered Office of the Company. The Company will also make available these documents upon request by any Member of the Company interested in obtaining the same. The separate audited financial statements in respect of each of the subsidiaries are also available on the website of the Company at www.arvindfashions.com

The Company has framed a policy for determining material subsidiaries, which has been uploaded on the company's website at

https://www.arvindfashions.com/wp-content/uploads/2018/11/AFL-Policy-on-Material-Subsidiaries.pdf

## 22. Consolidated Financial Statements

The Consolidated Financial Statements of the Company are prepared in accordance with relevant Indian Accounting Standards issued by the Institute of Chartered Accountants of India and form part of this Annual Report.

## 23. Deposits

During the year under review, your Company has neither accepted nor renewed any deposits within the meaning of provisions of Chapter V – Acceptance of Deposits by Companies of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

## 24. Significant and Material Orders Passed by the Regulators or Courts or Tribunals impacting the Going Concern status of the Company

There are no significant and material orders passed by the Regulators or Courts or Tribunals which would impact the going concern status of the Company

## 25. Internal financial Controls

The Company has in place adequate internal financial controls with reference to financial statements and a dedicated Internal Audit team to ensure its adequacy. The scope and authority of the Internal Audit function are well defined in the organisation. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board. The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies of the Company. Based on the report of the Internal Audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls.

Significant audit observations and corrective actions suggested are presented to the Audit Committee of the Board.

The Statutory Auditor of the Company has also given an opinion that the Internal Financial Controls over Financial Reporting are adequate and are operating effectively at the end of the financial year.

**26. Disclosure of composition of Audit Committee**

The Audit Committee consists of the following Members;

i) Mr. Nagesh Pinge –Independent Director

ii) Mr. Nilesh Shah –Independent Director

iii) Ms. Abanti Sankaranarayanan –Independent Director

iv) Ms. Nithya Easwaran –Non-Executive Director

**27. Transfer of Unclaimed Dividend to Investor Education and Protection Fund**

The Provisions of Section 125(2) of the Companies Act, 2013, do not apply as there was no dividend declared and paid since the incorporation of the Company.

**28. Share Capital**

During the year under review, the Company has increased its paid up capital from Rs 23,47,17,456/- to Rs 42,43,46,396/- by allotting 39,979,347 fully paid-up Equity shares, 14,801,776 partly paid-up Equity shares of and 27,000 shares on exercise of Employee Stock Options by the employees.

A. Issue of Equity Shares with differential rights – No such issue and accordingly no compliance

B. Issue of Sweat Equity Shares - No such issue and accordingly no compliance

**29. Employee Stock Option Schemes (ESOS)**

The Company has instituted the Employees Stock Option Scheme (ESOS) 2016 and 2018, to grant equity based incentives to certain eligible employees and directors of the Company and its subsidiary and holding companies. During the year under review, the Company has granted stock options to eligible employees. Disclosures in compliance with Section 62 of the Companies Act, 2013 and Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 and the Securities and Exchange Board of India (Share based Employee Benefits) Regulations, 2014 are set out in **Annexure -C** to this report.

**30. Vigil Mechanism**

The Company has a vigil mechanism named Whistle Blower Policy to deal with instances of unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The details of the Whistle Blower Policy are explained in the Corporate Governance Report and also posted on the website of the Company at

https://www.arvindfashions.com/wp-content/uploads/2019/04/Whistleblower-Policy.pdf

**31. Familiarization programme for the independent directors**

In compliance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has put in place a familiarization programme for the Independent Directors to familiarize them with their role, rights and responsibility as Directors, the working of the Company, nature of the industry in which the Company operates, business model etc. The details of the familiarization programme are explained in the Corporate Governance Report and is also available on the Company's website at

https://www.arvindfashions.com/wp-content/uploads/2018/11/AFL-Familiarisation-Programs-of-Independent-Directors.pdf

**32. Corporate Governance Report and Management Discussion & Analysis**

The Corporate Governance Report and Management Discussion & Analysis, which form part of this Report, together with the Certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated in Schedule V of Regulation 34(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**33. Business Responsibility Report**

The Business Responsibility Report for the year ended March 31, 2021 as stipulated under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed which forms part of this Annual Report.

**34. Particulars of Employees**

The information required pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, will be provided upon request. In terms of Section 136(1) of the Companies Act, 2013, the Annual Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in **Annexure-D** to this report.

**35. Disclosure as per sexual harassment of women at Workplace (prevention, prohibition and Redressal) Act, 2013**

The Company has zero tolerance for sexual harassment at workplace and has adopted a policy against sexual harassment in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed thereunder. The Company has also formed Internal Complaint Committee in which the Committee members are experts on handling the investigations and proceedings as defined in the policy.

During the financial year 2020-21, the Company has not received any complaints on sexual harassment.

**36. Human Resources**

At Arvind Fashions, we believe that our people are our biggest asset. Our Organizational Values – Service, Innovation, Living the Brand, Collaborate and Care, along with a strong 'will do' culture have helped instil a sense of passion, commitment and performance among our employees.

At Arvind Fashions, We provide an environment that encourages collaboration and teamwork along with recognition. Demonstrating the values and leadership behaviours along with recognizing good performance has been the key to Arvind Fashions success. Our various platforms, events and engagement initiatives like SMILES – Our comprehensive employee engagement program for our retail staff provides instant support on salaries, learning and development, career progression and performance with the click of button, Fundo - the sports Olympiad event consisting of various high adrenaline activities, Family Day - a corporate organized function blending fun, family and activities in one well-planned occasion, and through reach-outs – employee town halls where leaders talk about the achievements of the quarter gone by and the way forward plans. Through such events, our employees get an opportunity to bond with their larger cross functional teams and understand the bigger picture they are contributing towards.

At Arvind Fashions we focus on the holistic growth and wellness of our people. The Arvind YoHGA framework is developed to focus on the overall wellness of our employees and deliver a differentiated employee experience. Our progressive policies and practices such as flexi-time policy, Travel and accommodation benefits, Maternity & Adoption policy, Crèche' services and Paternity policy along with our Professional Development initiatives and Internal Career Mobility Platform ensures that an environment of empowerment is created for all employees.

Our focus has been on development of our talent across job roles and our branded development initiatives like Arvind University - our learning and development centre of excellence where we 'fashion possibilities in learning'. Our purpose is to foster a learning environment where our employees develop skills they need to achieve high business performance for progressive growth. At Arvind University, we provide business specific learning interventions for retail, functional and leadership development, which help acquire skills & competencies that have direct business impact and individual growth. It is our vision to maximise these offerings to learn, contribute & grow. Arvind Express - our career progression initiative that provides employees a transparent and structured process to help take on larger roles within the company. Our assessment process has a holistic approach which blends both Machine Learning and Human Intervention to strategically evaluate employee performance and strengths to provide critical developmental feedback.

Our EVP (Employee Value Proposition) of 'Fashioning Possibilities' offers employees opportunity to impact beyond their job description. This along with our 'Will Do' culture and cutting-edge HR practices have helped us attract and retain the best talent. This has also made our company a preferred employer for professionals in the industry.

**37. Acknowledgement**

The Directors wish to express their appreciation for the continued support of bankers, financial institutions, customers, and various Government agencies. The Directors also wish to thank all the employees for their contribution, support and continued co-operation throughout the year.

**For and on behalf of the Board of Arvind Fashions Limited**

| | |
|---|---|
| sd/_ | sd/_ |
| **Mr. Sanjay S. Lalbhai** | **Mr. Shailesh Shyam Chaturvedi** |
| Chairman & Director | Managing Director & CEO |
| DIN :00008329 | DIN :03023079 |
| **Place:** Ahmedabad | **Place:** Bangalore |
| **Date:** 03/06/2021 | **Date:** 03/06/2021 |

# Annexure – A to the Director's Report

## Annexure I

**Brief outline on CSR policy of the Company**

Refer section 1 Annexure II.

**Overview of CSR Initiatives**

At Arvind Fashions Limited (AFL), through its CSR policy, aims to work for social and economic advancement of the people and thereby positively impact their quality of life. Arvind Fashions Limited (AFL), has identified Strategic Help Alliance to Relief to Distressed Areas (SHARDA) Trust and Arvind Foundation as their CSR vehicles to undertake the advancement initiatives.

We have supported and will continue to fund the projects mentioned below:

1. Supporting Government School Students
2. Providing Scholarships for higher education
3. Projects around Company's Area of Operations

**Impact of Pandemic**

The world has witnessed the pandemic that hugely distressed everyone during 2020-21. While the report is being written in first quarter of 2021-22, the Pandemic is still causing loss of lives and livelihood. This pandemic has hugely affected one and all and our CSR initiatives are no exception - be it our Support to Government School Students, Providing Scholarships or Projects around our warehouse operations at Lokhondahalli. In present situation of COVID, we believe our CSR initiatives should include COVID relief operations. In the following paragraphs, we report what we could accomplished during the year 2020-21.

**Initiative brief:**

The Ministry of Corporate Affairs has given a new format for reporting from the year 2020-21. Annexure II has the details. Though the initiatives are affected badly due to pandemic, we have ensured that we keep connected to our communities continuously. In addition special drive was taken up to connect the scholarship program to communities close to our operations at Lokhondahalli. Following initiatives were undertaken by the company:

**Supporting Government School Students:** The Company supported a supplementary education program designed for primary, secondary and higher secondary school going children during the year under review. This initiative is carried out by SHARDA Trust, the public charitable trust that the company has identified as its implementing agency. As conducting the session physically wasn't possible during the year, connect with the students did suffer. However, the students were reached through online teaching using the zoom, google meet and WhatsApp video calls. SHARDA teachers conducted over 3500 hours of sessions with the students. We noticed a huge issue with access to technology. Moving forward, we are working on stepping up to the challenge and create a blended system of learning.

**Providing Scholarships for Higher Education:** The Company has initiated **Saksham Arvind Fashion's Scholarship Program** for Higher Education during the year under review. The scholarship program is envisaged as multi-year scholarship support program and is open to applicants pursuing Undergraduate, Post Graduate, ITI and Diploma courses. The annual family income is capped below Rupees 6.0 Lacs. The process of identification was undertaken through an independent platform Vidyasarthi, an initiative by NSDL. The process involved Bootcamps for mobilisation, application sourcing, physical verification of application, student finalisation and disbursal. To create awareness about scholarship scheme, multiple boot camps were conducted at government school near to our warehouse. In-person meeting with students to verify their documents also happened.

75 students were given scholarships and the average scholarship amount was around Rs 10700. 77% recipients were pursuing their bachelor exams. Close to 30% participants each are pursuing Commerce and another 30% are pursuing their Engineering. Our experience had been good and this worked well in spite of the pandemic.

**Projects in Company's Area of Operations:**

When the Pandemic struck in 2020, we had mentioned in the Director's report of 2019-20 that a Need assessment and baseline study for the villages around our warehouse at Lokhondahalli was underway. This was envisaged as a multi-year intervention in a cluster of around 10-11 villages around AFL's new warehouse operations at Lokkondahalli village. While the field study couldn't be completed due to the pandemic and movement restrictions, we completed the Scholarship program because majority of the exercises could be done remotely with limited movement. Also, for such a long term intervention, we didn't want to take short cuts. We believe that during 2021-22, we will be able to complete the study as well as launch the identified projects which shall be implemented over next 3-5 years.

## Annexure II

**1. Brief Outline of the Company's CSR Policy**

The Arvind Fashions Limited Policy on Corporate Social Responsibility (AFLPCSR) provides a structured guideline for the Company and all its Subsidiaries and Joint Ventures to undertake CSR initiatives. This policy helps them maintain a common CSR thought thread. For doing so, the top Management of the Arvind Fashions Limited and its Subsidiaries and Joint Ventures define an annual budget, select CSR focus areas, select geography, work with either the Arvind Fashions CSR team to undertake CSR initiatives or partner with like-minded individuals and organisations and last but not the least, utilise the skills of vast majority of Employee Talents that the company has in accomplishment of its CSR vision.

Our CSR Policy is in sync with the broader areas of Schedule VII of the New Companies Act and will always be aligned to the changes that gets incorporate in the schedule.

The key points of the policy are presented below and the policy can be reached at our website through the given link: https://www.arvindfashions.com/wp-content/uploads/2018/11/AFL-CSR-Policy.pdf

**2. Composition of the CSR Committee**

The Arvind Limited has set up Corporate Social Responsibility Committee (CSR Committee) as per the requirement of the Companies Act. The members of the CSR Committee are:

| Sl. No. | Name of Director | Designation / Nature of Directorship | Number of meetings of CSR Committee held during the year | Number of meetings of CSR Committee attended during the year |
|---|---|---|---|---|
| 1 | Mr. Kulin Lalbhai | Non-Executive Director | 1 | 1 |
| 2 | Mr. Jayesh Shah* | Non-Executive Director | 1 | 0 |
| 3 | Mr Nilesh Shah | Independent Director | 1 | 1 |
| 4 | Mr. Punit Lalbhai** | Non-Executive Director | 1 | 1 |

* Mr. Jayesh Shah had vacated as member of Corporate Social Responsibility Committee w.e.f. November 12, 2020, due to his resignation as the Director of the Company

** Mr. Punit Lalbhai, has been inducted as the Member of Corporate Social Responsibility w.e.f. November 12, 2020.

**3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.**

https://www.arvindfashions.com/wp-content/uploads/2018/11/AFL-CSR-Policy.pdf

**4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable.**

Not Applicable

**5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any**

NIL

**6. Average net profit of the Company as per Section 135(5)**

The average net profit of the Company is Rs. 44.28 Crores.

**7. a) Two percent of average net profit of the company as per section 135(5):**

Rs. 89.00 Lacs

**b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years:**

NA.

c) **Amount required to be set off for the financial year, if any:**

NIL

d) **Total CSR obligation for the financial year (7a+7b-7c):**

Rs. 89.00 Lacs

8. (a) **CSR amount spent or unspent for the financial year:**

| Total Amount Spent for the Financial Year. (in Rs.) | Amount Unspent (in Rs.) | | | | |
|---|---|---|---|---|---|
| | Total Amount transferred to Unspent CSR Account as per section 135(6). | | Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5). | | |
| | Amount | Date of transfer | Name of the Fund | Amount | Date of transfer |
| 1,78,00,000/-* | NIL | - | NA | NIL | - |

*Unspent amount of Rs.89,00,000/- for FY 2019-20 spent in FY 2020-21.

(b) **Details of CSR amount spent against ongoing projects for the financial year:**

| (1) | (2) | (3) | (4) | (5) | | (6) | (7) | (8) | (9) | (10) | (11) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | Name of the Project | Item from the list of activities in Schedule VII to the Act | Local area (Yes/ No) | Location of the project | | Project Durati- on | Amount allocated for the project (in Rs. Lakhs) | Amount spent in the current Financial Year (in Rs. Lakhs) | Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.) | Mode of Implem entation - Direct (Yes/No) | Mode of Implementation - Through Implementing Agency | |
| | | | | State | District | | | | | | Name | CSR Registration number |
| (1) | Supporting Govt School Students | ii | No | Gujarat, Ahmedabad | | 3 Years | 36.00 | 36.00 | NIL | No | SHARDA Trust CSR Registration Number CSR00004737 | |
| (2) | Scholarship for Higher Education | ii | Yes | Bangalore Karnataka | | 3 Years | 22.00 | 22.00 | NIL | No | SHARDA Trust CSR Registration Number CSR00004737 | |
| (3) | Projects Around Company's Area of Operations | X | Yes | Bangalore Karnataka | | 3-5 Years | 120.00 | 120.00 | NIL | No | SHARDA Trust CSR Registration Number CSR00004737 | |
| | **Total** | | | | | | | **178.00** | | | | |

**c) Details of CSR amount spent against other than ongoing projects for the financial year: Not Applicable**

| (1) | (2) | (3) | (4) | (5) | | (6) | (7) | (8) | |
|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | Name of the Project | Item from the list of activities in Schedule VII to the Act | Local area (Yes/ No) | Location of the project | | Amount allocated for the project (in ₹) | Mode of Implem entation - Direct (Yes/No) | Mode of Implementation - Through Implementing Agency | |
| | | | | State | District | | | Name | CSR Registration number |
| 1 | | | | | | | | | |
| 2 | | | | | | | | | |
| 3 | | | | | | | | | |
| Total | | | | | | | | | |

**d) Amount spent in Administrative Overheads:** Nil.

**e) Amount spent on Impact Assessment, if applicable:** Not Applicable

**f) Total amount spent for the Financial Year (8b+8c+8d+8e):** ₹ Rs. 1.78 Crores*

*Unspent amount of Rs. 89,00,000/- for FY 2019-20 spent in FY 2020-21.

**g) Excess Amount for set off, if any:** Nil.

| Sl. No. | Particular | Amount (in ₹) |
|---|---|---|
| (i) | Two percent of average net profit of the company as per section 135(5) | 89,00,000 |
| (ii) | Total amount spent for the Financial Year | 1,78,00,000 |
| (iii) | Excess amount spent for the financial year [(ii)-(i)]* | 89,00,000 |
| (iv) | Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any | NIL |
| (v) | Amount available for set off in succeeding financial years [(iii)-(iv)] | NIL |

**NOTE: Unspent amount of Rs. 89,00,000/- for FY 2019-20 spent in FY 2020-21.*

**9. (a) Details of Unspent CSR amount for the preceding three financial years:**

| Sl. No. | Preceding Financial Year | Amount transferred to Unspent CSR Account under section 135 (6) (in ₹) | Amount spent in the reporting Financial Year (in ₹) | Amount transferred to any fund specified under Schedule VII as per section 135(6), if any | | | Amount remaining to be spent in succeeding financial years. (in ₹) |
|---|---|---|---|---|---|---|---|
| | | | | Name of the Fund | Amount (in ₹) | Date of transfer | |
| 1 | 2019-20 | - | 89,00,000 | NA | NIL | - | NIL |
| 2 | 2018-19 | - | 0 | NA | NIL | - | NIL |
| | **Total** | **-** | **89,00,000** | | **NIL** | | **NIL** |

**(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): NIL**

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|
| **Sl. No.** | **Project ID** | **Name of the Project** | **Financial Year in which the project was commenced** | **Project Duration** | **Total Amount allocated for the project (in ₹)** | **Total Amount spent in the reporting Financial Year (in ₹)** | **Cumulative amount spent at the end of reporting Financial Year. (in ₹)** | **Status of the project - Completed / Ongoing** |
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| Total | | | | | | | | |

**10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year:**

**(a) Date of creation or acquisition of the capital asset(s):**

No Capital Asset created during the financial year 2020-21.

**(b) Amount of CSR spent for creation or acquisition of capital asset:**

Not Applicable

**(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.**

Not Applicable

**(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).**

Not Applicable

**11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5):**

Not applicable. The Company has spent the required amount.

| Sd/- | Sd/- | Sd/- |
|---|---|---|
| **Mr. Kulin Lalbhai** | **Mr Nilesh Shah** | **Mr. Punit Lalbhai** |
| Non-Executive Director | Independent Director | Non-Executive Director |

Date: 03/06/2021

# Annexure – B

**FORM NO. MR – 3**

**SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31ST MARCH,2021

[Pursuant to section 204(1) of the Companies Act, 2013 and RuleNo.9 of the Companies (Appointment and Remuneration of Managerial Personnel)Rules, 2014]

To,
The Members,
**Arvind Fashions Limited**
Main Building, Arvind Limited Premises,
Naroda Road, Ahmedabad – 380025.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **ARVIND FASHIONS LIMITED** (hereinafter "**the Company**"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives in electronic form due to the outbreak of COVID 19 pandemic, social distancing norms to be followed and the continuing restriction on movement of persons at several places in the country, during the conduct of the Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2021(Audit period)complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31stMarch,2021 according to the provisions of:
   (i) The Companies Act, 2013 ("the Act") and the rules made thereunder;
   (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
   (iii) The Depositories Act, 2018 and the Regulations and Bye-laws framed thereunder;
   (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
2. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
   (i) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
   (ii) The Securities and Exchange Board of India(Prohibition of Insider Trading) Regulations, 2015;
   (iii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
   (iv) The Securities and Exchange Board of India (Share based Employee Benefits) Regulations, 2014;
   (v) The Securities and Exchange Board of India (Listing Obligations & Disclosures Requirements) Regulations, 2015;
   (vi) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;**(Not Applicable as the Company has not issued any such securities during the financial year)**
   (vii) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with the client;**(Not Applicable as the Company is not registered as Registrar and Transfer Agents with SEBI)**
   (viii) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009**(Not Applicable as the Company has not delisted any of its equity shares during the financial year);**
   (ix) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018**(Not Applicable as the Company has not bought back any of the securities during the financial year).**
3. We have relied on the representation made by the Company and its Officers for systems and mechanisms formed by the Company for compliances under other applicable Acts, Laws and Regulations as applicable to the Company. However due to the outbreak of COVID 19 pandemic, social distancing norms to be followed and the continuing restriction on movement of persons at several places in the country, physical verification was not possible and hence we have carried out a secretarial audit by way of virtual data sharing with appropriate available information technology tool to access relevant documents and records to complete the assignments.
4. The Company has complied with the following specific laws to the extent applicable to the Company:
   a) The Employees' Provident Fund and Miscellaneous Provisions Act, 1952.
   b) The Employees' State Insurance Act, 1948.

c) The Contract Labour (Regulation & Abolition) Act, 1970.
d) The Contract Labour (Regulation & Abolition) Act, 1970.
e) The Minimum Wages Act, 1948.
f) The Payment of Bonus Act, 1965.
g) The Payment of Gratuity Act, 1972.
h) The Payment of Wages Act, 1936.
i) The Workmen Compensation Act, 1923.
j) Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013.
k) Shops and Establishment Act of respective states.
l) The Child and Adolescent Labour (Prohibition and Regulation) Act, 1986.
m) Tax on Profession of respective States.
n) Labour Welfare Fund.
o) The Legal Metrology Act, 2009.
p) The Consumer Protection Act, 1986.
q) Trademarks Act, 1999.
r) The Information Technology Act, 2000.
s) Income Tax Act, 1961 and its Rules.
t) The Goods And Services Tax Act, 2017.
u) Customs Act, 1962.

5. We have also examined compliance with the applicable clauses of Secretarial Standards issued by The Institute of Company Secretaries of India and The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that**

The Board of Directors of the Company is duly constituted with a proper balance of Executive Directors, Non-Executive Directors and Independent Directors including the woman Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

The Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the audit period there were no specific events / actions having a major bearing on the company's affairs except the following:

1. The Board of Directors of the Holding Company at its meeting held on June 21, 2020, has approved the revised size of Rights Issue from Rs. 299.64 Crores to Rs. 399.79 Crores. The Rights Issue was of 3,99,79,347 shares of face value of Rs. 4 each (the "Rights Issue Shares") at a price of Rs. 100 per Rights Equity Shares (including premium of Rs. 96 per Rights Equity Share) in the ratio of 62:91, i.e. 62 Rights Equity Shares for every 91 existing Equity Shares held by the eligible equity shareholders on the record date, i.e. March 18, 2020. The Rights issue was open for subscription from Monday, June 29, 2020 to Friday July 17, 2020 which was fully subscribed.
2. The Company has allotted 27,000 equity shares, of the Face Value of Rs. 4/- each, at a price of Rs. 43.27 per Equity Share (including premium of Rs. 39.27 per Equity Share) on December 29, 2020 pursuant exercise of stock options to eligible applicants/Grantee under Employee Stock Option scheme 2016 (ESOS 2016) of the Company.
3. The Company has allotted 1,48,01,776 equity shares, of the Face Value of Rs. 4/- each, at a price of Rs. 135 per Rights Equity Share (including premium of Rs. 131 per Rights Equity Share) of the Company, out of which Rs. 70 per rights Equity Shares including a share premium of Rs. 68 per right Eight shares has been paid up on application, on March 25, 2021.

**For N. V. Kathiria & Associates**
Company Secretaries
**Sd/-**
**N. V. Kathiria**
Proprietor
FCS 4573 COP 3278
(UDIN: F004573C000434024)

**Date:** 03/06/2021
**Place:** Ahmedabad

To,

The Members,

**Arvind Fashions Limited**

Main Building, Arvind Limited Premises,

Naroda Road, Ahmedabad- 380025.

Our Secretarial Audit Report of even date is to be read along with this letter.

1. The Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on a test basis to ensure that correct facts are reflected in the Secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
5. Compliance with the provisions of corporate and other applicable laws, rules, regulations and standards is the responsibility of management. Our examination was limited to the verification of procedures on a test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For N. V. Kathiria & Associates**

Company Secretaries

**Sd/-**

**N. V. Kathiria**

Proprietor

FCS 4573 COP 3278

(UDIN: F004573C000434024)

**Date:** 03/06/2021

**Place:** Ahmedabad

# Secretarial Audit Report of the Material Subsidary

**FORM NO. MR – 3**

**SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2021

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,

**ARVIND LIFESTYLE BRANDS LIMITED**

Arvind Mills Premises,

Naroda Road, Ahmedabad – 380025.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Arvind Lifestyle Brands Limited** (hereinafter called "**the Company**"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives in electronic form due to outbreak of COVID 19 pandemic, social distancing norms to be followed and the continuing restriction on movement of persons at several places in the country, during the conduct of the Secretarial Audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2021 (Audit Period) complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2021 according to the provisions of:
   (i) The Companies Act, 2013 ("the Act") and the rules made thereunder;
   (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
   (iii) The Depositories Act, 2018 and the Regulations and Bye-laws framed thereunder;
   (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
2. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
   (i) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
   (ii) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
   (iii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
   (iv) The Securities and Exchange Board of India (Share based Employee Benefits) Regulations, 2014;
   (v) The Securities and Exchange Board of India (Listing Obligations & Disclosures Requirements) Regulations, 2015;
   (vi) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
   (vii) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with the client;
   (viii) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
   (ix) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018.

   It has been found that there were no instances requiring compliance with the provision of the laws indicated at point No. 2 mentioned hereinabove during the period under review.
3. We have relied on the representation made by the Company and its Officers for systems and mechanisms formed by the Company for compliances under other applicable Acts, Laws and Regulations as applicable to the Company. However due to the outbreak of COVID 19 pandemic, social distancing norms to be followed and the continuing restriction on movement of persons at several places in the country, physical verification was not possible and hence we have carried out a secretarial audit by way of virtual data sharing with appropriate available information technology tool to access relevant documents and records to complete the assignments.
4. The Company has complied with the following specific laws to the extent applicable to the Company:
   a. The Employees' Provident Fund and Miscellaneous Provisions Act, 1952.
   b. The Employees' State Insurance Act, 1948.

c. The Contract Labour (Regulation & Abolition) Act, 1970.

d. The Maternity Benefit Act, 1961.

e. The Minimum Wages Act, 1948.

f. The Payment of Bonus Act, 1965.

g. The Payment of Gratuity Act, 1972.

h. The Payment of Wages Act, 1936.

i. The Workmen Compensation Act, 1923.

j. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013.

k. Shops and Establishment Act of respective states.

l. The Child and Adolescent Labour (Prohibition and Regulation) Act, 1986.

m. Tax on Profession of respective States.

n. Labour Welfare Fund.

o. The Legal Metrology Act, 2009.

p. The Consumer Protection Act, 1986.

q. Trademarks Act, 1999.

r. The Information Technology Act, 2000.

s. Income Tax Act, 1961 and its Rules.

t. The Goods And Services Tax Act, 2017.

u. Customs Act, 1962.

5. We have also examined compliance with the applicable clauses of Secretarial Standards issued by The Institute of Company Secretaries of India.

The Listing Agreements entered into by the Company with Stock Exchange pursuant to Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015. **(the securities of the company are not listed on any recognized stock exchange, clauses of listed agreement were not applicable)**

**We further report that**

The Board of Directors of the Company is duly constituted with a proper balance of Executive Directors, Non-Executive Directors and Independent Directors including the woman Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

The Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

**We further report that**

There are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that**

During the audit period, there were no specific events/actions having a major bearing on the Company's affairs in pursuance of the above-referred laws, rules, regulations, guidelines, standards, etc. except the following:

1. The Company has allotted 2,37,21,277 equity shares on 28.07.2020, pursuant to Rights Issue to the existing shareholder of the Company.
2. The Company has allotted 50,00,000 equity shares on 29.12.2020, pursuant to Rights Issue to the existing shareholder of the Company.
3. The Company has allotted 77,00,000 equity shares on 31.03.2021, pursuant to Rights Issue to the existing shareholder of the Company.

**For N. V. Kathiria & Associates**
Company Secretaries
**Sd/-**
**N. V. Kathiria**
Proprietor
FCS 4573 COP 3278
(UDIN :F004573C000434123)

**Date:** 03/06/2021
**Place:** Ahmedabad

To,
The Members
**ARVIND LIFESTYLE BRANDS LIMITED**
Arvind Mills Premises, Naroda Road,
Ahmedabad- 380025.

Our Secretarial Audit Report of even date is to be read along with this letter.

1. The Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on a test basis to ensure that correct facts are reflected in the Secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
5. Compliance with the provisions of corporate and other applicable laws, rules, regulations and standards is the responsibility of management. Our examination was limited to the verification of procedures on a test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For N. V. Kathiria & Associates**
Company Secretaries
**Sd/-**
**N. V. Kathiria**
Proprietor
FCS 4573 COP 3278
(UDIN :F004573C000434123)

**Date:** 03/06/2021
**Place:** Ahmedabad

# Annexure – C

**Annex IA - Disclosures required in the Directors' Report pursuant to Regulation 14 of the SEBI (Share based Employee Benefit) Regulations, 2014:**

| 1 | **Description of ESOS** | **ESOS 2016** | **ESOS 2018** |
|---|---|---|---|
| (a) | Date of shareholders approval<br><br>Date of shareholder's approval on the amendment | 15-Oct-2016<br><br>16-Jul-2018 | 12-May-2018<br><br>Date of approval to the Composite Scheme of Arrangement involving De-merger, amalgamation and restructuring of Capital amongst Arvind Limited, Arvind Fashions Limited, Anveshan Heavy Engineering Limited and The Anup Engineering Limited and their respective shareholders and creditors ("**the Scheme**") |
| (b) | Total number of shares approved | 75,00,000 | 19,09,800 |
| (c) | Vesting requirements | The options vest over a period of 1 to 5 years based on continued service and certain performance parameters. | |
| (d) | Exercise price or pricing formula | The Exercise Price shall be as decided by the Board/Committee at its discretion. Provided that after listing of the equity shares of the Company on any recognized stock exchange in India, the exercise price shall be the Market Price of the share. However, it can be such other price as may be decided by the Board/Committee for grant of options not exceeding 0.5% of the paid-up equity shares as on 31st March 2018 i.e. not exceeding 5,79,257 shares or such other price as may be required to be arrived in accordance with the applicable laws. Further, Board/Committee shall grant such options not exceeding 0.5% of paid up capital as mentioned above to employees in lieu of cash compensation based on achievement of key performance indicators and such options shall not exceed 0.15% of the paid-up capital i.e. not exceeding 1,73,777 shares to any one employee. | The market price of the equity shares being the latest available closing price on the Stock Exchange. However, Options granted to the Employees of the Demerged Company, i.e., Arvind Limited, will be at the Exercise Price as mentioned under Part II, clause 7.4.4 of the Scheme of Arrangement which states that the Board of the Resulting Company 1, i.e., AFL shall determine the exercise price of the stock options issued by it in lieu of stock options granted under Arvind Limited's ESOS and outstanding before the demerger. |
| (e) | Maximum term of options granted | 5 years from the date of grant | |
| (f) | Source of shares | Primary | |
| (g) | Variation of terms of options | None | |
| 2 | Method used to account for ESOS | Fair Value Method | |

| | | | |
|---|---|---|---|
| 3 | Where the Company opts for expensing of the options using the intrinsic value of the options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed. The impact of this difference on the profits and EPS of the Company shall also be disclosed. | Not applicable | |
| | (i) Difference between Intrinsic value and Fair value compensation cost | | |
| | (ii) Impact on the Profits of the Company (Rs.) | | |
| | (iii) Impact on Basic Earnings Per Share of the Company (Rs.) | | |
| | (iv) Impact on Diluted Earnings Per Share of the Company (Rs.) | | |
| 4 | Option movement during the year: | | |
| (a) | Options Outstanding at the beginning of the year | 11,57,445 | 3,15,200 |
| (b) | Options granted during the year | 8,85,000 | 0 |
| (c) | Options forfeited/lapsed during the year | 29,923 | 0 |
| (d) | Options vested during the year | 4,72,657 | 0 |
| (e) | Options exercised during the year | 27,000 | 0 |
| (f) | Number of shares arising as a result of exercise of option | 27,000 | 0 |
| (g) | Money realised by exercise of options (Rs.) | 11,68,290 | 0 |
| (h) | Loan repaid by the Trust during the year from exercise price received | NA | NA |
| (i) | Options Outstanding at the end of the year | 19,85,522 | 3,15,200 |
| (j) | Options Exercisable at the end of the year | 5,69,835 | 3,15,200 |
| 5A | Weighted average exercise prices of outstanding options whose: | | |
| | Exercise price equals market price of stock | Rs. 204.00 | Rs. 834.13 |
| | Exercise price exceeds market price of stock | Rs. 1,324.35 | 0 |
| | Exercise price is less than market price of stock | Rs. 118.23 | 0 |
| 5B | Weighted-average fair value of options whose | | |
| | Exercise price equals market price of stock | Rs. 84.37 | Rs. 220.73 |
| | Exercise price exceeds market price of stock | Rs. 98.10 | 0 |
| | Exercise price is less than market price of stock | Rs. 72.84 | 0 |
| 6 | Grantee wise details of options granted to: | | |
| | (i) Key managerial personnel | Mr. Pramod Kumar Gupta, Chief Financial Officer – 50,000 options | None |
| | (ii) any other grantee who receives a grant in any one year of options amounting to five per cent or more of options granted during that year; | Mr. Shailesh Chaturvedi – 3,75,000 options<br>Mr. Alok Dubey – 1,80,000 options<br>Mr. Jayesh Shah – 1,80,000 options<br>Mr. Himanshu Chakrawarti – 50,000 options<br>Mr. Anurag Pandey – 50,000 options | None |
| | (iii) identified employees who were granted options, during any one year, equal to or exceeding one per cent of the issued capital (excluding outstanding warrants and conversions) of the issuer at the time of grant. | None | None |

| | | | |
|---|---|---|---|
| 7 | A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: | | No grants were made during the period |
| | (i) Share price (Rs.) | 146.25 | |
| | (ii) Exercise price (Rs.) | 142.05 | |
| | (iii) Expected volatility | 48.13% | |
| | (iv) Expected dividends | 0.00% | |
| | (v) Risk-free interest rate | 4.82% | |
| | (vi) Any other inputs to the model | None | |
| | (vii) Method used and the assumptions made to incorporate effects of expected early exercise | Binomial Option Pricing Model | |
| | (viii) How expected volatility was determined, including an explanation of the extent of to which expected volatility was based on historical volatility | The daily volatility of the Company's stock price and comparable companies' stock prices on NSE over the expected life of the options has been considered. | |
| | (ix) Whether any or how any other features of option grant were incorporated into the measurement of fair value, such as market condition. | None | |

# Annexure – D

**Information pursuant to Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

1. Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2020-21 and the percentage of increase in the remuneration of each Directors, Chief Financial officer, Chief Executive officer, Company Secretary or Manager if any in the financial year 2020-21:

₹ in Lacs

| Name | Designation | Annual Remuneration on for FY 2020-21 (in lacs) | % increase/ decrease in remuneration in FY 2020-21 | Ratio of Remuneration to Median remuneration of employees |
|---|---|---|---|---|
| **Non-Executive/ Independent Directors*** | | | | |
| Mr. Sanjay Lalbhai | Non-Executive Director | 0.7 | 0 | 0.1 |
| Mr. Kulin Lalbhai | Non-Executive Director | 0.8 | 0 | 0.2 |
| Mr. Punit Lalbhai | Non-Executive Director | 0.9 | 28.57 | 0.2 |
| Mr. Jayesh Shah | Non-Executive Director | 1.0 | -10 | 0.3 |
| Ms. Nithya Easwaran | Non-Executive Director | 1.6 | 60 | 0.3 |
| Mr. Nagesh Dinkar Pinge | Independent Director | 1.7 | 21.43 | 0.4 |
| Mr. Nilesh Dhirajlal Shah | Independent Director | 1.8 | 63.64 | 0.3 |
| Ms. Abanti Sankaranarayanan | Independent Director | 0.8 | 33.33 | 0.2 |
| Mr. Achal Anil Bakeri | Independent Director | 1.0 | 66.67 | 0.2 |
| Mr. Vallabh Roopchand Bhansali | Independent Director | 0.8 | 33.33 | 0.2 |
| Ms. Vani Kola** | Independent Director | 0.0 | NA | 0.0 |
| **Key Managerial Personnel** | | | | |
| Mr. Suresh Jayaraman | Managing Director & CEO | 184.9 | 0 | 47.47 |
| Mr. Shailesh Chaturvedi*** | Managing Director & CEO | 81.9 | NA | 31.67 |
| Mr. Pramod Kumar Gupta | Chief Financial Officer | 133.3 | 0 | 18.87 |
| Mr. Vijay Kumar B S**** | Company Secretary | 19.2 | 98.5 | 1.61 |

**Notes:**

* Non-Executive/Independent Directors of the Company were paid only sitting fees for Financial Year 2019-20 and 2020-21, as per the statutory provisions.

**Ms. Vani Kola, has opted not to take any remuneration from the Company for her services. Hence, percentage increase/ decrease in remuneration for the year under review is not applicable.

***Mr. Shailesh Chaturvedi was appointed as the Managing Director & CEO of the Company with effect from February 1, 2021. Hence, percentage increase/ decrease his remuneration for the year under review is not applicable.

****Remuneration paid to Mr. Vijay Kumar B S, includes one-time payout of special bonus of Rs. 4 Lakh as per the terms of the Reward Policy of the Company for the year under review.

2. The percentage increase in median remuneration of employees for the Financial Year was 9%.
3. The Company has 334 permanent Employees on the rolls of Company as on March 31, 2021.
4. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

   Average increase for Key Managerial Personnel is 1.19% and for other employees the average increase is 8%. There is no exceptional increase in remuneration of Key Managerial Personnel. However, such increase is not comparable for the reasons as mentioned in notes to point no. 1.
5. It is hereby affirmed that the remuneration paid during the year is as per the applicable Remuneration Policy of the Company.

# CORPORATE GOVERNANCE REPORT

Your Directors present the Company's Report on Corporate Governance for the year ended on 31st March 2021.

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate governance at Arvind Fashions Limited ("Arvind") is a value-based framework to manage our Company affairs in a fair and transparent manner. As a responsible corporation, we use this framework to maintain accountability in all our affairs and employ democratic and open processes. We have evolved guidelines and best practices over the years to ensure timely and accurate disclosure of information regarding our financials, performance, leadership and governance of the Company.

**Our corporate governance philosophy is based on the following principles:**

- Satisfy the spirit of the law and not just the letter of the law. Corporate governance standards should go beyond the law.
- Be transparent and maintain a high degree of disclosure levels.
- Make a clear distinction between personal conveniences and corporate resources.
- Communicate externally, in a truthful manner, about how the Company is run internally.
- Have a simple and transparent corporate structure driven solely by business needs.
- The Management is the trustee of the shareholders' capital and not the owner.

The Board of Directors ('the Board') is at the core of our corporate governance practice and oversees how the Management serves and protects the long-term interests of all our stakeholders. We believe that an active, well-informed and independent Board is necessary to ensure the highest standards of Corporate Governance. The majority of our Board, 6 out of 12, are independent members. Given below is the report on Corporate Governance at Arvind.

## 2. BOARD OF DIRECTORS

### 2.1 Composition of the Board:

The Board has 12 Directors, comprising of 1 Managing Director, 5 Non-Executive Directors and 6 Non-Executive Independent Directors. The Non-Executive Independent Directors are leading professionals from varied fields who bring in independent judgment to the Board's discussions and deliberations.

The following is the Composition of the Board as at 31st March 2021:

| Sr. No. | Name of Director | Executive/Non-executive /Independent Director | No. of Directorships held (Including Arvind Fashions Ltd.)* | Committee(s) position (Including Arvind Fashions Ltd.)** | |
|---|---|---|---|---|---|
| | | | | Member | Chairman |
| 1 | Mr. Sanjay Lalbhai | Chairman & Non-Executive Director | 5 | 2 | 1 |
| 2 | Mr. Shailesh Shyam Chaturvedi*** | Managing Director & CEO | 4 | 0 | 0 |
| 3 | Mr. Suresh Jayaraman**** | Non-Executive Director | 5 | 0 | 0 |
| 4 | Mr. Kulin Lalbhai | Non-Executive Director | 6 | 2 | 1 |
| 5 | Mr. Punit Lalbhai | Non-Executive Director | 10 | 0 | 1 |
| 6 | Ms. Nithya Easwaran | Non-Executive Director | 5 | 2 | 0 |
| 7 | Mr. Nilesh Shah | Independent Director | 4 | 4 | 0 |
| 8 | Ms. Abanti Sankaranarayanan | Independent Director | 4 | 1 | 0 |
| 9 | Mr. Nagesh Dinkar Pinge | Independent Director | 9 | 10 | 5 |
| 10 | Mr. Vallabh Bhanshali | Independent Director | 7 | 0 | 0 |
| 11 | Mr. Achal Anil Bakeri | Independent Director | 6 | 0 | 0 |
| 12 | Ms. Vani Kola | Independent Director | 6 | 0 | 0 |

*All the Companies have been considered excluding Companies incorporated under Section 8 of the Companies Act, 2013 (earlier Section 25 of the Companies Act, 1956) and Companies incorporated outside India.

**Only Audit Committee and Stakeholders' Relationship Committee have been considered as per Regulation 26 of the SEBI (LODR) Regulations, 2015.

*** Mr. Shailesh Shyam Chaturvedi was appointed as an Additional Director of the Company w.e.f. November 12, 2020 and his designation was changed to Managing Director & CEO w.e.f. February 01, 2021.

****Mr. Suresh Jayaraman has resigned as the Managing Director & CEO of the Company w.e.f. February 01, 2021 and was appointed as an Additional Director of the Company w.e.f. February 02, 2021.

**Names of the other Listed Entities where the person is a Director and the category of Directorship:**

| Sr. No. | Name of the Director | Name of Listed Company | Category of Directorship | Audit Committee | | Stakeholders' Relationship Committee | |
|---|---|---|---|---|---|---|---|
| | | | | Member | Chairman | Member | Chairman |
| 1 | Mr. Sanjay Lalbhai | Arvind Limited | Chairman & Managing Director | - | - | ✓ | - |
| | | Arvind SmartSpaces Limited | Chairman & Non-Executive Director | - | - | - | ✓ |
| | | The Anup Engineering Limited | Chairman & Non-Executive Director | - | - | - | - |
| 2 | Mr.Shailesh Shyam Chaturvedi | - | - | - | - | - | - |
| 3 | Mr. Suresh Jayaraman | - | - | - | - | - | - |
| 4 | Mr. Kulin Lalbhai | Arvind SmartSpaces Limited | Non-Executive Director | - | - | - | - |
| | | Arvind Limited | Wholetime Director | - | - | - | - |
| | | Zydus Wellness Limited | Non-Executive Independent Director | ✓ | - | - | - |
| 5 | Mr. Punit Lalbhai | Arvind Limited | Wholetime Director | - | - | - | - |
| | | The Anup Engineering Limited | Non-Executive Director | - | - | - | ✓ |
| 6 | Ms. Nithya Easwaran | - | - | - | - | - | - |
| 7 | Mr. Nilesh Shah | Arvind Limited | Non-Executive Independent Director | ✓ | - | - | - |
| 8 | Ms. Abanti Sankaranarayanan | - | - | - | - | - | - |
| 9 | Mr. Nagesh Dinkar Pinge | Goa Carbon Limited | Non-Executive Independent Director | - | ✓ | - | - |
| | | Automobile Corporation Of Goa Limited | Additional Director | ✓ | - | - | - |
| 10 | Mr. Vallabh Bhanshali | - | - | - | - | - | - |
| 11 | Mr. Achal Anil Bakeri | Symphony Limited | Chairman & Managing Director | - | - | - | - |
| 12 | Ms. Vani Kola | - | - | - | - | - | - |

**2.2 The Board has identified the following skills/expertise/competencies with reference to its Business for the effective functioning of the Company and which are currently available with the Board:**

| Name of the Director | Skills/Expertise/Competencies |
|---|---|
| Mr. Sanjay Lalbhai | Industrialist, Apparel & Textile Industry domain, Entrepreneur, Board Service & Governance |
| Mr. Shailesh Shyam Chaturvedi | Apparel & Textile Industry domain, Marketing, Finance, Business Strategy & Corporate Planning. |
| Mr. Suresh Jayaraman | Apparel & Textile Industry domain, FMCG Industry domain, Marketing, Business Strategy & Corporate Planning. |
| Mr. Kulin Lalbhai | Industrialist, Apparel & Textile Industry domain, Entrepreneur, Technology Expert |
| Mr. Punit Lalbhai | Expertise in new materials and sustainable technologies, Sales and marketing, International business operations and Innovation management |

| Name of the Director | Skills/Expertise/Competencies |
|---|---|
| Ms. Nithya Easwaran | Financial Services, Asset Management, Capital Markets, Wealth Management, Private Equity. |
| Mr. Nilesh Shah | Finance, Banking, Asset Management, Capital Markets, Wealth Management |
| Ms. Abanti Sankaranarayanan | General management, marketing, public policy, corporate reputation and sustainability. |
| Mr. Nagesh Dinkar Pinge | Ethics, Corporate Governance, Risk Management, Internal Audit, Finance, Accounts and corporate laws. |
| Mr. Vallabh Bhanshali | Finance, Investment Banker, Asset Management, Capital Markets, Wealth Management |
| Mr. Achal Anil Bakeri | Industrialist, Entrepreneur, corporate strategy and people development |
| Ms. Vani Kola | Venture Capitalist, Financial Services, Asset Management, Capital Markets, Wealth Management, General Management. |

### 2.3 Board Agenda:

The annual calendar of Board and Committee Meetings are agreed upon at the beginning of each year. Meetings are governed by a structured Agenda and a Board Member may bring up any matter for consideration of the meeting in consultation with the Chairman. Agenda papers are generally circulated to the Board Members at least 7 working days in advance. In addition, for any business exigencies the resolutions are passed by circulation and later places at the subsequent Board or Committee Meeting for ratification/approval. Detailed presentations are made at the meetings on all major issues to enable the Board to take informed decisions.

**Invitees & Proceedings:**

Apart from the Board Members, the Company Secretary, the Heads of Brands are invited to attend the Board Meetings. Other senior management executives are called as and when necessary, to provide additional inputs for the matters being discussed by the Board. The CFO makes presentation on the quarterly and annual operating & financial performance and on annual operating & capex budget. The Managing Director and other senior executives make presentations on capex proposals & progress, operational health & safety and other business issues.

Head of Internal Audit department, representatives of the Statutory Auditors are the permanent invitees of the Audit Committee meetings to discuss the areas of internal audit as well as highlights of the financial performance of the Company.

**Support and Role of Company Secretary:**

The Company Secretary is responsible for convening the Board and Committee meetings, preparation and distribution of agenda and other documents and recording of the minutes of the meetings. He acts as interface between the Board and the Management and provides required assistance to the Board and the Management.

### 2.4 Meetings and Attendance:

During the year, the Board of Directors met 7 times on May 22, 2020, June 21, 2020, July 03, 2020, July 09, 2020, September 02, 2020, November 12, 2020 and February 03, 2021. The gap between two Board Meetings was within the maximum time gap prescribed in SEBI (LODR) Regulations, 2015. The Attendance of Directors at these Board Meetings and at the last Annual General Meeting was as under:

| Sr. No. | Name of Director | Number of Board Meetings held during the period when the Director was on the Board | Number of Board Meetings attended | Whether present at the previous AGM held on September 28, 2020 |
|---|---|---|---|---|
| 1 | Mr. Sanjay Lalbhai | 7 | 7 | No |
| 2 | Mr. Suresh Jayaraman* | 7 | 7 | Yes |
| 3 | Mr. Kulin Lalbhai | 7 | 7 | Yes |
| 4 | Mr. Punit Lalbhai | 7 | 7 | Yes |
| 5 | Mr. Jayesh Shah** | 6 | 6 | Yes |
| 6 | Ms. Nithya Easwaran | 7 | 7 | Yes |
| 7 | Mr. Nilesh Shah | 7 | 7 | Yes |
| 8 | Ms. Abanti Sankaranarayanan | 7 | 5 | Yes |
| 9 | Mr. Nagesh Dinkar Pinge | 7 | 7 | Yes |
| 10 | Mr. Vallabh Bhanshali | 7 | 7 | Yes |
| 11 | Mr. Achal Anil Bakeri | 7 | 6 | Yes |
| 12 | Ms. Vani Kola | 7 | 6 | Yes |
| 13 | Mr. Shailesh Shyam Chaturvedi*** | 1 | 1 | NA |

*Mr. Suresh Jayaraman has resigned as the Managing Director & CEO of the Company w.e.f. February 01, 2021 and was appointed as an Additional Director of the Company w.e.f. February 02, 2021.

** Mr. Jayesh Shah has resigned as the Director of the Company w.e.f. November 12, 2020.

*** Mr. Shailesh Shyam Chaturvedi was appointed as an Additional Director of the Company w.e.f. November 12, 2020 and his designation was changed to Managing Director & CEO w.e.f. February 01, 2021.

**2.5 Independent Directors:**

Independent Directors play an important role in the governance processes of the Board. They bring to bear their expertise and experience on the deliberations of the Board. This enriches the decision making process at the Board with different points of view and experiences and prevents conflict of interest in the decision making process.

None of the Independent Directors serves as "Independent Directors" in more than seven listed companies. No person has been appointed or continuing as an Alternate Director for an Independent Director of the Company.

The Independent Directors have confirmed that they meet the criteria of independence laid down under the Companies Act, 2013 and the Listing Regulations.

During the year under review, the Independent Directors met on February 03, 2021, interalia:

- To review the performance of the Non-Independent Directors (Executive Directors);
- To review the performance of the Board of the Company as a whole;
- To review the performance of Chairman of the Company taking into account the views of Executive Directors on the same;
- To assess the quality, quantity and timeliness of flow of information between the Company management and the Board.

They expressed satisfaction at the robustness of the evaluation process, the Board's freedom to express views on the business transacted at the Meetings and the openness with which the Management discussed various subject matters on the agenda of meetings.

**2.6 Disclosure of relationships between the Directors inter-se:**

Except between Mr. Sanjay Lalbhai, Chairman and Non-Executive Director and his two sons viz. Mr. Punit Lalbhai (Non-Executive Director) and Mr. Kulin Lalbhai (Non-Executive Director), there is no relationship between the Directors inter-se.

**2.7 Number of shares and convertible instruments held by Non-Executive Directors:**

| Name | Category | No. of equity shares held |
|---|---|---:|
| Mr. Suresh Jayaraman | Non-Executive Director | 7,39,220* |
| Ms. Nithya Easwaran | Non-Executive Director | 5,800 |
| Mr. Punit Sanjay Lalbhai | Non-Executive Director | 1,544* |
| Mr. Sanjaybhai Shrenikbhai Lalbhai | Chairman and Non-Executive Director | 641* |
| Mr. Nilesh Dhirajlal Shah | Independent Director | 42 |
| Mr. Shailesh Shyam Chaturvedi | Managing Director & CEO | 34149* |

* No. of equity shares held includes partly paid-up shares issued during the year

During the year under review, the Company has not issued any Convertible Instruments.

**2.8 Familiarisation Programme for Independent Director:**

On appointment of an individual as Director, the Company issues a formal Letter of Appointment to the concerned director, setting out in detail, the terms of appointment, duties and responsibilities. Each newly appointed Independent Director is taken through a formal familiarisation program including the presentation from the Chairman, Managing Director & CEO providing information relating to the Company, Brands, Industry, business model of the Company, geographies in which Company operates, etc. The programme also provides awareness of the Independent Directors on their roles, rights, responsibilities towards the Company. Further, the Familiarisation Programme also provides information relating to the financial performance of the Company and budget and control process of the Company.

The details of familiarisation program imparted to Independent Directors is also posted on the Company's Website at

https://www.arvindfashions.com/wp-content/uploads/2018/11/AFL-Familiarisation-Programs-of-Independent-Directors.pdf.

**2.9 Code of Conduct for Directors and Senior Management Personnel:**

In terms of provisions of SEBI (LODR) Regulations, 2015, the Board of Directors of the Company has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The said Code of Conduct has been posted on the website of the Company. The Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code. The Chairman & Managing Director of the Company has given a declaration to the Company that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code.

**2.10 Prohibition of Insider Trading Code:**

The codes viz. "Code of Conduct for Prohibition of Insider Trading" and the "Code of Practices & Procedures for Fair Disclosure of Unpublished Price Sensitive Information" allows the formulation of a trading plan subject to certain conditions and requires pre-clearance for dealing in the Company's shares. It also prohibits the purchase or sale of Company's shares by the Designated Persons, while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed.

Chief Financial Officer is responsible for implementation of the Code.

**2.11 Committees of the Board:**

**The Board of Directors has constituted 6 Committees of the Board viz.**

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders' Relationship Committee
- Risk Management Committee
- Corporate Social Responsibility Committee
- Committee of Directors

The Board determines the terms of reference of these Committees from time to time. Meetings of these Committees are convened by the respective Committee Chairman/Company Secretary. At each Board Meeting, minutes of these Committees are placed before the Directors for their perusal and noting.

## 3. AUDIT COMMITTEE

The Audit Committee of the Company comprises of 4 members out of which 3 members are Non-Executive Independent Directors. The Committee members are professionals having requisite experience in the fields of Finance and Accounts, Banking and Management. Mr. Nagesh Dinkar Pinge, Non-Executive Independent Director acts as the Chairman of the Committee.

**3.1 Terms of reference of the committee inter alia, include the following:**

a. Oversight of Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;

b. Recommendation for appointment, remuneration and terms of appointment of auditors of Company;

c. Approval of payment to Auditors for any other services rendered by the Auditors of Company;

d. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:

   - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
   - Changes, if any, in accounting policies and practices and reasons thereto;
   - Major accounting entries involving estimates based on the exercise of judgment by management;
   - Significant adjustments made in the financial statements arising out of audit findings;
   - Compliance with listing and other legal requirements relating to financial statements;
   - Disclosure of any related party transactions; and
   - Qualifications in the draft audit report.

e. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;

f. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

g. Reviewing and monitoring the auditor's independence and performance and effectiveness of audit process;

h. Formulating a policy on related party transactions, which shall include materiality of related party transactions;

i. Approval or any subsequent modification of transactions of Company with related parties;

j. Scrutiny of inter-corporate loans and investments;

k. Valuation of undertakings or assets of Company, wherever it is necessary;

l. Evaluation of internal financial controls and risk management systems;

m. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

n. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

o. Discussion with internal auditors of any significant findings and follow up there on;

p. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

q. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

r. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

s. To review the functioning of the whistle blower mechanism;

t. Approval of the appointment of the CFO of Company (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate; and

u. To review the utilization of loans and/ or advances from/ investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans/ advances/ investments existing as on the date of coming into force of this provision;

v. To review the compliance with the provisions of Regulation 9A of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 at least once in a financial year and to verify that the systems for internal control are adequate and are operating effectively; and

w. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**Audit Committee shall mandatorily review the following information:**

a. Management discussion and analysis of financial condition and results of operations;

b. Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management of Company;

c. Management letters / letters of internal control weaknesses issued by the statutory auditors of Company;

d. Internal audit reports relating to internal control weaknesses;

e. The appointment, removal and terms of remuneration of the chief internal auditor;

f. Statement of deviations:

- quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to the stock exchanges in terms of sub-regulation (1) of Regulation 32 of the SEBI Listing Regulations; and
- annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of sub-Regulation (7) of Regulation 32 of the SEBI Listing Regulations.

**3.2 The Composition of the Committee as at 31st March 2021 and the details of Members participation at the Meetings of the Committee are as under:**

During the year, 3 Audit Committee Meetings were held on July 09, 2020, September 02, 2020, November 12, 2020 and February 03, 2021. Theof Members at meetings was as under:

| Sr. No. | Name of Member | Position | Number of Meetings held during the period when the Member was on the Board | Number of Meetings attended |
|---|---|---|---|---|
| 1 | Mr. Nagesh Dinkar Pinge | Chairman | 4 | 4 |
| 2 | Mr. Nilesh Shah | Member | 4 | 4 |
| 3 | Ms. Abanti Sankaranarayanan | Member | 4 | 3 |
| 4 | Ms. Nithya Easwaran | Member | 4 | 4 |

The representatives of Internal and Statutory Auditors are invitees to the Audit Committee meetings and the Company Secretary acts as the Secretary of the Audit Committee.

## 4. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the company comprises of 4 Directors viz. Mr. Punit Lalbhai, Ms. Nithya Easwaran, Mr. Achal Anil Bakeri and Mr. Nilesh Dhirajlal Shah, 2 of them are Non-Executive Directors and other 2 are Non-Executive Independent Directors. During the year under review the committee met 3 times on September 02, 2020, November 12, 2020 and February 03, 2021. Mr. Jayesh Shah has resigned from the Board w.e.f. November 12, 2020, by virtue of his resignation his committee position got vacated and the same was reconstituted on November 12, 2020 by inducting Mr Punit Lalbhai, Non-Executive Directors of the Company. Mr. Nilesh Shah, Non-Executive Independent Director acts as a Chairman of the Committee.

**4.1 The terms of reference of the Committee inter alia, include the following:**

**Nomination of Directors / Key Managerial Personnel / Senior Management***

a. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees;

b. Formulation of criteria for evaluation of independent directors and the Board;

c. Devising a policy on Board diversity;

d. Identify persons who qualify to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal;

e. Specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance;

f. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors; and

g. Recommend to the board, all remuneration, in whatever form, payable to senior management.

**4.2 The Composition of the Committee as at 31st March 2021 and the details of Members participation at the Meetings of the Committee are as under:**

During the year, 3 Nomination and Remuneration Committee Meeting were held on September 02, 2020, November 12, 2020 and February 03, 2021. The Attendance of Members at meeting was as under:

| Sr. No. | Name of Member | Position | Number of Meetings held during the period when the Member was on the Board | Number of Meetings attended |
|---|---|---|---|---|
| 1 | Mr. Nilesh Shah | Chairman | 3 | 3 |
| 2 | Mr. Achal Anil Bakeri | Member | 3 | 3 |
| 3 | Ms. Nithya Easwaran | Member | 3 | 3 |
| 4 | Mr. Punit Lalbhai* | Member | 1 | 1 |
| 5 | Mr. Jayesh Shah** | Member | 2 | 2 |

* Mr Punit Lalbhai has been inducted as the Member of Nomination and Remuneration Committee w.e.f. November 12, 2020.

** Mr Jayesh Shah had vacated as member of Nomination and Remuneration Committee w.e.f. November 12, 2020, due to his resignation as the Director of the Company

**4.3 Evaluation of the Board's Performance:**

During the year, the Board adopted a formal mechanism for evaluating its performance as well as that of its Committees and individual Directors. The exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board & Committees, experience & competencies, performance of specific duties & obligations, governance issues etc. Separate exercise was carried out to evaluate the performance of individual Directors including the Board Chairman who were evaluated on parameters such as attendance, contribution at the meetings and otherwise, independent judgement, safeguarding of minority shareholders interest etc.

The evaluation of the Independent Directors was carried out by the entire Board and that of the Chairman and the Non-Independent Directors were carried out by the Independent Directors.

The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

**4.4 Remuneration of Directors:**

Remuneration of Managing Director is recommended by the Nomination and Remuneration Committee and approved by the Board of Directors and the Shareholders of the Company.

The remuneration of Non-Executive Directors is determined by the Board and is also approved by the Shareholders in General Meeting. Non-Executive Directors are paid Sitting Fees of Rs.10,000/- for every meeting of Board of Directors or Committee attended by them. Apart from this, Non-Executive Directors (other than Managing Director and Whole Time Director(s)) are entitled for commission within the limit of 1% of the net profits of the Company per annum or such other amount approved by the Board.

Details of remuneration to all Directors for the Financial Year 2020-21 are as under:

| Sr. No. | Name of Director | Salary (₹) | Perquisites & Allowances (₹) | Retirement & Leave Benefits (₹) | Sitting Fees (₹) | Commission/ Bonus (₹) | Stock Option |
|---|---|---|---|---|---|---|---|
| 1 | Mr. Sanjay Lalbhai | - | - | - | 70,000 | - | - |
| 2 | Mr. Suresh Jayaraman* | 1,74,07,076 | 10,82,908 | - | 10,000 | - | - |
| 3 | Mr. Kulin Lalbhai | - | - | - | 80,000 | - | - |
| 4 | Mr. Punit Lalbhai | - | - | - | 90,000 | - | - |
| 5 | Mr. Jayesh Shah** | - | - | - | 1,00,000 | - | - |
| 6 | Ms. Nithya Easwaran | - | - | - | 1,60,000 | - | - |
| 7 | Mr. Nilesh Shah | - | - | - | 1,80,000 | - | - |
| 8 | Ms. Abanti Sankaranarayanan | - | - | - | 80,000 | - | - |
| 9 | Mr. Nagesh Dinkar Pinge | - | - | - | 1,70,000 | - | - |
| 10 | Mr. Vallabh Bhanshali | - | - | - | 80,000 | - | - |
| 11 | Mr. Achal Anil Bakeri | - | - | - | 1,00,000 | - | - |
| 12 | Ms. Vani Kola*** | - | - | - | - | - | - |
| 13 | Mr. Shailesh Shyam Chaturvedi**** | 50,17,520 | 31,80,305 | | - | | |

*Mr. Suresh Jayaraman, has resigned as the Managing Director & CEO of the Company w.e.f. February 01, 2021 and was appointed as an Additional Director of the Company w.e.f. February 02, 2021.

** Mr Jayesh Shah, has resigned as the Director of the Company w.e.f. November 12, 2020.

*** Ms. Vani Kola, has opted not to receive any remuneration from the Company for her services.

**** Mr. Shailesh Shyam Chaturvedi, was appointed as the Managing Director & CEO of the Company w.e.f February 01, 2021

**Stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable:**

The details of stock options granted to the eligible employees and directors under Arvind Fashions Limited – Employee Stock Option Scheme 2016 (ESOP-2016) and Arvind Fashions Limited – Employee Stock Option Scheme 2018 (ESOP-2018) are provided in the Directors' Report of the Company.

Please refer point no. 29 of Directors' Report for Employee Stock Option Scheme.

(a) There is neither any pecuniary relationship nor any transactions of the Non-Executive Directors vis-à-vis of the Company except remuneration paid as above.

(b) The Company has disclosed the criteria of making payment to Non-Executive Directors and the same is posted on the website of the Company at

https://www.arvindfashions.com/wp-content/uploads/2019/11/Independent-Director-Terms-and-Conditions-of-Appointment.pdf

## 5. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Board of Directors of the Company has constituted the Stakeholders' Relationship Committee ("SRC") in compliance with the provisions of Section 178(5) of the Companies Act, 2013 and Regulation 20 of the Listing Regulations. The SRC of the Company comprises of 3 (three) Directors out of which 1 (One) is Non-Executive Independent Directors and 2 (two) are Non-Executive Director. Mr. Jayesh Shah has resigned from the Board w.e.f. November 12, 2020, by virtue of his resignation his committee position got vacated and the same was reconstituted on November 12, 2020 by inducting Mr Kulin Lalbhai, Non-Executive Directors of the Company. Mr. Kulin Lalbhai, Non-Executive Director acts as a Chairman of the Committee w.e.f. November 12, 2020.

### 5.1 Terms of reference of the Committee inter alia, include the following:

a Resolve the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.;

b. Review of measures taken for effective exercise of voting rights by shareholders;

c. Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent; and

d. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.

### 5.2 The Composition of the Committee as at 31st March 2021 and the details of Members participation at the Meetings of the Committee are as under:

During the year, 1 Stakeholders' Relationship Committee Meetings was held on July 09, 2020. The Attendance of Members at meetings was under:

| Sr. No. | Name of Member | Position | Number of Meetings held during the year | Number of Meetings attended |
|---|---|---|---|---|
| 1 | Mr. Kulin Lalbhai* | Chairman | 0 | 0 |
| 2 | Ms. Nithya Easwaran | Member | 1 | 1 |
| 3 | Mr. Nilesh Shah | Member | 1 | 1 |
| 4 | Jayesh Shah** | Chairman | 1 | 1 |

* Mr Kulin Lalbhai has been inducted as the Member of Stakeholders' Relationship Committee w.e.f. November 12, 2020 and also acts as the Chairman of the Committee.

** Mr Jayesh Shah had vacated as member of Stakeholders' Relationship Committee w.e.f. November 12, 2020, due to his resignation as the Director of the Company

### 5.3 Name and Designation of Compliance Officer:

Mr. Vijay Kumar B S, Company Secretary

### 5.4 Details of Complaints / Queries received and redressed during 1st April 2020 to 31st March 2021 are as follows:

| Number of shareholders' complaints pending at the beginning of the year | Number of shareholders' complaints received during the year | Number of shareholders' complaints redressed during the year | Number of shareholders' complaints pending at the end of the year |
|---|---|---|---|
| Nil | 28 | 26 | 2 |

All the complaints/ queries have been redressed to the satisfaction of the complainants and no shareholders' complaint/ query was pending at the end of the year.

## 6. RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprising of 6 Director viz. Ms. Nithya Easwaran, Mr. Nilesh Dhirajlal Shah, Ms. Abanti Sankaranarayanan, Mr. Nagesh Dinkar Pinge, Mr. Suresh Jayaraman and Mr. Shailesh Chaturvedi, 4 of them are Non-Executive Independent Directors and other 2 are Non-Executive Directors. During the year under review the committee met 1 time on July 09, 2020. Mr. Jayesh Shah has resigned from the Board w.e.f. November 12, 2020, by virtue of his resignation his committee position got vacated and the same was reconstituted on November 12, 2020 by inducting Mr Suresh Jayaraman, Non-Executive Director and Mr. Shailesh Chaturvedi, Managing Director & CEO of the Company. Mr. Suresh Jayaraman, Non-Executive Director acts as a Chairman of the Committee w.e.f. November 12, 2020.

**6.1 Terms of reference of the Committee inter alia, include the following:**

a. To review and assess the risk management system and policy of the Company from time to time and recommend for amendment or modification thereof;

b. To frame and devise risk management plan and policy of the Company and review the progress made in putting in place a progressive risk management system;

c. To review and recommend potential risk involved in any new business plans and processes;

d. To ensure that the Company is in conformity with corporate governance standards pertaining to the composition, role and function of various committees formed by the Board; and

e. Any other similar or other functions as may be laid down by Board from time to time.

**6.2 The Composition of the Committee as at 31st March 2021 and the details of Members participation at the Meetings of the Committee are as under:**

During the year, 1 Risk Management Committee Meeting was held on 09th July, 2020. The Attendance of Members at meeting was under:

| Sr. No. | Name of Member | Position | Number of Meetings held during the year | Number of Meetings attended |
|---|---|---|---|---|
| 1 | Mr. Jayesh Shah* | Chairman | 1 | 1 |
| 2 | Ms. Nithya Easwaran | Member | 1 | 1 |
| 3 | Mr. Nilesh Shah | Member | 1 | 1 |
| 4 | Ms. Abanti Sankaranarayanan | Member | 1 | 0 |
| 5 | Mr. Nagesh Dinkar Pinge | Member | 1 | 1 |
| 6 | Mr. Suresh Jayaraman** | Chairman | 0 | 0 |
| 7 | Mr. Shailesh Chaturvedi*** | Member | 0 | 0 |

* Mr Jayesh Shah had vacated as member of Risk Management Committee w.e.f. November 12, 2020, due to his resignation as the Director of the Company

** Mr Suresh Jayaraman, has been inducted as the Member of Risk Management Committee w.e.f. November 12, 2020 and also acts as the Chairman of the Committee.

*** Mr Shailesh Chaturvedi, has been inducted as the Member of Risk Management Committee w.e.f. November 12, 2020.

## 7. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee of 3 Directors viz. Mr.Kulin Lalbhai, Mr. Punit Lalbhai and Mr. Nilesh Shah of them 2 Non-Executive Directors and 1 Non-Executive Independent Director. During the year under review the committee met 1 time on February 03, 2021. Mr. Jayesh Shah has resigned from the Board w.e.f. November 12, 2020, by virtue of his resignation his committee position got vacated and the same was reconstituted on November 12, 2020 by inducting Mr Punit Lalbhai, Non-Executive Director. Mr. Kulin Lalbhai, Non-Executive Director acts as a Chairman of the Committee w.e.f. November 12, 2020.

**7.1 Terms of reference of the Committee inter alia, include the following:**

a Formulate and Recommend to the Board, a Corporate Social Responsibility Policy indicating the activities to be undertaken by Company as specified in Schedule VII of the Companies Act, 2013;

b. To finalise a list of CSR projects or programs or initiatives proposed to be undertaken periodically including the modalities for their execution / implementation schedules and to review the same from time to time in accordance with requirements of section 135 of the Companies Act 2013;

c. To review and recommend the amount of expenditure to be undertaken by Company;

d. To monitor the Corporate Social Responsibility Policy of Company from time to time;

e. Review the CSR Report and other disclosures on CSR matters for the approval of the Board for their inclusion in the Board Report; and

f. Any other matter as the CSR Committee may deem appropriate after approval of Board or as may be directed by Board from time to time pursuant to the provisions of Section 135 of the Companies Act and rules in relation thereto, as amended from time to time.

**7.2 Composition of the Committee as at 31st March 2021 and the details of Members participation at the Meetings of the Committee are as under:**

During the year, 1 Meeting was held on 03rd February, 2021.

| Sr. No. | Name of Member | Position | Number of Meetings held during the year when the members was on the board | Number of Meetings attended |
|---|---|---|---|---|
| 1. | Mr. Jayesh Shah* | Chairman | 0 | 0 |
| 2. | Mr. Kulin Lalbhai** | Chairman | 1 | 1 |
| 3. | Mr. Nilesh Shah | Member | 1 | 1 |
| 4. | Mr. Punit Lalbhai*** | Member | 1 | 1 |

* Mr. Jayesh Shah had vacated as member of Corporate Social Responsibility Committee w.e.f. November 12, 2020, due to his resignation as the Director of the Company

** Mr Kulin Lalbhai, has been elevated as the Chairman of Corporate Social Responsibility Committee w.e.f. November 12, 2020.

** Mr. Punit Lalbhai, has been inducted as the Member of Corporate Social Responsibility w.e.f. November 12, 2020.

## 8 COMMITTEE OF DIRECTORS

The Board of Directors of the Company has re-constituted the Committee of Directors in its meeting held on November 12, 2020, which comprises of 5 (five) Directors out of which 4 (four) are Non-Executive and 1 (one) is Executive Director.

**8.1 Role:**

The Committee of Directors primary role is to look after the day-to-day business activities of the Company within Board approved direction/ framework. The Committee meets frequently, as and when need arises, to transact matters within the purview of its terms of reference.

**8.2 The Composition of the Committee as at 31st March 2021 and the details of Members participation at the Meetings of the Committee are as under:**

During the year, 21 Committee of Directors Meetings were held on various dates. The Attendance of Members at meetings was as under:

| Sr. No. | Name of Member | Position | Number of Meetings held during the year | Number of Meetings attended |
|---|---|---|---|---|
| 1. | Mr. Sanjay Lalbhai | Member | 21 | 21 |
| 2. | Mr. Kulin Lalbhai | Member | 21 | 21 |
| 3. | Mr. Jayesh Shah* | Member | 10 | 10 |
| 4. | Mr. Punit Lalbhai** | Member | 11 | 11 |
| 5. | Mr. Suresh Jayaraman*** | Member | 11 | 11 |
| 6. | Mr. Shailesh Chaturvedi**** | Member | 11 | 11 |

* Mr. Jayesh Shah had vacated as member of Committee of Directors w.e.f. November 12, 2020, due to his resignation as the Director of the Company

** Mr. Punit Lalbhai, has been inducted as a Member of the Committee of Directors w.e.f. November 12, 2020.

***Mr. Suresh Jayaraman, has been inducted as a Member of the Committee of Directors w.e.f. November 12, 2020.

**** Mr. Shailesh Chaturvedi, has been inducted as a Member of the Committee of Directors w.e.f. November 12, 2020.

**9 INFORMATION ON GENERAL BODY MEETINGS**

**9.1 The last 3 Annual General Meetings of the Company were held as under:**

| Date | Time | Venue |
|---|---|---|
| September 28, 2020 | 11.00. a.m. | Main Building, Arvind Limited Premises, Naroda Road, Ahmedabad – 380025 |
| | | Through Video Conferencing ("VC") or Other Audio Visual Means ("OAVM") |
| August 09, 2019 | 10.00. a.m. | H T Parekh Auditorium, Ahmedabad Management Association, ATIRA Campus, |
| July 16, 2018 | 11:00 a.m. | Dr. Vikram Sarabhai Marg, Ahmedabad-380015 |
| | | Main Building, Arvind Limited Premises, Naroda Road, Ahmedabad-380025 |

**9.2 Special Resolutions passed in the last 3 Annual General Meetings:**

**2019-20**

1. To approve / ratify the creation of encumbrance by way of pledge or otherwise, on the shares / securities held by the Company in its wholly owned subsidiary Arvind Lifestyle Brands Limited ("ALBL")
2. To approve / ratify the creation of encumbrance by way of pledge or otherwise, on the shares / securities held by the Company in its step-down subsidiary Arvind Youth Brands Private Limited "AYBPL")

**2018-19**

1. To ratify the Arvind Fashions Limited - Employee Stock Option Scheme – 2016 ("ESOS – 2016" or "The Scheme")

**2017-18**

1. To adopt new set of Articles of Association
2. To Appoint Mr. Suresh Jayaraman, as Managing Director & CEO of the Company
3. To enhance the aggregate limit for foreign portfolio investors to 30% of paid up capital
4. To approve the amended AFL - Employees Stock Option Scheme 2016
5. To approve availing of the Financial Assistance having an option available to the Lenders for conversion of such Financial Assistance into Equity Shares of the Company upon occurrence of certain events
6. To Increase Borrowing Limits up to Rs. 2000 crores
7. To authorise the Board to mortgage and/or create charge on the assets of the Company
8. To increase the limits of Investments, Loans, Guarantees and Securities under section 186 of the Companies Act, 2013

**9.3 Extraordinary General Meeting (EGM):**

During the last 3 years, the Company did not hold any Extra Ordinary General Meetings:

**9.4 Details of Resolution Passed through Postal Ballot, the person who conducted the Postal Ballot Exercise and details of the voting pattern:**

No resolution has been passed through the exercise of Postal Ballot during the year under review.

**10. MEANS OF COMMUNICATION**

**10.1** The Quarterly, half-yearly and yearly financial Results are published in the Financial Express - All India Editions and Financial Express - Gujarati Edition of Ahmedabad and are also posted on the Company's website at www.arvindfashions.com.

**10.2** Information released to the press at the time of declaration of results are also sent to all Stock Exchanges where the shares of the Company are listed for the benefit of investors. Moreover, the Company's website hosts a special page giving information which investors usually seek.

**10.3** Presentations made to institutional investors/analysts are posted on the Company's website at www.arvindfashions.com.

## 11. GENERAL SHAREHOLDER INFORMATION

### 11.1 Annual General Meeting:

| | |
|---|---|
| Date | August 23, 2021 |
| Time | 11:00 a.m. |
| Mode | The Company is conducting meeting through VC / OAVM pursuant to the MCA Circular dated 13th January 2021 read with circulars dated 8th April 2020, 13th April 2020 and 5th May 2020 and as such there is no requirement to have a venue for the AGM. For details please refer to the Notice of this Annual General Meeting. |

### 11.2 Financial Calendar (Tentative):

The Financial Year of the Company is for a period of 12 months from 1st April to 31st March.

| | | |
|---|---|---|
| First quarter results | : | Second week of August, 2021 |
| Second quarter results | : | Second week of November, 2021 |
| Third quarter results | : | Second week of February, 2022 |
| Fourth quarter results / Year end results | : | Second week of May, 2022 |

**11.3 Book Closure:** Tuesday, August 17, 2021 to Monday, August 23, 2021 (both days inclusive)

**11.4 Dividend Payment Date :** Not Applicable as the Board did not recommend any dividend for the financial year

### 11.5 Listing on Stock Exchanges:

- **Equity Shares**

| Sr. No. | Name of the Stock Exchange | Code | Address |
|---|---|---|---|
| 1 | BSE Ltd. | 542484 | Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001 |
| 2 | National Stock Exchange of India Ltd. | ARVINDFASN | Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai - 400051 |

The Company has paid Annual Listing Fees for the year 2020-2021 to the above Stock Exchanges.

- **Non-Convertible Debentures - NA**

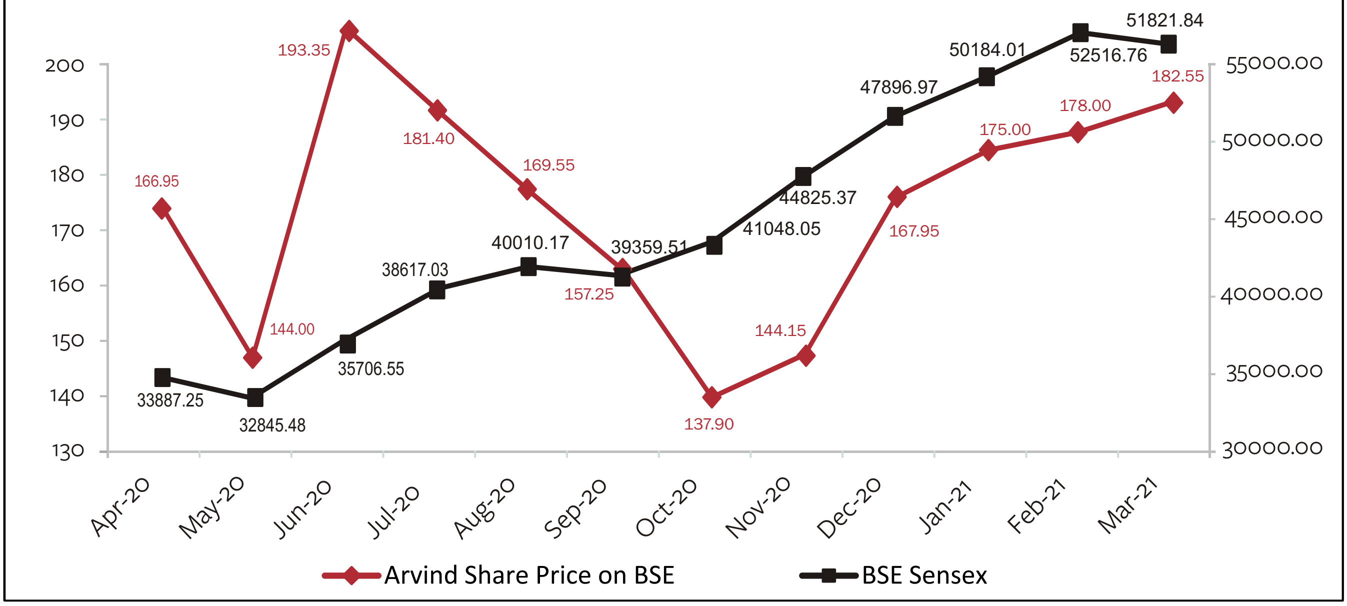
### 11.6 Market Price Data:

The market price data and volume of the company's share traded in the BSE Limited and the National Stock Exchange of India Limited during the Financial Year 2020-21 were as under:

| Month | Share price on BSE | | BSE Sensex | | Volumes | Share price on NSE | | NSE (NIFTY) | | Volumes |
|---|---|---|---|---|---|---|---|---|---|---|
| | High (₹) | Low (₹) | High | Low | No. of Shares traded in the month | High (₹) | Low (₹) | High | Low | No. of Shares traded in the month |
| Apr-20 | 166.95 | 130.15 | 33887.25 | 27500.79 | 4,82,773 | 162.00 | 132.20 | 9889.05 | 8055.80 | 22,06,520 |
| May-20 | 144.00 | 110.55 | 32845.48 | 29968.45 | 4,10,457 | 144.90 | 110.00 | 9598.85 | 8806.75 | 18,13,616 |
| Jun-20 | 193.35 | 130.10 | 35706.55 | 32348.10 | 2,39,530 | 193.00 | 127.85 | 10553.15 | 9544.35 | 24,55,436 |
| Jul-20 | 181.40 | 120.65 | 38617.03 | 34927.20 | 12,35,735 | 181.40 | 119.55 | 11341.40 | 10299.60 | 88,15,580 |
| Aug-20 | 169.55 | 120.65 | 40010.17 | 36911.23 | 10,17,119 | 169.60 | 120.70 | 11794.25 | 10882.25 | 95,36,786 |
| Sep-20 | 157.25 | 120.00 | 39359.51 | 36495.98 | 4,78,514 | 157.35 | 120.50 | 11618.10 | 10790.20 | 40,84,344 |
| Oct-20 | 137.90 | 121.10 | 41048.05 | 38410.20 | 3,78,909 | 138.10 | 122.20 | 12025.45 | 11347.05 | 39,26,276 |
| Nov-20 | 144.15 | 123.30 | 44825.37 | 39334.92 | 5,49,899 | 144.00 | 123.20 | 13145.85 | 11557.40 | 58,31,549 |
| Dec-20 | 167.95 | 132.00 | 47896.97 | 44118.10 | 15,40,874 | 168.00 | 131.55 | 14024.85 | 12962.80 | 1,62,83,092 |
| Jan-21 | 175.00 | 141.45 | 50184.01 | 46160.46 | 8,60,712 | 174.70 | 141.15 | 14753.55 | 13596.75 | 85,68,293 |
| Feb-21 | 178.00 | 140.55 | 52516.76 | 46433.65 | 9,15,364 | 177.90 | 140.70 | 15431.75 | 13661.75 | 1,18,67,410 |
| Mar-21 | 182.55 | 138.30 | 51821.84 | 48236.35 | 10,80,085 | 182.85 | 138.00 | 15336.30 | 14264.40 | 67,06,486 |

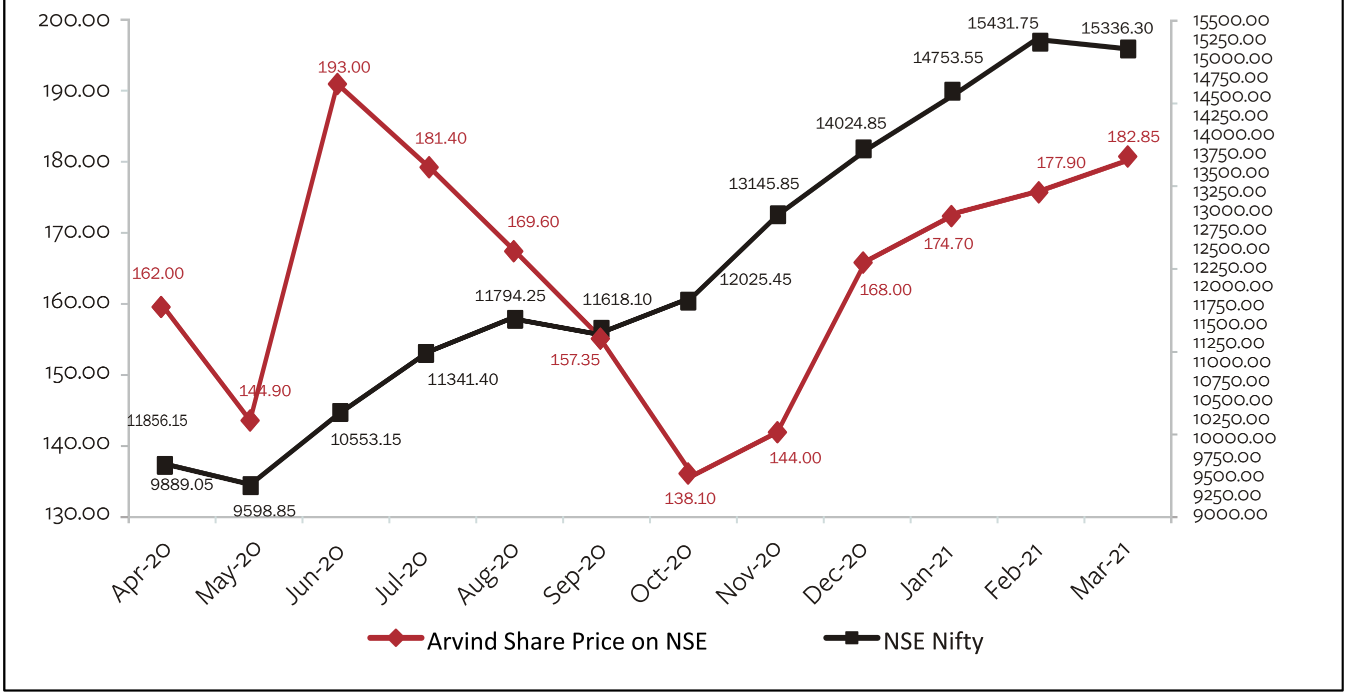
Performance in comparison to broad-based indices viz. BSE Sensex

**ARVIND SHARE PRICE MOVEMENT V/S BSE SENSEX**




Performance in comparison to broad-based indices viz. NSE Nifty

**ARVIND SHARE PRICE MOVEMENT V/S NSE NIFTY**



**11.7 Registrar And Transfer Agent:**

Link Intime India Private Limited

5th Floor, 506 to 508, Amarnath Business Centre-1 (abc-1),

Beside Gala Business Centre (GBC), Near St. Xavier's College Corner,

Off. C. G. Road, Ellisbridge, Ahmedabad-380006.

Phone Nos. 079-26465179/86/87

Fax No. 079-26465179

E-mail: ahmedabad@linkintime.co.in

**11.8 Share Transfer System:**

**(I) Delegation of Share Transfer Formalities:**

Since the Company's shares are compulsorily traded in the demat segment on stock exchanges, bulk of the transfers take place in the electronic form. However, shares in the physical form are processed by the Registrar and Share Transfer Agent. However, to expedite the transfers, the Board has delegated share transfer formalities to certain officers of the Company and Registrar and Share Transfer Agent, who attend to them at least 3 times in a month. Physical transfers are affected within the statutory period of one month. The Board has designated the Company Secretary as the Compliance Officer.

**(II) Share Transfer Details for the period from 1st April 2020 to 31st March 2021:**

| Transactions | Physical |
|---|---|
| Number of Transfers | 10 |
| Average Number of Transfers per month | 0.84 |
| Number of Shares Transferred | 184 |
| Average Number of shares Transferred per month | 15.25 |
| No. of Pending Share Transfers | Nil |

**(III) Investors' Grievances:**

The Registrar and Transfer Agent under the supervision of the Secretarial Department of the Company look after investors' grievances. Link Intime India Private Limited is responsible for redressal of Investors' Grievances. The Company Secretary of the Company has been appointed as the Compliance Officer for this purpose. At each Meeting of the Stakeholders' Relationship Committee, all matters pertaining to investors including their grievances and redressal are reported.

**11.9 Shareholding Pattern as on 31st March 2021:**

| Sr. No. | Catagory | No. of Shares held | Percentage of Shareholding |
|---|---|---|---|
| 1 | Promoters and Promoter Group | 4,58,56,855 | 40.41 |
| 2 | Mutual Funds | 1,21,25,237 | 10.68 |
| 3 | Financial Institutions, Banks, Insurance Companies, Alternative Investment Funds & Central/State Government | 10,01,256 | 0.88 |
| 4 | Foreign Portfolio Investors, Foreign Institutional Investors, NRIs, Foreign Banks, Foreign Nationals | 95,83,409 | 8.44 |
| 5 | NBFCs registered with RBI | 1,409 | 0.00 |
| 6 | Bodies Corp orate | 1,47,35,356 | 12.98 |
| 7 | Individuals | 2,83,08,060 | 24.94 |
| 8 | Trusts | 3,800 | 0.01 |
| 9 | Hindu Undivided Family | 15,35,641 | 1.35 |
| 10 | Clearing Members | 3,35,884 | 0.30 |
| 11 | Overseas Bodies Corporate | 580 | 0.00 |
| | | 11,34,87,487 | **100.00%** |

**11.10 Distribution of shareholding as on 31st March 2021**

| Sr. No. | Shareholding Of Shares | | | Shareholder | Percentage of Total | Total Shares | Percentage of Total |
|---|---|---|---|---|---|---|---|
| 1 | 1 | to | 500 | 172819 | 97.36 | 6135439 | 5.41 |
| 2 | 501 | to | 1000 | 2210 | 1.24 | 1659781 | 1.46 |
| 3 | 1001 | to | 2000 | | 0.68 | 1747706 | 1.54 |
| 4 | 2001 | to | 3000 | 395 | 0.22 | 976734 | 0.86 |
| 5 | 3001 | to | 4000 | 181 | 0.10 | 637443 | 0.56 |
| 6 | 4001 | to | 5000 | 142 | 0.08 | 666732 | 0.59 |
| 7 | 5001 | to | 10000 | 235 | 0.13 | 1688111 | 1.49 |
| 8 | 10001 | to | ********** | 297 | 0.17 | 99975541 | 88.09 |
| | **Total** | | | **1,77,492** | **100** | **11,34,87,487** | **100** |

**11.11 Dematerialisation of shares and liquidity:**

The Company's shares are available for dematerialisation on both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shares of the Company are compulsorily to be delivered in the demat form on Stock Exchanges by all investors. As on 31st March 2021, 11,29,65,642 shares representing 99.54% of the issued capital have been dematerialised by investors and bulk of transfers take place in the demat form.

**Demat ISIN:** Equity Shares fully paid: INE955V01021

**11.12 Outstanding GDRs / ADRs / Warrants or any convertible instruments and conversion date and likely impact on equity:**

The Company had not issued any GDRs / ADRs / Warrants or any convertible instruments, hence this is not applicable

**11.13 Commodity price risk or foreign exchange risk and hedging activities:**

**Commodity price risk and commodity hedging activities**

The Company does not engage in commodity hedging activities

**Forex Risk:**

The Company is exposed to foreign exchange risk on account of import transactions entered into and committed royalty payments to licensee of the Brands. For import of apparel & accessories and payment of Royalties the Company has to make payment in USD terms; therefore the Company is exposed to the risk of depreciation in the local currency. The company is proactively mitigating these risks by entering into commensurate hedging transactions with banks/Financial Institutions as per applicable guidelines.

**11.14 Plant Locations:**

The Company does not have any manufacturing plants

**11.15 Unclaimed Dividend:**

The Company did not declare any dividend from the date of incorporation to till date, hence this is not applicable

**11.16 Nomination Facility:**

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 72 of the Companies Act, 2013 are requested to submit the prescribed Form SH-13 for this purpose. Shareholders may write to the Secretarial Department of the Company for a copy of the Form.

**11.17 List of all Credit Ratings obtained by the entity**

Credit Ratings obtained by the Company during the year are available on Company's website at www.arvindfashions.com.

**11.18 Address for correspondence:**

Shareholders may correspond with the Company at the Registered Office of the Company or at the office of Registrar and Transfer Agent of the Company:

| | |
|---|---|
| Arvind Fashions Limited<br>Secretarial Department<br>Naroda Road, Ahmedabad - 380025.<br>Phone Nos: 079-68268000/68268108-09<br>E-mail: investor.relations@arvindbrands.co.in<br>Website: www.arvindfashions.com | Link Intime India Private Limited<br>5th Floor, 506 to 508, Amarnath Business Centre-1 (abc-1),<br>Beside Gala Business Centre (GBC), Near St. Xavier's College Corner,<br>Off. C. G. Road, Ellisbridge, Ahmedabad - 380006.<br>Phone No. 079-26465179/86/87<br>Fax No. 079-26465179<br>E-mail: ahmedabad@linkintime.co.in<br>Website: www.linkintime.co.in |

## 12. OTHER DISCLOSURES

**12.1** There are no materially significant transactions with the related parties viz. promoters, directors or the management or their relatives or subsidiaries etc. that had potential conflict with the company's interest at large or which warrants the approval of the shareholders. Suitable disclosure as required by the Indian Accounting Standard has been made in the Annual Report. The Related Party Transactions Policy as approved by the Board is uploaded on the Company's Website at https://www.arvindfashions.com/wp-content/uploads/2018/11/AFL-RPT-Policy.pdf.

**12.2** Transactions with related parties are disclosed in detail in "Notes forming part of the Accounts" annexed to the financial statements for the year. There were no related party transactions having potential conflict with the interest of the Company at large.

**12.3** There are no pecuniary relationships or transactions of Non-executive Directors vis-à-vis the Company which has potential conflict with the interests of the company at large.

**12.4** No Strictures or penalties have been imposed on the company by the Stock Exchanges or by the Security Exchange Board of India (SEBI) or by any statutory authority on any matters related to capital markets during the last three years.

**12.5** The Company has formed the policy for determining material subsidiary as required by Regulation 16 of the SEBI (LODR) Regulations, 2015 and the same is disclosed on the Company's website. The weblink is https://www.arvindfashions.com/wp-content/uploads/2018/11/AFL-Policy-on-Material-Subsidiaries.pdf.

The Audited Annual Financial Statements of Subsidiary Companies are tabled at the Audit Committee and Board Meetings.

Copies of the Minutes of the Audit Committee / Board Meetings of Subsidiary Companies are given to all the Directors and are tabled at the subsequent Board Meetings.

**12.6 Vigil Mechanism:**

In staying true to our values of Strength, Performance and Passion and in line with our vision of being one of the most respected companies in India, the Company is committed to the high standards of Corporate Governance and stakeholder responsibility.

The Company has a Whistleblower Policy (WB Policy) that provides a secured avenue to directors, employees, business associates and all other stakeholders of the company for raising their concerns against the unethical practices if any. The WB Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be met out to any person for a genuinely raised concern.

Pursuant thereto, a dedicated helpline "Arvind Ethics Helpline" has been set up which is managed by an independent professional organization.

The Ethics Helpline can be contacted to report any suspected or confirmed incident of fraud / misconduct on:

**Website for Complaints: www.in.kpmg.com/ethicshelpline/Arvind**

**Toll Free No.: 1800 200 8301**

**Dedicated Email ID: arvind@ethicshelpline.in**

A Whistle blower Committee has been constituted which looks into the complaints raised. The Committee reports to the Audit Committee and the Board.

No personnel have been denied access to the Chairman of the Audit Committee, for making a complaint on any integrity issue.

**12.7** The minimum information to be placed before the Board of Directors as specified in Part A of Schedule II of Listing Regulations is complied with to the extent possible.

**12.8 Certification from Company Secretary in Practice:**

Mr. N. V. Kathiria, Proprietor of M/s. N. V. Kathiria & Associates, Practicing Company Secretaries, has issued a certificate as required under the SEBI (LODR) Regulations, 2015, confirming that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as director of companies by the SEBI / Ministry of Corporate Affairs or any such statutory authority.

**12.9** Complaints pertaining to Sexual Harassment:

During the year, the Company has received 0 (zero) complaint pertaining to sexual harassment.

**12.10 CEO/CFO Certification:**

The Managing Director & CEO and Chief Financial Officer (CFO) have issued a certificate pursuant to the provisions of Regulation 17(8) of the Listing Regulations, certifying that the financial statements do not contain any materially untrue statement and these statements represent a true and fair view of the Company's affair. The said certificate is annexed and forms a part of the Annual Report.

**12.11** Details of total fees paid to Statutory Auditors:

Details relating to fees paid to the Statutory Auditors are given in in "Notes forming part of the Accounts" annexed to the financial statements for the year.

**12.12** Details of compliance with mandatory requirements and adoption of the non-mandatory requirements:

During the year, the Company has fully complied with the mandatory requirements as stipulated under SEBI (LODR) Regulations, 2015.

The status of compliance with discretionary recommendations and adoption of the non-mandatory requirements as specified in Regulation 27(1) of the SEBI (LODR) Regulations, 2015, is provided below:

**a.** **The Board:** The Chairman of the Company is Non-Executive Director.

**b.** **Shareholder Rights:** Half-yearly and other Quarterly financial statements are published in newspapers, uploaded on the company's website at www.arvindfashions.com and same are not being sent to the shareholders.

**c.** **Modified Opinion(s) in Audit Report:** The Company already has a regime of un-qualified financial statements. Auditors have raised no qualification on the financial statements.

**d.** **Separate posts of Chairperson and Chief Executive Officer:** Mr. Sanjay S. Lalbhai is the Chairman and Mr. Suresh Jayaraman is the Managing Director & CEO of the Company.

**e.** **Reporting of Internal Auditor:** The Internal Auditor reports to the Audit Committee.

The above Report was placed before the Board at its meeting held on July 09, 2020 and the same was approved.

For and on behalf of the Board

| | | |
|---|---|---|
| | **Sanjay S. Lalbhai** | **Shailesh Chaturvedi** |
| | Chairman & Director | Managing Director & CEO |
| | (DIN: 00008329) | (DIN: 03023079) |
| Date: 03/06/2021 | Place: Ahmedabad | Place: Bangalore |

# CEO / CFO certifcation

To

The Board of Directors,

Arvind Fashions Limited,

**Re: Financial Statements for the year 2020-21 - Certification by CEO and CFO**

We, Shailesh Chaturvedi, Chief Executive Officer and Managing Director, and Pramod Kumar Gupta, Chief Financial Officer of Arvind Fashions Limited, hereby certify to the Board that:

A) We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2021 and that to the best of our knowledge and belief:

   (1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   (2) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

C) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

D) We have indicated to the auditors and the Audit committee

   (1) Significant changes in internal control over financial reporting during the year;

   (2) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

   (3) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : Bangalore
Date : 03/06/2021

**Shailesh Chaturvedi**
Chief Executive Officer and Managing Director
DIN: 03023079

**Pramod Kumar Gupta**
Chief Financial Officer

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**DECLARATION REGARDING COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT PERSONNEL**

This is to confirm that the Company has adopted a Code of Conduct for Directors and Senior Management Personnel, which is available on the Company's website at www.arvindfashions.com.

I hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended March 31, 2021.

Place : Bangalore
Date : 03/06/2021

**Shailesh Chaturvedi**
Managing Director & CEO
DIN: 03023079

# Auditors' Certificate regarding compliance of conditions of Corporate Governance

To The Members of
**Arvind Fashions Limited**
Ahmedabad

We, Sorab S. Engineer and Co., Chartered Accountants, the Statutory Auditors of **Arvind Fashions Limited** ("the Company"), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on March 31, 2021, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).

**Managements' Responsibility**

The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

**Auditor's Responsibility**

Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

**Opinion**

Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the Listing Regulations during the year ended March 31, 2021.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For Sorab S Engineer & Co.**
Chartered Accountants
Firm Registration No. 110417W

**CA. Chokshi Shreyas B.**
Partner
Membership No. 100892
UDIN: 21100892AAAAMY1351

Place: Ahmedabad
Date: 03/06/2021

# Management Discussion & Analysis

## Global Market

2020 was one of the most challenging years for the world battling with a once-in-a-century kind of pandemic event of Covid-19. The global economy contracted for the first time in last many years with the world output de-growing at -3.5 percent since the global economic crisis in 2009, when the contraction was -1.7% [1]. Global lock downs, trade freeze, stretched healthcare systems and economic activity coming to a standstill in large geographies, created further stress on already stretched economies of emerging markets, including India. Most countries, including India, saw a halt in manufacturing activities ranging from 60-120 days in the calendar year in an unprecedented move necessitated by outbreak of Covid-19 and migration of labor. A period of stabilization was seen in second half of 2020 before 2nd wave of Covid-19 started sweeping across the geographies again.

The McKinsey Global Fashion Index (MGFI) predicted global fashion industry contraction of 27 to 30 percent in 2020 y-o-y with potentially a strong recovery to pre pandemic levels in 2021[2]. The global fashion Industry saw a steep decline in 2020 with profits declining by ~93% from 2019 levels [3].

While Covid-19 led disruptions and uncertainties for most part of the year led to the fashion industry posting record-low economic profits, it also forced brands & fashion houses to innovate while continuing to engage with their core constituencies. Most industry players have reshaped their business models, streamlined their operations and sharpened their customer propositions during the crisis. There are two key long term implications of the pandemic

a. Consumer Behavior: There was a significant change in the consumer behavior in the year gone by and it is likely to shape up further in 2021, with 2nd and possibly 3rd wave of the pandemic. Safety concerns, economic turmoil and varying levels of impact on disposable incomes have led to strong brands with focus on relevant offering gaining strength. Fashion system is evolving with new work from home & flexi work practices. Great focus on health and Do-it-Yourself (DIY) has increased the salience for comfort wear, athleisure and DIY beauty. Environmental concerns have also heightened during the pandemic and that is another theme likely to play out, with environmentally aligned brands likely to be preferred.

b. Digital Focus: A common thread across fashion players that have performed relatively well in 2020 is offering a compelling digital proposition. Convenience and immediacy became key differentiators and fashion players optimized their store network and reduced friction in the customer journey via in-store experience, localized assortments and truly omni-experience. Given the strong performance of digital in 2020 and the current macro-economic trends, the companies treading the path of digital adoption are likely to rule the roost.

Industry experts believe that the themes that will define the future of fashion industry are the fact that we will have to live with the virus and hence industry players have to evaluate the distribution model to optimize the retail ROI, make a fashion offering for the new remote working, health, safety and environment conscious consumer and be digitally ready to reach the consumer wherever and whenever he / she wishes to shop [3]

1. IMF World economic outlook 26th Jan2021
2. McKinsey State of Fashion Corona Edition Feb 2020
3. McKinsey State of Fashion Edition Dec 2020

## Indian Market

The slowdown of the Indian economy, already visible in 2019-20 turned into a contraction in 2020-21. Q1 (Apr-Jun'20) was a complete washout for the Indian economy, with almost a quarter worth of industrial output being lost due to the pandemic induced national and regional lock downs, followed by a very gradual reopening. While the economy posted positive growth in the last 2 quarters of FY20-21, overall for the year 2020-21, India economy contracted by 7.3% [4]. This is the first full-year contraction of our economy in the last four decades since 1979-80, when GDP had shrunk by 5.2%. The economy came out of technical recession in the October-December quarter of the financial year 2020-21 and expanded by 0.5 percent

The sectoral performance in Q4FY21 shows that manufacturing, construction, finance, real estate had a reasonable recovery and would have been a good indicator of things for FY21-22. However, the second wave leading to a series of regional lockdowns, is likely to impact this fiscal as well, especially for services sector, with most agencies downgrading the original growth estimates. Lockdowns impact fashion retailing more than the overall impact on the economy. With a potential 3rd wave the economy could witness further dips in 2021-22. However, there is a near consensus that with increased levels of vaccinations, improvements in medical and oxygen infrastructure and heightened levels of awareness around Covid-19 appropriate behavior, economic consequences of any potential 3rd wave are likely to be less severe. The second wave of Covid-19 has already witnessed less severe economic costs even though unfortunately the human costs of the second wave have been far more severe.

India's apparel market in 2020 was estimated to be US $41.4Bn witnessing de-growth of 27% over FY19 [5]. While the pandemic has led to a temporary setback, the long term growth prospects of the apparel market remains intact for the country with the market estimating to grow at a CAGR of 8% to US $89Bn by 2025 [5] on the back of higher brand consciousness, improved digital access and greater purchasing power. Branded apparel is likely to have a lion share of ~56% of the total apparel market, with Men's wear continuing to lead the market with large share in casual wear with product categories like T-Shirts & Active wear. In the new post pandemic normal where flexible work routines are likely to be a norm, the need for casual wear is likely to increase further. The online apparel e-tailing market grew by 51% in FY21[6] with a very high level of digital adoption in view of offline retail being inaccessible. A number of digital innovations were introduced by e-tailers and fashion houses in a range of areas covering both consumer engagement, commerce and fulfilment. Rising adoption of D2C (Direct to consumer) and omni channel is likely to shape the future of fashion shopping in the country.

Post the near melt down of 2020, following the global trend, the apparel sector is expected to grow in excess of 25% this year [5]. Despite the first quarter being impacted by localized lockdowns, there is likely to be a better sales recovery quarter on quarter owing to the low base of last year. Partial recovery has started in this fiscal over a muted FY21, though caution is still advised on account of potential infection waves. Changes in consumer behavior and greater access to brands and assortment through D2C platforms are likely to result in rising share of Tier 2 – Tier 3 towns. Companies which are ready to reach this digital native consumer, when & wherever he / she wants them to be, is likely to outpace their peer group in next few growth years. This year also the focus on direct to consumer, online channels would be of significant importance for the organization.

4. National Statistical Organization data (31stMay 2021)
5. BCG report (Feb'2021)
6. Uni-commerce report (10th June 2021)

# Trends in the Fashion Industry

## Digital – Channel of choice

In the recent past there has been a high digital adoption in the country both from point of view of share of voice and also as commerce opportunity. Digital penetration is 2nd highest in the world. Online apparel and lifestyle market is expected to grow to ~$28.7 Bn by FY25[7]

AFL is a leading Omni player with own e-commerce & 3rd party marketplaces

## Accelerated shift to Casualwear & Athleisure

With flexi working practices in the post pandemic world the consumers' share of wardrobe is becoming more casual wear and athleisure oriented. Within casual, active wear and T-shirts have shown promising growth with CAGRs of 12.7 percent and 10 percent respectively, owing to changing preferences[7]

AFL positioned as leading casualwear player in India

## Small town aspirations

Real India, which resides in Tier 2 & Tier 3 towns, is warming up to the idea of ready to wear branded apparel. Reverse migration during Covid-19 has only accelerated the adoption of branded wear. The Indian middleclass consumer in these locations is seeking quality, fashion at affordable

AFL Brand portfolio is ready to cater to this consumer and has successfully piloted FM

## Innerwear – Growth across mens, women & kids

Branded innerwear is likely to remain a fast growing category across men, women and kids, as consumers are looking at innerwear & loungewear as a fashion statement. Leading innerwear brands have invested heavily in brand promotions and portfolio expansion into track pants, sweat

AFL among top 3 players in premium innerwear has category extension in lounge & comfort wear

## Fast growing prestige beauty market

Prestige beauty market is growing at a rapid pace and is estimated to be $1.5 Bn by FY23(5). The Indian consumers is going through a fast rate of transition from mass to premium to prestige brands

Sephora is the leading prestige beauty retailer in India

## Rapidly growing premium Kid swear

The kids wear market in India was estimated to be $11.7 Bn in FY19, growing with a CAGR of 9% and is expected to become $19.1 Bn by FY25. 29% of Indian population is in the age group 0-14 years, presenting a huge growth potential[7]

AFL among top 3 players in premium kids wear

7. Technopak Industry Report on Indian Apparel Retail Nov 2019

# Arvind Fashions Limited – A Leading D2C & Omni Player in India

Arvind Fashions Ltd is India's leading direct to consumer (D2C) & Omni player in the branded apparel space, primarily with a casualwear offering through its powerful portfolio of brands straddling across price points and fast growth categories. The company's portfolio of brands is available directly to the evolved customer in his / her shopping journey from offline to online and vice versa. Your company has many successful category expansions that cater to the changing consumer preference as well such as comfort wear, athleisure, Prestige Beauty, Premium Kidswear, Premium Innerwear, Footwear & Accessories under its portfolio of brands. Your company has a long history of working with international brands and scaling up brands through multi-channel distribution capabilities along with full scale omni-channel expertise.online channels would be of significant importance for the organization.

| Casuals (Super Premium) | Casuals (Premium) | Value Retail |
| --- | --- | --- |
| CALVIN KLEIN<br>TOMMY HILFIGER | U.S. POLO ASSN. SINCE 1890<br>FLYING MACHINE<br>AÉROPOSTALE<br>Ed Hardy | UNLIMITED<br>INDIA'S FAVORITE FASHION STORE |
| **Formals** | **Inner Wear** | **Prestige Beauty Retail** |
| ARROW 1851 | U.S. POLO ASSN. SINCE 1890<br>CALVIN KLEIN<br>TOMMY HILFIGER | SEPHORA WHERE your beauty BEATS |
| **Kids Wear** | | |
| U.S. POLO ASSN. SINCE 1890 kids<br>FLYING MACHINE BOYZONE<br>TOMMY HILFIGER KIDS | | |

## Key Characteristics of the Arvind Fashions Portfolio

- Lifestyle offering across International and aspirational brands
- Across price points & usage occasions to cater to large consumer segments
- Distribution strength to expand into real India – Tier 3 & 4 towns
- Future ready digitally capable with presence across all D2C touch points : own website, strong market place & very large partner portal play
- Strong possibility of brand extensions into adjacent categories post success of innerwear, footwear, kids, accessories across brand portfolios
- Strong play in prestige beauty
- Six high conviction brands – Most with market leading positions

| | |
|---|---|
| **U.S. Polo Assn.** | #1 Casuals brand |
| **Flying Machine** | Among top 3 Denim brands |
| **Arrow** | Among top 5 Formalwear brands |
| **Tommy Hilfiger** | #1 & #2 in super premium casuals |
| **Calvin Klein** | |
| **Sephora** | #1 Prestige beauty retailer |

# Brands and Product Groups

## Focus Brands

Your company has decided to focus on six high conviction brands namely U.S. Polo Assn., Tommy Hilfiger, Flying Machine, Arrow, Calvin Klein and Sephora. These brands have a strong historical performance and robust long term growth potential.

U.S. Polo Assn. is India's leading casualwear brand in relevant price points and on track to become India's leading Lifestyle Brand with strong multi-category & multi-channel play. U.S. Polo Assn. is set to grow steadily with multiple growth drivers. Retail and product

upgrades, fresher marketing and digital journeys at stores will help in improving store productivity. Your company's strong omni-channel capabilities will allow for seamless offline-online customer journey. Distribution expansion in smaller towns with brand stores, deeper penetration of MBOs and expansion in online through channel specific categories and ranges provide immense growth opportunities. Further, category expansions into adjacencies such as kidswear, innerwear, footwear and accessories, are emerging as large incremental opportunities. Improving retail sell-through with closer to market buying, lean cost structure, increasing operating leverage and leveraging the power of analytics in pricing and discount optimization are set to further increase the brand's profitability.

Tommy Hilfiger has a strong play in super-premium segment with the classic American cool styling and high quality. With potential to expand store footprint in 40+ cities, accelerated growth in online channel, growth in premium department stores through shop in shops (SIS) and expansion into adjacent categories such as tailored line, women and kids wear, innerwear and accessories, Tommy Hilfiger has multiple growth opportunities. In H2 FY21, the brand delivered it's highest ever EBIDTA margins.


Flying Machine is among India's top 3 denim brands with strong millennial connect. It is a digital first youth oriented brand with strong online presence. It straddles across premium and value segments through a distinctive product and retail strategy. In FY21, AFL entered into a strategic partnership with Flipkart for Flying Machine through a joint venture, with Flipkart having a significant minority stake. This helped the brand double it's revenues from online channel in Q4 FY21. This partnership will help accelerate its journey to become India's #1 youth brand. This alliance has helped leverage consumer insights to drive product innovation/communication/ distribution strategy and enable building a low inventory – fast turnaround supply chain for online. It also provides good opportunity

to expand into adjacent lifestyle categories such as footwear, watches, eyewear and backpacks to build this iconic youth brand. It is also expanding its distribution footprint in Tier3/4 towns with its value retail format FMX, to capture the small town opportunity. In premium retail and department stores Flying Machine is constantly evolving and enriching premium product line and expanding footprint of premium SIS and stores in metros and mini-metros.

Arrow is a heritage American brand and its core target is a customer who already buys into premium menswear brands and is keen to experience aspirational international brands. With upgradation of top stores, fresher marketing communication (With Hrithik Roshan


as brand ambassador) and product upgrades such as launch of premium range, expansion of Arrow New York modern line and relaxed workwear offerings, Arrow is all set to increase its brand appeal. The brand will also leverage strong omni-channel capabilities for seamless offline-online customer journey. With robust distribution expansion and increased focus on accessories such as footwear, ties, belts and wallets, the brand has significant growth opportunities.

Calvin Klein is India's #2 casualwear brand in the super-premium segment. The brand aims to improve store productivity through store upgrades and through launch of multi-category Calvin Klein lifestyle brand stores. Through continued communication of brand's positioning as an ultra-chic and cool brand with glamour quotient, the brand continues to build its consumer appeal. It is eyeing rapid growth in online

channel by strengthening the entry level price point products. Accessories such as footwear and wallets provide additional growth opportunity for the brand. With increasing share of India's production, brand's profitability is also set to improve.

Your company is present in the prestige beauty market through Sephora. Prestige beauty market is growing at an accelerated pace in India and is estimated to become $1.5 Bn by FY23, thereby presenting a large opportunity. Sephora has already been established as a leading prestige beauty retailer in India. With its unparalleled assortment of prestige products in many beauty categories, unbiased service from the beauty experts in an interactive shopping environment, expanding stores footprint with retail excellence and a tremendous


opportunity in online. Sephora is well placed to consolidate its leading position and keep growing at a fast pace.

In H2FY21, the focus brand portfolio delivered a healthy EBIDTA in spite of Covid-19 impacted Mar'21. Also with significant inventory corrections across the focus brand portfolio, gross working capital reduction in the year was over 450+ Cr. With improved working capital and a lean cost structure, focus brands are set up for accelerated growth with improved ROCE, once the 2nd wave of Covid-19 subsides.

## Other Businesses

In addition to the focus brands, your company also operates Unlimited – a value department store chain and brands like Aeropostale and Ed Hardy.

Unlimited is a chain of value department stores with offerings for the entire family. Value fashion market in

India is estimated to have a majority share of the total apparel market. Urbanization and rurbanization are leading to emergence of middle tiers and smaller towns as fast growing consumption centers. With increasing income and attitudinal change to look better, there is a shift from unbranded to branded. These factors are aiding the growth of the branded value fashion market in India, and Unlimited is well positioned to tap this opportunity. Since FY20, your company initiated many actions to restructure Unlimited to minimize losses. Unprofitable stores and stores in unrelated geographies were closed, multiple initiatives were taken to rationalize operations and restructure team to reduce cost base. The new flexible and agile sourcing strategy has been implemented to move away from seasonal to once in two months buy to improve sell through and optimize inventory, product assortment and pricing proposition has been revamped.

Aeropostale brand is positioned around teens and young consumers focused on active oriented and


fashion basics at compelling values. Aeropostale business has been de-risked by enhanced focus on shop in shops in department stores and in the online channel, while limiting the number of retail stores. The product offering has been upgraded with new design language. Your company is also exploring value opportunity in the denim category through Aero Jeans.

Ed Hardy is an alternative lifestyle fashion brand that celebrates the classic American tattoo as an art form.

Discontinued Operations: Your Company decided to discontinue few brands either with limited long term potential or the ones that did not fit its post-Covid strategy. GAP Inc and your company mutually decided to terminate the franchise agreement in the light of post Covid-19 circumstances. Along with this, your company decided to also discontinue operations in The Children's Place and Hanes, in addition to a few Unlimited private brands. This will help to focus management bandwidth and channelize resources to the portfolio of other brands with higher growth potential.

# Powerful Platforms

## Leader in digital

Your company has made significant investments in digital over the years and has been at the forefront of digital commerce even before the pandemic. Investments in digital commerce were further strengthened during FY21 enabling the company to mitigate the impact of Covid-19 led disruptions in offline retail. Today we are able to reach the consumer through all means of e-commerce channels whether it is 3rd party portals, brand websites or market places on all major fashion & apparel websites.

**Omni-channel:** Our early investments in technology have helped us during the Covid-19 year with share of direct to consumer business (D2C) scaling up multifold to reach ~30% of our online revenues. We have been connecting offline stores and warehouse inventory to our own fashion portal NNNOW.com and third party marketplaces to create "One view of inventory". This enables reduced discounting through better pricing control, higher inventory turns and helps in improving store productivity as well. We have strengthened our e-commerce service capacity of the warehouses multifold with ~5 dedicated B2C warehouses to specifically address the needs of discerning e-commerce customer, coupled with processes for higher efficiency and better turnaround time. There has been a significant reduction in turnaround time post integration of a large network of company operated stores through Omni. We have been leveraging analytics to have more curated product offering for our loyal customers across the various online commerce platforms.

We foresee digital to remain a critical growth driver for your company. We are in the process of integrating franchisee stores as well for Omni deliveries that will further help improve customer offering and reduce delivery timelines. We are adapting to the new normal in post pandemic world by further strengthening our digital and omni capabilities and transform into a truly agile multi-channel, digitally enabled organization.

In FY22, we are further investing in our already strong D2C infrastructure to connect our entire store network of own and franchisee stores and further strengthen our integration with the online platforms. Through our initiatives we intend to maintain our position of leadership on 3rd party websites, improve customer experience in D2C commerce and digitally enable our offline retail to increase throughput.

## Tier 2 & Tier 3 expansion

Your company has **strong** multi-channel distribution capabilities with a pan India footprint in 150+ cities and presence on all major e-commerce platforms. It has ~1250+ brand stores (as of 31st Mar 2021), 3500+ counters in department stores and presence in 10,000+ MBOs. Your company brand stores are present in all the major malls of the country and featuring amongst the most productive stores in those malls. By having a common sales structure & a centralized business development team across brands, your company will be able to bring in cost efficiencies and leverage the synergies across the portfolio to expand to a larger

geography comprising of Tier 2 & Tier 3 towns where the real India resides. With the successful pilot of Flying machine in small town India your company is ready with the know-how on assortment, price-points and retail identity that can help reap benefits both for your company and its business partners / franchisees. Your company sees an opportunity to open ~400 stores in next 3 years in this Real India.

## Strong Supply Chain capabilities to improve ROI

Your company has an established strong warehousing **& logistics supply chain,** through which we are able to service our partners and customers effectively. In FY21, we were able to consolidate our B2B warehouses from 11 to 4 thus helping us bring in cost and service efficiencies. We have tied up with top logistics partners to ensure on time delivery to our partners and customers.

In FY22, your company will further work on enhancing our back end with state of the art supply chain tools. These new tools will help deploy "Theory Of Constraints"

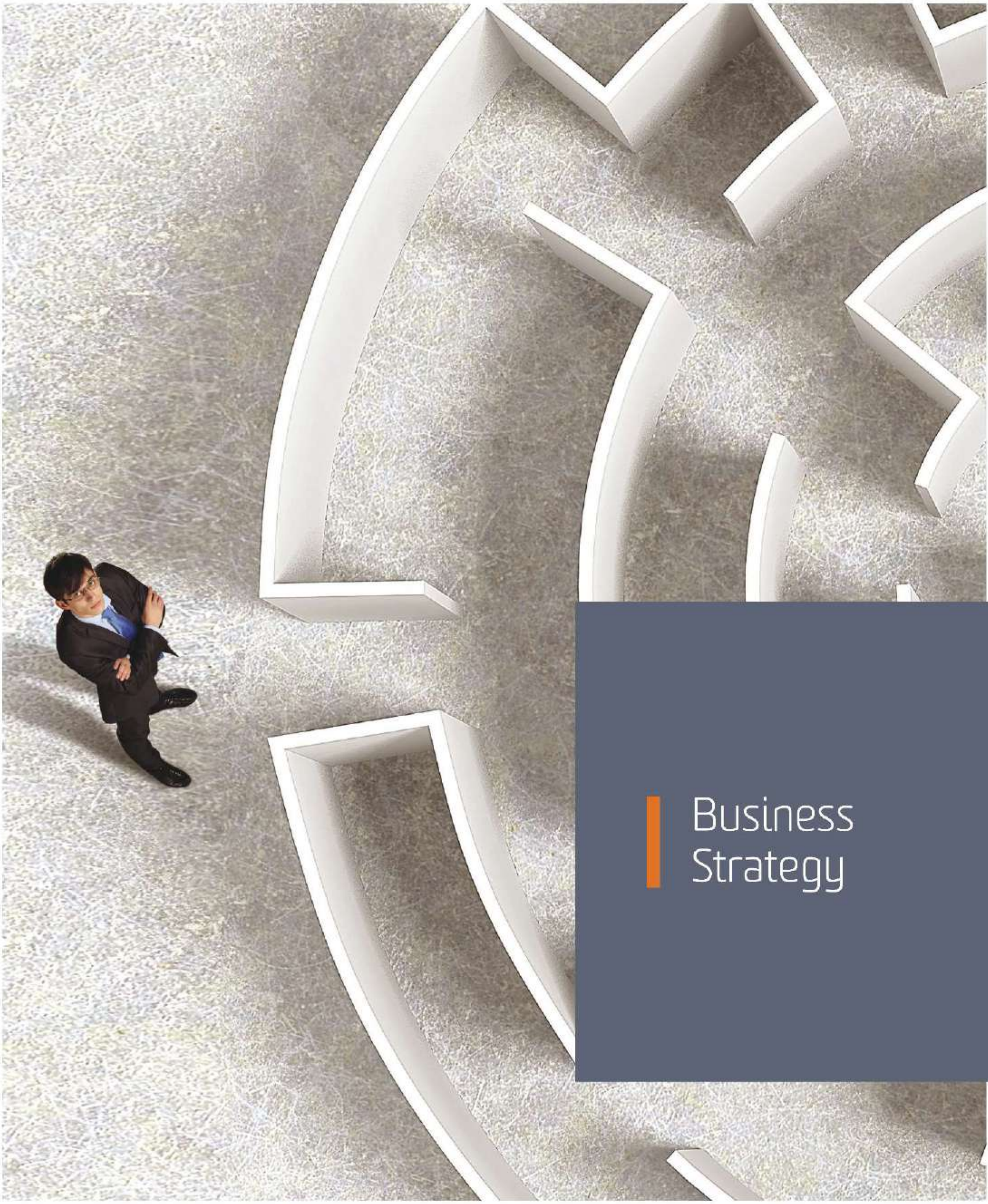
principles to increase inventory turns and ROI through process improvements across various touch points of the value chain from design through delivery.

## Sourcing expertise

Our company has been able to move forward steadily in these times through its strategic sourcing function. It has achieved functional excellence and is able to source more than 4 Cr units per year while handling large operational complexities across multiple categories. This has been possible through strong supplier relationship management processes such as "Unnati - annual vendor partner meet", vendor scorecard system, etc.

Our digitized back end has improved productivity and quality, and this has made our company one of the preferred customers in the industry, attracting the most reputed vendors. Today, the digitized back end has become a single source of truth for the company as well as the vendors, leading to transparency across the supply chain, helping us improve stock turns and achieve operational excellence.

We are now making strides in reducing sourcing lead times and react faster to market demands through initiatives such as the flexible manufacturing process that has led to path-breaking process improvements, making the supply chain agile and the business sustainable.



# Business Strategy

Your company has strong growth, profit and ROCE drivers to help deliver steady performance over the coming years. After rapid growth until FY19, you company went through a period of consolidation over the last two financial years (2019-20 and 2020-21). Rationalization of portfolio through exit of loss making brands and Covid-19 induced economic slowdown had an adverse impact on the revenue and profitability of your company during these years. But scale up of digital & omni capabilities during the pandemic coupled with rationalization of cost structure & working capital has made your company leaner and agile for future growth in the "new normal", that is emerging post pandemic world.

## Growth Drivers

- Six high conviction focus brands with market leading positions to drive growth
- Strong Omni-channel capabilities to drive growth in the online channel
- Expand the offline network to small town India
- Product portfolio well suited for changing consumer needs
- Category expansion through kids-wear, innerwear, footwear & other accessories by leveraging existing brand equity
- Cementing position as the #1 prestige beauty retailer in Sephora with greater online focus

## Profit Drivers

- Elimination of loss-making parts of the portfolio
- Improved full price sell through from retail upgrade and stronger buying and merchandising
- Lean cost structure : Managing costs effectively to ensure operating leverage
  - Optimization of store operating costs and closure of tail stores
  - Reduced warehousing costs through consolidation of multiple B2B warehouses
  - Centralized sales team leading to cost synergies and improved efficiencies
  - Overheads control
- Analytics led discounts/markdown optimization

## ROCE Drivers

- Better working capital management leading to higher turns
- Agile sourcing to enable replenishment based buying of market right products closer to the launch
- Primary sales aligned to consumer off-take
- Greater operational controls over inventory buying process

# Financial Performance and Analysis

## Consolidated Financial Performance and Analysis (Rs. Crores)

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| **Revenue from Operations** | **2,201** | **3,614** |
| **Other Income** | **128** | **59** |
| **Total Income** | **2,329** | **3,673** |
| **EBITDA** | **121** | **318** |
| Finance Costs | 225 | 274 |
| Depreciation | 302 | 421 |
| **Profit Before Exceptional Item and Taxes** | **(406)** | **(377)** |
| **Exceptional Items** | **45** | **60** |
| **Profit Before Taxes** | **(451)** | **(437)** |
| Tax Expense Charge/(Credit) | 42 | (97) |
| **Profit / (Loss) After Tax for Continued Operations** | **(493)** | **(340)** |
| **Discontinued Operations** | **(103)** | **(59)** |
| **Profit/(Loss) Before Minority Interest ( Continued and Discontinued operations)** | **(596)** | **(399)** |
| Minority Interest | (16) | 2 |
| **Net Profit/(Loss) for Equity Shareholders of Parent** | **(580)** | **(401)** |
| Other Comprehensive Income/(Loss)( Net of Tax) | (0) | 4 |
| **Net Profit/ (Loss) after other comprehensive income/ (loss)** | **(580)** | **(397)** |

*Comparable refers to pre IND AS 116 numbers

## Consolidated Financial Performance and Analysis

| Particulars | As on March 31, 2021 | As on March 31, 2020 |
|---|---|---|
| Net Fixed Assets | 381 | 502 |
| Net Working Capital | 594 | 823 |
| Deferred Tax asset | 392 | 434 |
| Other Current assets/ Non -current assets and Liabilities | 338 | 321 |
| Discontinued operations (Asset less Liabilities) | 81 | - |
| IND AS 116 Impact | | |
| ROU Assets | 665 | 734 |
| **Lease Liability** | **(812)** | **(918)** |
| Capital Employed | 1,638 | 1,895 |
| | | |
| Net Worth | 591 | 685 |
| **Compulsorily Convertible Preference Share Capital (Disclosed under other non-current Financial Liability)** | **143** | **0** |
| **Debt** | **904** | **1210** |
| **Capital Employed** | **1,638** | **1,895** |

### Revenue from Operations:

Company registered revenues from continuing operations of Rs. 2201 Crore compared to last year Rs. 3614 Crore in FY20. The drop in revenue was due to unforeseen Covid-19 pandemic that had a significant impact in first half of reporting period. The impact of pandemic was lower in the second half of the financial year, led by gradual opening of retail stores across the country, increased footfalls across malls and significant growth in digital channel. Towards the end of March '21 the operations were again impacted by onset of second wave of Covid-19. During Q4 FY21 the same store revenue showed a small growth against Q4 FY20.

### Other Income:

Other income includes Rs. 99 Crore of Covid-19 related Rent concessions disclosed under the guidance note to Ind-AS 116 leases, issued by Ministry of Corporate Affairs vide notification dated July 24, 2020. Pursuant to the above guideline the group has applied the practical expedient by accounting the unconditional rent concessions from 1st April 2020.

### EBITDA:

EBITDA is Profit before Interest, depreciation & amortization and Taxes. Company registered an EBITDA of Rs.121 Crore during FY21 compared to Rs.318 Crore during FY20. Covid-19 pandemic that impacted the revenue also had a significant impact on the profitability. The company undertook various cost rationalization measures across lease rentals, supply chain, manpower optimization, travel, marketing and advertisement and various other expenses to reduce the impact. Your company is confident that as business recovers post the pandemic, the strategic actions and cost rationalization measures that are already in place will help deliver a strong operating performance in subsequent years.

**Finance Cost:**

Finance cost includes interest on borrowings of Rs. 153 Crore and on lease liabilities of Rs. 72 Crore. There is a reduction of Rs. 49 Crore compared to previous year aided by reduction in debt of ~300 Crore during the current fiscal.

**Depreciation:**

This includes depreciation on Assets invested by the company Rs. 123 Crore and Right Of Use (ROU) Assets for leases of Rs. 180 Crore. The depreciation for the year is lower by Rs. 118 Crore compared to previous year mainly due to closing down of loss making stores.

**Exceptional Items:**

Exceptional item includes profit of Rs. 112 Crore on sale of Compulsorily Convertible Preference Shares in Arvind Youth Brands Private Limited (AYBPL) by Arvind Lifestyle Brands Limited (ALBL) to Flipkart India Private Limited. Both AYBPL and ALBL are subsidiaries for the Company. Further the company has created additional provisions of Rs. 157 Crore towards expected future customer returns, dormancy provision on old inventory and provision towards doubtful debts arising out of Covid-19 Pandemic (compared to Rs. 61 Crore in FY20).

**Discontinued Operations:**

The company has decided to discontinue the operations of brands such as GAP, The Children's Place, Hanes and a few Unlimited private brands. Accordingly the loss before tax relating to these brands business have been disclosed separately as discontinued operations in accordance with Ind AS 105. The loss on discontinued operations during the year was Rs. 103 Crore. (compared to Rs. 59 Crore in FY20)

**Minority Interest:**

This represents share of profits / loss pertaining to JV partners of one of our subsidiary company PVH Arvind Fashions Private Limited.

**Net Working Capital:**

Net Working Capital of continuing business stood at Rs. 594 Crore as on March 31, 2021 compared to Rs. 823 Crore last year. The breakup of the reported figures are mentioned below.

| Particulars | As on March 31, 2021 | As on March 31, 2020 |
|---|---|---|
| Inventory (Including Returnable Assets) | 900 | 1,367 |
| Trade Receivables | 626 | 781 |
| Less: Trade Payables | 932 | 1,325 |
| Net Working Capital | 594 | 823 |

**Equity Share Capital:**

The Company raised Rs. 400 Crore via issuance of 4 Crore fully paid up equity shares on rights basis in July'20 and Rs. 104 Crore via issuance of ~1.5 Crore partly paid up equity shares on rights basis in March'21.

**Debt:**

Total debt for the company stood at Rs 904 Crore as on March 31, 2021, as compared to Rs.1210 Crore as on March 31, 2020.

**Compulsorily Convertible Preference Share Capital:**

The Parent Company and Arvind Lifestyle Brands Limited (ALBL), a wholly owned subsidiary Company have transferred by way of sale, the wholesale trading business and retail trading business of "Flying Machine" ("FM") brand respectively as a going concern to Arvind Youth Brands Private Limited (AYBPL), a subsidiary company on a slump sale basis. The consideration for the sale was settled by AYBPL by issuing Equity shares to both the companies and Compulsorily Convertible Preference Shares (CCPS) to ALBL. Subsequently ALBL sold the CCPS to Flipkart India Private Limited. As CCPS is convertible to a variable number of equity shares based on future financial performance of AYBPL, the same has been classified as financial liability and disclosed under other non-Current financial liability on a fair value of Rs.142.95 Crore.

**Financial Ratios (on Consolidated Financial Statements)**

In accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has identified the following ratios as key financial ratios at consolidated level:

| Particulars | As on March 31, 2021 | As on March 31, 2020 |
|---|---|---|
| Debtors Turnover Ratio | 3.13 | 4.35 |
| Inventory Turnover Ratio | 1.94 | 2.80 |
| Interest Coverage Ratio | (0.81) | (0.38) |
| Current Ratio | 1.64 | 1.62 |
| Debt Equity Ratio | 1.53 | 1.77 |
| EBITDA Margin | 5.51% | 8.79% |
| Operating Profit Margin | (8.24%) | (2.85%) |
| Net Profit Margin | (22.41%) | (9.41%) |
| Return on Net Worth | (30.67%) | (15.05%) |
| Return on Average Capital Employed | (10.27%) | (5.28%) |

.* All Ratios other than Debt Equity Ratio have been worked out considering only continuing operations

**The formula used for the computation of the above ratios are as follows:**

| Particulars | Formula |
|---|---|
| Debtors Turnover Ratio | Revenue from Operations / Average of opening and closing Trade Receivables |
| Inventory Turnover Ratio | Revenue from Operations / Average of opening and closing Inventories |
| Interest Coverage Ratio | EBITDA less Depreciation / Finance Costs |
| Current Ratio | Current Assets / Current Liabilities |
| Debt Equity Ratio | Debt / Net Worth |
| EBITDA Margin | EBITDA / Revenue from Operations |
| Operating Profit Margin | EBITDA less Depreciation / Revenue from Operations |
| Net Profit Margin | Profit After Tax / Revenue from Operations |
| Return on Net Worth | EBITDA less Depreciation / Net Worth |
| Return on Average Capital Employed | EBITDA less Depreciation / Average Capital Employed |

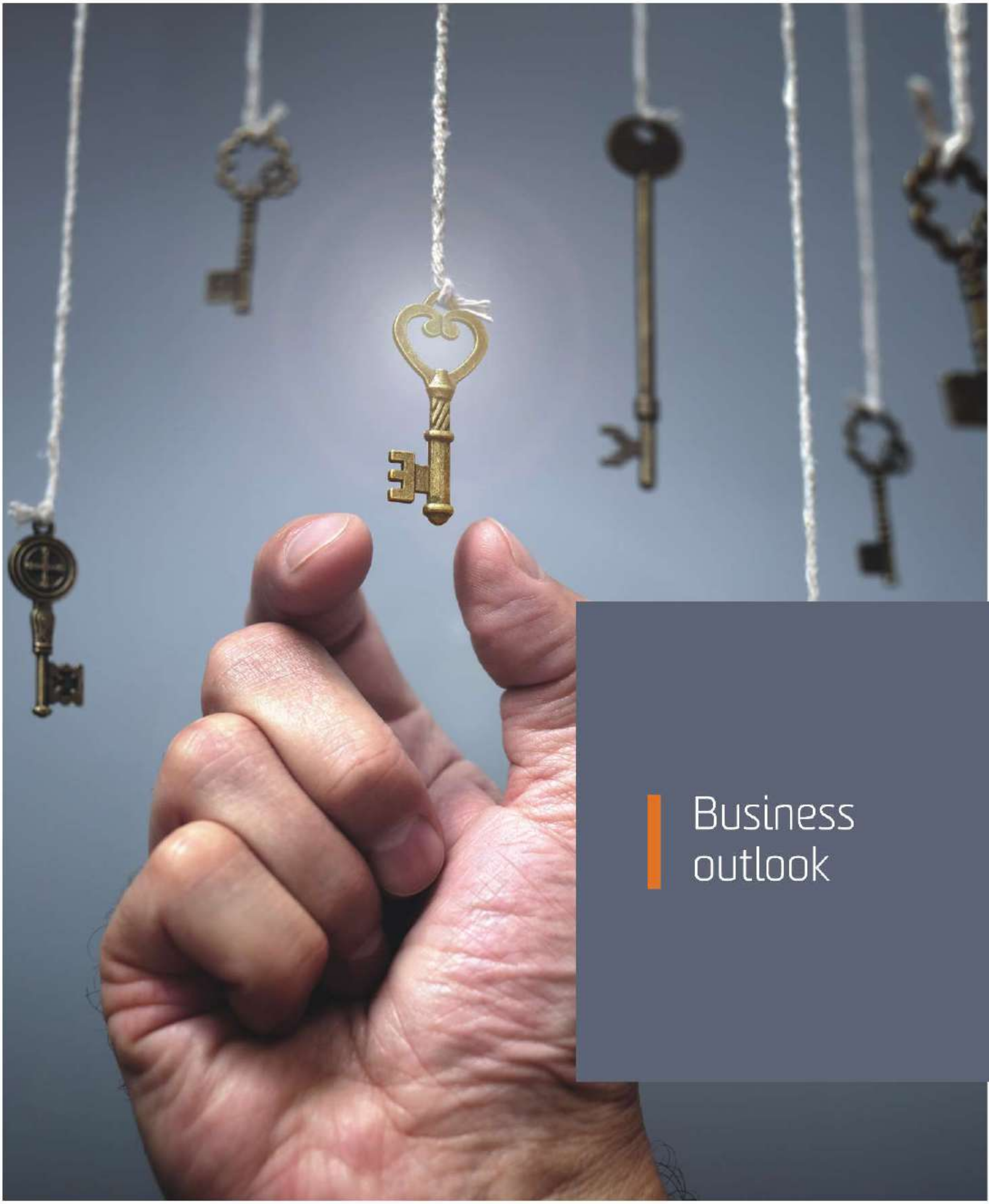
Commentary on significant changes in key financial ratios (i.e., changes of 25% or more compared to the immediately preceding financial year)

**Turnover Ratio:** Due to Covid-19 Pandemic, the revenue from operations got significantly impacted, that resulted into adverse impact on both Debtors and Inventory turnover ratio. While there is a significant reduction in the levels of Inventory and debtors during Fy21, the ratios remain adversely affected due to the factor mentioned above.

Within FY21, the first half of the year was impacted more significantly in terms of revenue. Against the total revenue for Rs. 2201 Crore for the year, the revenue for H1 FY21 was Rs.531 Crore and revenue for H2 FY21 was Rs. 1670 Crore. Both Debtors and Inventory turnover ratios have improved over FY20 when computed on the basis of H2 FY21 annualized revenue.

**Interest Coverage Ratio:** Even though the interest cost has come down by Rs.49 Crore (18% lower on Y-o-Y basis), Interest coverage ratio had adverse movement due to lower EBIT in FY21 caused by Covid-19 impact.

**EBITDA Margin, Operating Profit Margins, Net Profit Margins, Return on Net Worth and Return on Capital Employed:** Profit margins got adversely impacted due to losses caused by Covid-19 pandemic as explained above. This also led to Return on Net Worth and Return on Capital Employed turning negative.

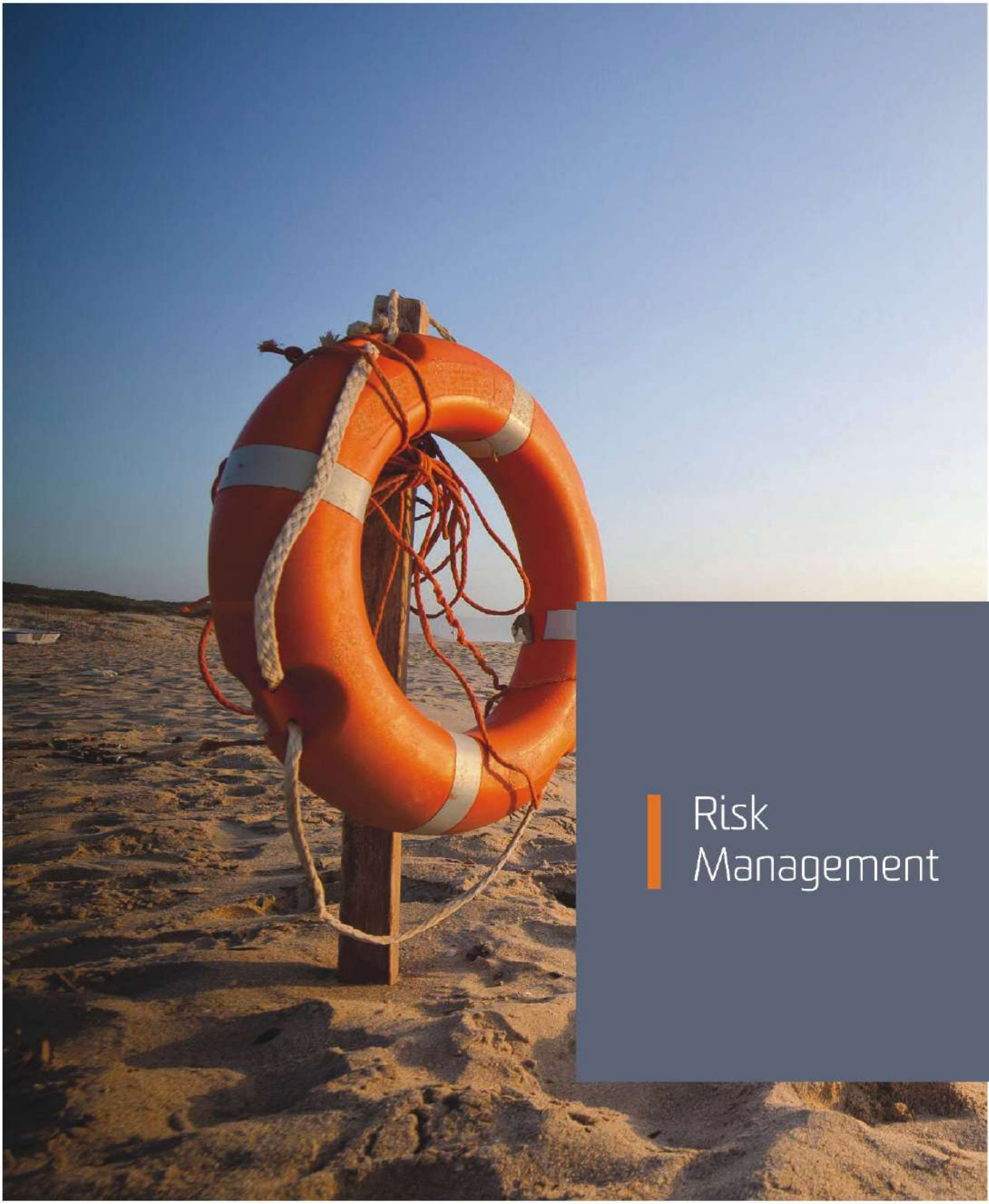


# Business outlook

The 2nd wave in Q1 FY22 is likely to impact the economy adversely, specifically for discretionary categories. Starting with regional lockdowns in mid-April 2021, most part of the country was under some form of lockdown during May 2020 and the unlock started around mid-June 2021. While there is indeed a reasonable recovery in June, the sales recovery is expected to strengthen further in the second quarter of FY22, possibly leading to normalization of operations by Diwali of this year, bar unforeseen circumstances or a third wave of Covid-19. Your company is adequately prepared to tackle the uncertainties and risks in the short term and well positioned to be a dominant lifestyle player in the medium and long term.

In the changing consumer channel preferences, where a large share of revenue is moving to digital, your company has significant share in online channel and a large share of this revenues coming from direct to consumer (D2C) proposition namely brand websites and well integrated market places. With a leaner working capital and agile supply chain your company is ready to respond to the changing consumer demands amidst possibility of 3rd wave of Covid-19. Also the exit of weaker brands is helping your company focus resources on strengthening the six focus brands to drive growth with improved profitability and ROCE. The strategic tie up with Flipkart has helped Flying machine double its online revenue in Q4 of FY21 and will further unlock significant growth opportunities in FY22. As a leading casualwear player with an unmatched portfolio of brands and product offerings across price points and categories, your company will further strengthen its position across premium casual, innerwear & prestige beauty while continuing to extend brand portfolio into adjacencies likely footwear, accessories & kidswear. It will also capitalize on its early investment in technology and further scale up omni and e-commerce business and leverage technology to improve productivity and operational efficiency.

Structural cost reduction exercise undertaken in FY21 is likely to result in cost savings of around 100+ Crore on an on-going basis. With new ways of buying & inventory control being implemented, your company aims to release cash through better inventory turns. Funds infusion of Rs. 763 Crores over last 1 year through Rights issue and strategic investment by Flipkart have helped your company reduce the debt by 300+ Cr so that the company is ready to fuel profitable growth in 6 high conviction brands.



# Risk Management

The success of current as well as future performance of Arvind Fashions is subject to a variety of factors, including but not limited to forecasting and managing of risks and uncertainties which are described as below:

1. **Strategic Risks-** These risks arise out of company's strategies and objectives towards business which could have potential risk on the long term continuity and sustainability.

2. **Operational Risks-** The risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events, leading to potential disruptions in the smooth functioning of the business.

3. **Regulatory Risks-** Lack of structured framework for compliance adherence towards statutory/legal laws and regulations pose such risks which could affect credibility of the organization causing financial implications.

The company has a robust enterprise risk management framework which identify such potential risks, define strategies for mitigating the impact of these identified risks and lay down process for their continuous monitoring. The Company has identified the key risks, including Strategic, Operational and Regulatory risk. Some of the identified risks and their mitigation plans are described below:

1. **Strategic Risks**

   a. Covid-19 pandemic is an unprecedented event which has structurally changed the way of life for the world. Due to restrictions on movement of people and uncertainty in incomes, there is a significant near term demand destruction witnessed across various discretionary spends. There has also been a significant movement in the buying pattern from the traditional brick and mortar to online which is more vulnerable to competition with highly capitalized start-ups. New work trends like WFH (Work from Home) have also resulted in changing customer preferences. The Company has formulated a comprehensive online strategy, which includes, enhancing the Omni capabilities and strengthening relations with key online players supported by robust supply chain capabilities. In addition, product portfolio has been rejigged to meet the changing pattern in customer preferences.

   b. Social media has massively transformed the business landscape impacting the brand image both positively as well as negatively. The Company is building strong capabilities around digital marketing and enhancing social networking and interactions with the customers. Simultaneously your company is laying down internal guidelines for social media interactions and behavior for its employees

   c. Inability to renew brand license due to non-compliance to contractual conditions or failure to meet agreed performance parameters can seriously impact profitability. The Company regularly reviews critical performance parameters which are key for brand license renewal. It has established a structured framework for periodic vendor, product and store compliance audits to ensure there are no violations to licensee/sub licensee obligations.

2. **Operational Risks**

   a. a)Covid-19 also resulted in longer working capital cycles and fixed retail costs, while revenue came down significantly. The company realized at the very start of the pandemic that its cost structure would need to be rationalized drastically during the closure period and structurally in the post closure period to bring it in line with reduced levels of revenue in the short to medium term. Also, accumulation of inventories could choke the channel pipeline and result in liquidity issues. The Company has taken significant steps to rationalize store size, re-negotiate rentals and significantly reduce corporate, supply chain and retail operations costs. It is also monitoring the financial health of its wholesale customers and those with long credit periods are reviewed. On the purchase side, the Company has rationalized its buy plans.

b. Unorganized change management process for IT as well as process transformation especially on account of automation due to shift of customers to online buying may result in adoption failure. The Company is completely focused in the transformation journey and is keenly monitoring the progress of the same with complete transparency of the objectives with all the concerned stakeholders. The roadmap for projects on IT development, process streamlining and strengthening the present IT infrastructure to enable better monitoring and customer experience has been put in place and the progress is closely monitored.

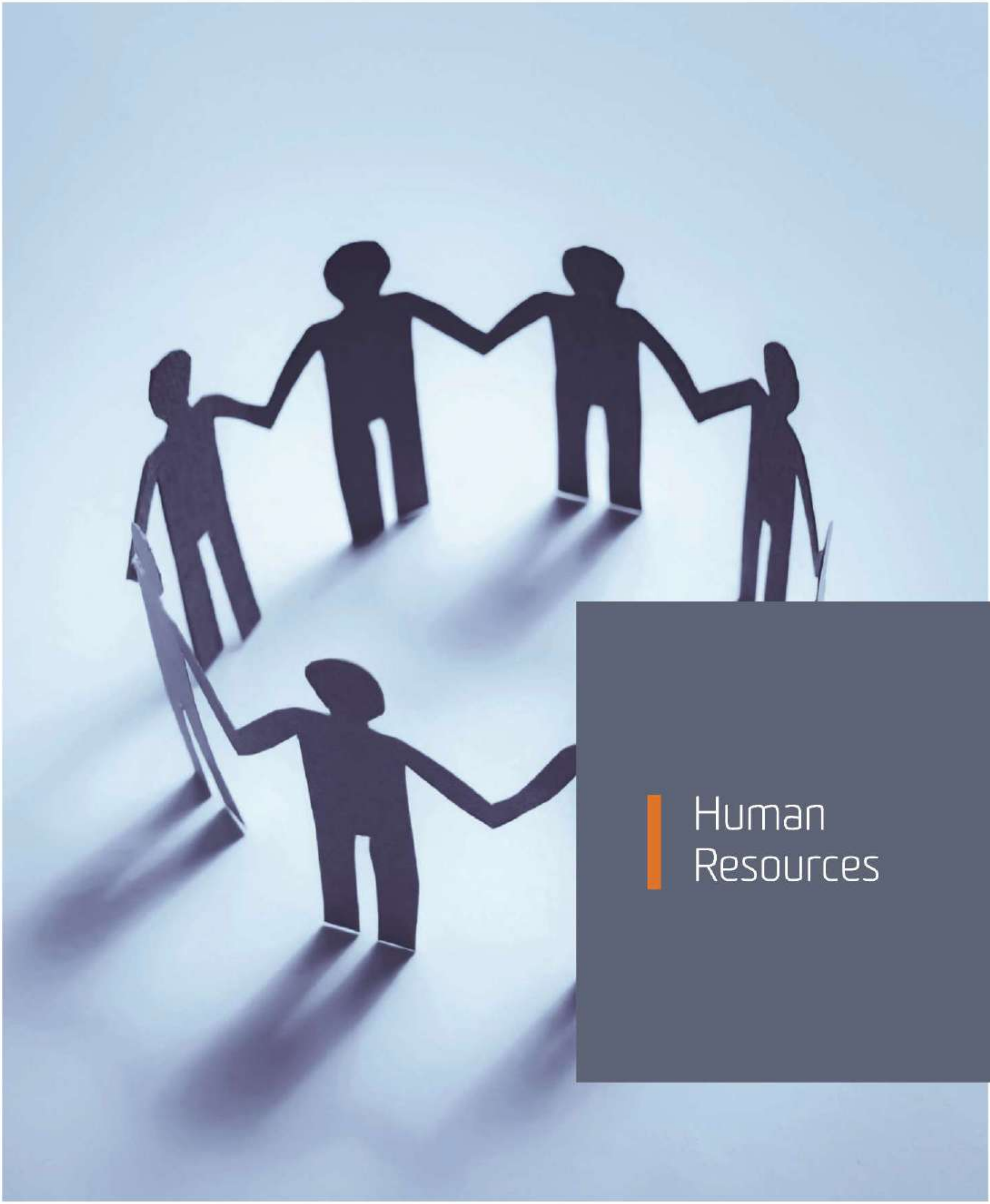
c. There is a massive and unexpected surge in remote working of employees. Weak IT security controls and poor IT infrastructure can negatively impact business operations. Most of the employees are working from home. Many will continue to work from home for a long period of time. In this situation, IT network security and end-point connections are vulnerable to increased cyber security breaches and malware attacks. The Company has invested significantly in maintaining security of its network infrastructure and protecting its critical data. A third party review to assess the IT security controls has also been conducted to obtain an independent feedback on the Company's security infrastructure. Company has also rolled out detailed 'Work from Home Guidelines' for its employees to enable to them to identify any potential threat and repot it for appropriate action.

d. Counterfeit products of key brands like US Polo, Tommy Hilfiger, Calvin Klein, FM and Arrow pose serious threat to the brand image leading to dilution of brand value. Lack of adequate legal framework and robust mechanism to control unauthorized use of brand logos/product information like labels cause such kind of risk.

Continuous audits at vendors to ensure compliance, coordinated intelligence gathering on counterfeit in coordination with the brand owners and relentless effort in seeking strictest action against counterfeit producers and distributors enables the Company to check counterfeits. The Company actively engages with industry peers on brand protection strategy and building common platform for countering counterfeit.

### 3. Regulatory Risks

Increasing Compliance Requirements under governing laws and regulations in a time bound manner is a continuing challenge. The company has established a structured framework of accountability across senior management team supported by a third party tool for online monitoring the status of compliances across key processes.



# Human Resources

At Arvind Fashions, we believe that our people are our biggest asset. Our Organizational Values – Care, Confidence, Performance and Promotion along with a strong 'Collaborative' culture which has helped instill a sense of passion, commitment and performance among our employees.

We have a diverse workforce of over 5900+ employees, with ~16% gender diversity and an average age of 30 years. Given the repute we hold in the market, we have been able to consistently attract the best talent and skillsets from the industry over the years.

At Arvind Fashions, We provide an environment that encourages collaboration and teamwork along with recognition. Demonstrating the values and leadership behaviors along with recognizing good performance has been the key to Arvind's success. Our Various platforms, events and engagement initiatives like SMILES – Our comprehensive employee engagement program for our retail staff provides instant support on Salaries, Learning and development, Career progression and performance with the click of button, Employee town halls where leaders talk about the achievements of the quarter gone by and the way forward plans. Through such events, our employees get an opportunity to understand the bigger picture they are contributing towards.

At Arvind Fashions we focus on the holistic growth and wellness of our people. The Arvind YoHGA framework is developed to focus on the overall wellness of our employees and deliver a differentiated employee experience. Our progressive policies and practices such as flexi-time policy, Equal Employment Opportunity policy, Travel and accommodation benefits, Maternity & Adoption policy, Crèche' services and Paternity policy along with our Professional Development initiatives and Internal Career Mobility Platform ensures that an environment of empowerment and engagement is created for all employees.

Our focus has been on development of our talent across job roles and our branded development initiatives like Arvind University - our learning and development centre of excellence where we 'fashion possibilities in learning'. Our purpose is to foster a learning environment where our employees develop skills they need to achieve high business performance for progressive growth. At Arvind University, we provide business specific learning interventions for retail, behavioral, functional and leadership development, which help acquire skills & competencies that have direct business impact and individual growth. It is our vision to maximize these offerings to learn, contribute & grow. Arvind Express - our career progression initiative that provides employees a transparent and structured process to help take on larger roles within the company. Our assessment process has a holistic approach which blends both Machine Learning and Human Intervention to strategically evaluate employee performance and strengths to provide critical developmental feedback.

Arvind Applause - our reward and recognition platform is designed to recognize our employees via Retail, Value and Spotlight awards. These awards help in reinforcing behaviors and values that are important for our growth.

Arvind Care – our safety and wellness platform focusses on the wellbeing of our employees through multiple initiatives and advisories to provide a better working environment. Across two waves of the Covid-19 outbreak, we launched various initiatives to help our employees and dependents tide through the pandemic. Some of the key initiatives include a 24*7 Covid-19 helpdesk, multiple vaccination drives across India, teleconsultation and counselling services and oxygen support for employees and their families. We also provided financial assistance for Covid-19 affected employees and to families of the deceased, over and above the Covid-19 medical cover and other insurance covers.

The Safety council along with its volunteer network across India vigilantly monitored the impact of Covid-19 on the employees and their families and arranged free RT PCR tests at their door steps and home care treatment as and when required. We are also continuously ensuring safety infrastructure is maintained across operations and are constantly training our employees on the Covid-19 appropriate behavior.

The key attributes of our Employer Value Proposition fall into 5 categories – Opportunity, Work, People, Organization and Rewards along with our 'Collaborative' culture and cutting-edge HR practices. Efforts aligned to these attributes have helped us attract and retain the best talent. This has also made our company a preferred employer for professionals in the industry.

# Sustainability and Business Responsibility Report

At Arvind Fashions Limited (AFL), we strive to be recognized as a Sustainability leader in the lifestyle products business. AFL's four pillar Sustainability Strategy guides our efforts towards the goal of a Sustainable World. The strategy is focused on the areas of "Combating Climate change", "Responsible Supply Chain", "Sustainable Fashion" and "Social Responsibility".

The concept of Sustainable Development is integrated across our value chain. We are continuously working to enhance sustainable practices in our operations while increasing the number of sustainable product offerings. We are looking at all the potential avenues to enable the required infrastructure and are collaborating with relevant stakeholders for the same.

We strongly believe that the changing landscape will render it difficult for organizations to sustain with conventional approach while the organizations that have their business model intertwined with the vision of sustainable development will thrive.

We undertook materiality assessment with relevant stakeholders, both internal and external, in FY 19. The idea was to identify the Environmental, Social and Governance (ESG) issues relevant to the business as well as its stakeholders. The exercise paved way to our Sustainable Development strategy and shall guide us through our sustainable journey till 2025.

This Report is prepared as per regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the circular bearing ref. no. CIR/CFD/ CMD/10/2015 dated November 4, 2015 issued by the Securities and Exchange Board of India (SEBI) and showcases the sustainability efforts taken by the Company during the FY 21.

**Section A: General Information about the company**

**Corporate Identity Number (CIN) of the Company:** L52399GJ2016PLC085595

**Name of the Company:** Arvind Fashions Limited

**Registered address:** Arvind Limited, Naroda Road, Ahmedabad-380025, Gujarat, INDIA

**Website:** https://www.arvindfashions.com/

**E-mail id:** investor.relations@arvindbrands.co.in

**Financial Year reported:** FY 2020-21

**Sector(s) that the Company is engaged in (industrial activity code-wise):** Wholesale of textiles, clothing and footwear

**Code :** 4641

**List three key products/services that the Company manufactures/provides (as in balance sheet):**

Apparel | Footwear | Innerwear

**Total number of locations where business activity is undertaken by the Company:**

Mostly India with some exports to Nepal, Sri Lanka and Middle East

**Markets served by the Company – Local/State/National/International:**

National and International

**Section B: Financial details of the company**

1. **Paid up Capital (INR):** ₹ 42.43 Crores
2. **Total Turnover (INR) :** ₹ 298.30 Crores (Standalone) & ₹ 2201.18 Crores (Consolidated)
3. **Total profit / (loss) after taxes (INR) :** ₹ (59.41) Crores (Standalone) & ₹ (595.99) Crores (Consolidated)
4. **Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%):** 2% of the average net profit of the company made during the three immediately preceding Financial Years. The Company's total spending on CSR for the year ended March 31, 2021 was INR 0.89 crores which is 2% of the PAT.
5. **List of activities in which expenditure in 4 above has been incurred:** Refer Annexure A to the Directors' Report

**Section C: Other Details**

**Any Subsidiary Company/ Companies:**

Subsidiaries

- Arvind Lifestyle Brands Limited
- Arvind Beauty Brands Retail Private Limited

- Arvind Youth Brands Private Limited

- Value Fashion Retail Limited

- Associate companies

- PVH Arvind Fashion Private Limited

**Do the Subsidiary Company participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s):**

Yes, subsidiary companies participate in the BR initiatives of the company.

**Do any other entity (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]:**

We work very closely with our vendor partners to align our vision of Sustainable Development and encourage them to adopt BR initiatives. Further, some of our Sustainable Development projects are run in collaboration with our vendor partners.

**Section D: BR Information**

**1. (a) Details of Director / Directors responsible for BR**

Name: Mr. Shailesh Chaturvedi

DIN: 03023079

Designation: Managing Director and CEO

Telephone Number: +91 - 080 - 4155 0601

Email id: shailesh.chaturvedi@arvindbrands.co.in

**2. (b) Details of the BR head**

Name: Mr. Tushar Jindal

Designation: Head of Sustainability

Telephone Number: 9606480650

Email id: tushar.jindal@arvindbrands.co.in

| National Voluntary Guidelines | | Arvind's Policies |
|---|---|---|
| P1 | Business should conduct and govern themselves with Ethics, Transparency and Accountability | - Code of Conduct<br>- Whistle Blower Policy<br>- Code of conduct for Prohibition of Insider Trading<br>- Responsible Supply Chain Guidelines |
| P2 | Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle | - EHS Policy |
| P3 | Businesses should promote the well-being of all employees | - Annual health check policy<br>- Education Assistance policy<br>- Flexi time policy<br>- Policy against Sexual harassment<br>- Maternity and adoption policy<br>- Paternity leave |
| P4 | Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized | - Dividend distribution policy<br>- CSR policy. |
| P5 | Businesses should respect and promote human rights | - Code of Conduct,<br>- Whistleblower Policy |
| P6 | Business should respect, protect and make efforts to restore the environment | - EHS Policy |

| National Voluntary Guidelines | | Arvind's Policies |
|---|---|---|
| P7 | Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner | - We do not have a defined policy as of now. However, we engage on public and regulatory policy matters in a responsible manner |
| P8 | Businesses should support inclusive growth and equitable development | - CSR policy |
| P9 | Businesses should engage with and provide value to their customers and consumers in a responsible manner | - We are committed to fair dealings with our customers and consumers |

**2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)**

| | Principle-wise Policies | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Do you have a policy/policies for: | Y | Y | Y | Y | Y | Y | N | Y | N |
| 2 | Has the policy been formulated in consultation with the relevant stakeholders? | Y | Y | Y | Y | Y | Y | - | Y | - |
| 3 | Does the policy conform to any national / international standards? If yes, specify? (50 words) | Various national and international laws as well as international conventions are captured in the policies articulated by AFL such as ISO 14001, ISO 50001, OHSAS 18001 and SA 8000, etc. | | | | | | | | |
| 4 | Has the policy been approved by the Board? If yes, has it been signed by MD / owner / CEO / appropriate Board Director? | Y | Y | Y | Y | Y | Y | - | Y | - |
| 5 | Does the Company have a specified committee of the Board / Director / Official to oversee the implementation of the policy? | Y | Y | Y | Y | Y | Y | - | Y | - |
| 6 | Indicate the link for the policy to be viewed online? | We have some of the policies available on our website while the rest are available on our intranet. | | | | | | | | |
| 7 | Has the policy been formally communicated to all relevant internal and external stakeholders? | Y | Y | Y | Y | Y | Y | - | Y | - |
| 8 | Does the Company have in-house structure to implement the policy/policies? | Y | Y | Y | Y | Y | Y | - | Y | - |
| 9 | Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies? | Y | Y | Y | Y | Y | Y | - | Y | - |
| 10 | Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency? | We have not carried out an independent audit of the working of these policies. | | | | | | | | |

**3. Governance related to BR**

**i. Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within three months, 3-6 months, annually, more than 1 year:**

The management reviews the BR performance of the company on an annual basis. Enterprise Risk Management (ERM) framework of the company also includes material ESG issues.

**ii. Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

This is the third Business Responsibility Report of the company. We shall continue to publish the same on an annual basis going forward and shall upload the same on our website.

**Section E: Principle-wise Performance**

**Principle 1 - Business should conduct and govern themselves with Ethics, Transparency and Accountability**

1. **Does the policy relating to ethics, bribery and corruption cover only the Company? (Yes/No).Does it extend to the Group/ Joint Ventures/Suppliers/Contractors/NGOs/Others?**

   Good governance is an integral part of any responsible organization. At AFL, integrity is imbibed in our working culture and is non-negotiable. We communicate the same across our group and the entire value chain via different platforms. We have developed the following policies to ensure transparency in operations and communications while maintaining a behavior that is ethical and accountable to the highest standards:

   - **Code of Conduct:** Signed by the top management, it requires each employee to ensure the highest level of ethical conduct and integrity..
   - **Code of Conduct for Prohibition of Insider Trading:** Insider trading can be detected and prevented and each employee is expected to exercise caution with sensitive information
   - **Whistle Blower Policy:** Applicable across our value chain, this policy provides a platform to anonymously disclose/report unethical activity or any conduct that may constitute breach of the Company's Code of Conduct or an employee's human right.
   - **Responsible Supply Chain (RSC) Guidelines:** These are developed with reference from national legislation, NGRBC and other internationally accepted environmental and social standards. The guidelines are applicable to all the tier -1 (Final good manufacturers) vendor partners and act as a screening tool before on-boarding any new vendor and is also used to assess the performance of vendor partners on a continuous basis. As on date, >90% of the tier -1 vendor partners are already assessed using the RSC guidelines. Most of these vendor partners either have sustainability related policies or are working to have one for their operations.

   Apart from the Code of Conduct which is applicable to AFL and its group companies, all the other policies are extended to stakeholders including but not limited to vendor partners, service providers, NGOs, contractors, and any stakeholder having business relationships with AFL. Further, all the employees are mandatorily required to undergo training on these policies on a periodic basis and the vendor partners are communicated about the same at the time of signing the Memorandum of Understanding (MOU).

2. **How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved? If so, provide details thereof, in about 50 words or so.**

   In FY 21, we received 23,468[1] stakeholder complaints in AFL, its subsidiaries and associates. ~99.9% of these complaints were received from customers. Out of these 99.95% of the complaints have been resolved as on 31st March 2021.

**Principle 2 - Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle**

1. **List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

   We are continuously towards mitigating the environmental and social risks and create a positive footprint from our operations. The focus is to introduce increasing mix of Sustainable products incorporating one or more of the following concepts


[1] Due to the disruption caused by the COVID-19 pandemic we saw a minor surge in the vendor complaints received in FY21. However, we did not have a comprehensive mechanism in place to collate the complaints received from this stakeholder group. Therefore, we have not included the number of complaints received from our vendor partners in this report. We shall provide this information in our next report.

In FY 21, we continued our efforts to adopt more sustainable raw materials and processed to expand the offering of sustainable products.

**'Responsible Jeans'** label under U.S. Polo Assn. continued launching a range of responsible jeans while **'Eco Warrior'** label under Flying Machine continued to experiment with the shirts range made from 100% recycled fabric, blend of recycled cotton and polyester. Unlimited also launched a sustainable range **"Unlimited Earth"** including select styles of sustainable jeans, sustainable t-shit among other.

Further, we have shifted the majority of the raw material in the plastic trims of our shirts from virgin plastic to World Fair Trade Organization (WFTO) certified ocean bound recycled plastic[2]. This is a significant step in reducing our usage of virgin plastic and supporting the infrastructure for closed loop plastic economy.

**2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

We source the garments from vendor partner factories which may or may not be dedicated for our products. As on date, we are in the process of mapping the resource use for our products and will report on the same in future.

**3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof.**

We continue to engage our Vendor Partners using 'Responsible Supply Chain (RSC) guidelines' that define the minimum standards that our vendor partners are expected to meet. These guidelines are instrumental in ensuring that we achieve desired business objectives while making a positive social impact and reducing the overall environmental impact of our operations.

In FY 21, AFL, its subsidiaries and associates sourced > 85% of the products from the vendor partners that adhere to the RSC guidelines. We aim to source >90% of the products from the vendor partners that adhere to the RSC guidelines by 2025.

Apart from this, we strive to support our vendor partners in adopting environment friendly practices in their operation, including but not limited to Renewable Energy, Zero Liquid Discharge Facilities, etc. Being a founding member of the Sustainable Apparel Coalition, we also encourage our vendor partners to register on the Higg Index and continuously provide opportunities for capacity building.

**4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

AFL, its subsidiaries and associates' source >70% of the products from Indian manufacturers. This provides steady opportunities to skilled artisans involved in the craft.

We continuously work with our vendor partners to enhance their capacity and capability. Regular capacity building sessions are planned for the representatives of vendor partners on topics including Compliance management, Quality management and Process efficiency.

**5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof.**

Based on the information collected from our vendor partners, most of the cut waste generated in our vendor partner factories is sent to third parties that are in the business of recycling / upcycling / down cycling. A large part of this waste is passed on to an informal sector for which it is difficult to collect and collate information but we believe some of it may end up in landfills or may not meet the appropriate disposal.

AFL strives to divert the textile waste from landfills and is committed to build a formal infrastructure to enable a closed loop economy. In FY 21, we started collecting post-consumer garments from our customers under the Unlimited Earth project. The collected waste is being evaluated for potential recycling in collaboration with established vendor partners.

Further, in FY 21 we initiated a pilot with an established recycling stakeholder to understand the potential of recycling cutting waste from our vendor factories. Similar pilot is being evaluated within the Arvind group companies for certain categories. We are optimistic on the potential of the pilots and aim to establish a continuous close loop ecosystem that not only diverts textile waste from landfill but also provides raw material from waste thus reducing the overall environmental footprint of our products.

Our commitment to waste management is reiterated by the fact that we adopted 100% recycled fabric for a few SKUs under the Eco Warrior Label of Flying Machine and Unlimited Earth label of Unlimited.

**Principle 3 - Businesses should promote the well-being of all employees**

**1. Total number of employees**

We have a total of 3628 permanent employees at AFL, its subsidiaries and associates.

**2. Total number of employees hired on temporary/contractual/casual basis**

We have a total of 2187 temporary/contractual associates at AFL, its subsidiaries and associates.

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[2] The collection and sourcing process is WFTO certified while the sheeting and punching process is excluded from the WFTO claim

3. **Number of permanent women employees:**

   We have a total of 700 permanent women employees at AFL, its subsidiaries and associates.

4. **Number of permanent employees with disabilities:**

   We are an equal opportunity employer and have hired employees with disability over the years. However, we are not tracking the number of employees with disability through a formal mechanism.

5. **Do you have an employee association that is recognized by management?**

   We do not restrict our employees to form unions and bargain collectively. However, we do not have any recognized employee union as on date.

6. **What percentage of your permanent employees is members of this recognized employee association?**

   We do not have any recognized employee union as on date.

7. **Please indicate the number of complaints relating to: (i) Child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year; (ii) Sexual harassment; (iii) Discriminatory employment.**

   There were no complaints against child and forced labour as well as for discriminatory / involuntary employment during the last financial year.

   We received 5 complaints related to sexual harassment and 2 complaints related to work place harassment in FY 21 in AFL, its subsidiaries and associates and the same have been satisfactorily addressed before 31st March 2021.

8. **What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?**

   In FY 21, the total number of unique employees trained was ~5600. These included ~900 corporate employees and ~4700 retail employees in AFL, its subsidiaries and associates. Out of this ~5200 employees were trained on health and safety aspects in FY 21. The training programs were delivered using an Online Learning Management System developed in-house.

   The training programs were focused on Safety Protocols, Retail, Functional and Behavioral Change Management, focusing on skill development in New Ways of Selling, Health, Hygiene and Safety, Leadership Excellence and Omni Channel Retailing among others. With the onset of the pandemic, training on safety and Covid appropriate behavior was a key area of focus.

**Principle 4 - Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized**

1. **Has the Company mapped its internal and external stakeholders?**

   We recognize the fact that as a large business we have several stakeholder groups each with distinct priorities and diverse interests. We therefore developed a method for structured identification of stakeholder groups, understanding their concerns and incorporating their views in our sustainability strategy. Based on various parameters we have identified the following key stakeholders:

   - Customers
   - Consumers
   - Investors
   - Employees & Workers
   - Community
   - Media
   - Government Agencies & Regulators
   - Vendor partners

Diverse communication platforms were institutionalized for each stakeholder group, with the objective of communicating our company policies and expectations, and collecting timely feedback from stakeholders. In FY 21, we continued to engage with all our stakeholder in a two-way dialogue, around the year and through a host of channels:

2. **Out of the above, has the Company identified the disadvantages, vulnerable and marginalized stakeholders?**

   No.

3. **Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof, in about 50 words or so.**

   No.

**Principle 5 - Businesses should respect and promote human rights**

1. **Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?**

   AFL Code of Conduct is applicable to all the group companies, joint ventures, vendor partners, contractors and its employees. Not only our intentions, but also our actions are compliant with all statutory laws and regulations.

2. **How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved?**

   In FY 21, we did not receive any complaints in respect of Human Rights from our stakeholder.

**Principle 6 - Business should respect, protect and make efforts to restore the environment**

1. **Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/others.**

   The Company's EHS Policy is also applicable to its subsidiaries & associates. The policy is available on our company's intranet.

   Responsible Supply Chain (RSC) guidelines also take cue from EHS policy and are applicable to all the tier1 vendor partners (Final good manufacturers).

   At AFL, we strive to minimize the negative environmental impact due to our products and our operations across the value chain and ensure adherence to environmental compliances. There are several initiatives that we have undertaken to reduce our environmental footprint including improving the sustainable quotient of our products, by increasing the mix of sustainable raw materials, adopting sustainable chemicals and processes, increase the mix of renewable energy within the operations and supply chain and developing closed loop economy models for our trims and textile waste generated in the process.

2. **Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.**

   Yes, AFL is committed to contributing to limiting global temperature increase to well below 2°C. We are working on several initiatives to achieve energy efficiency and are committed to adopt renewable energy in our operations. (Refer the website https://www.arvindfashions.com/combat-climate-change/)

3. **Does the Company identify and assess potential environmental risks?**

   Yes, we do identify and assess the potential environmental risks on a regular basis and also do the after follow-ups for the same to ensure the proper actions to cater to those identified risks.

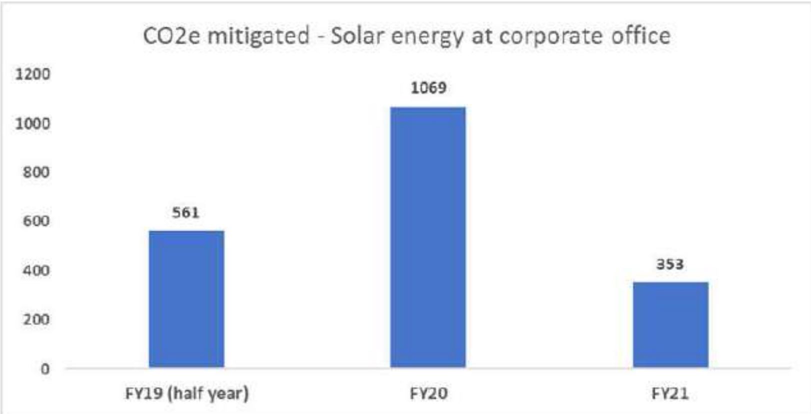
4. **Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, is any environmental compliance report filed? (Please confirm)**

   Currently, we do not have any project related to Clean Development Mechanism.

5. **Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.? Y/N. If yes, please give hyperlink for webpage etc.**

   AFL is actively looking for options to adopt renewable energy within its operations. We signed an agreement to wheel solar power from independent power producer in FY 19, expected to cover 80-95% of the energy demand at AFL's corporate office.

   We have a potential of mitigating ~1,030 tons of carbon dioxide on an annual basis. Since start (Oct 2018), we have cumulatively mitigated ~2,000 tons of carbon dioxide. The actual mitigation is lower than the potential mitigation of ~2600 tons of carbon dioxide due to lower electricity consumption in FY 21, impacted by the COVID-19 pandemic.



We are also exploring the potential of setting up a solar rooftop for our new warehouse and are constantly having dialogue with our strategic partners to increase the mix of renewable energy in their operations. This will further help us increase the mix of renewable energy within our operations and move closer to our target of shifting 20% of our energy mix to renewable energy by 2025[3].

6. **Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

   Yes, we comply with all applicable environmental legislations in the locations we operate from. We monitor and track all parameters as defined by CPCB or SPCBs and ensure that they are maintained within norms.

7. **Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of financial year.**

   In FY 21, we did not receive any show cause/legal notice from CPCB/SPCB. Further, no show cause/legal notice from CPCB/SPCB was pending resolution as of the end of the financial year.

**<u>Principle 7 - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner</u>**

1. **Is your Company a member of any trade and chamber or association? If yes, name only those major ones that your business deals with.**

   AFL has been actively working with trade/industry associations in evolving policies that govern the functioning and regulations of the retail sector. AFL is currently an active member of Retailers Association of India (RAI).

   Apart from this, Arvind is one of the founding members of the Sustainable Apparel Coalition (SAC). The coalition focuses on building a unified approach in assessing environmental and social performance of the textile and apparel industry. We play an active role in defining the new set of standards that should be used to reduce the environmental and social impact of the textile industry.

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No. If yes specify the broad areas.**

   AFL does undertake need based advocacy on issues pertaining to the retail sector and sustainability through our membership of relevant industry/trade bodies. Further, all the engagements are guided by the values of commitment, integrity, transparency and the need to balance interests among our diverse stakeholders.

**<u>Principle 8 - Businesses should support inclusive growth and equitable development</u>**

1. **Does the Company have specified programs/initiatives/projects in pursuit of the policy related to Principle 8? If yes, details thereof.**

   Yes. The Company has defined specific programs in pursuit of the policy related to Principal 8.

   The Arvind Fashions Limited Policy on Corporate Social Responsibility (AFLPCSR) provides a structured guideline for the Company and all its Subsidiaries and Joint Ventures to undertake CSR initiatives help them maintain a common CSR thought thread. For doing so, the top Management of the Arvind Fashions Limited and its Subsidiaries and Joint Ventures would define an annual budget, select CSR focus areas, select geography, work with either the Arvind Fashions CSR team to undertake CSR initiatives or partner with like-minded individuals and organizations and last but not the least, utilize the skills of vast majority of Employee Talents that the company has in accomplishment of its CSR vision.

   Our CSR Policy is in sync with the broader areas of Schedule VII of the New Companies Act and will always be aligned to the changes that gets incorporate in the schedule.

   The key points of the policy are presented below and the policy can be reached at our website through the given link: <u>https://www.arvindfashions.com/wp-content/uploads/2018/11/AFL-CSR-Policy.pdf</u>

2. **Are the programs/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?**

   The programs are being undertaken by Strategic Help Alliance for Relief to Distressed Areas (SHARDA) Trust and Arvind Foundation (AF).

3. **Have you done any impact assessment of your initiative?**

   We have initiated projects in FY 21 around our business operations. The project however had a difficult start because of the pandemic. This is an integrated development multi year initiative which will require at least 3-5 years to gauge its impact.

[3] The target was recently re-assessed and modified considering the impending impact of COVID-19 on the retail industry.

4. **What is your Company's direct contribution to community development projects – Amount in INR and the details of the projects undertaken?**

   Direct Contribution: INR 1.78 Crores

| (1) | (2) | (3) | (4) | (5) | | (6) | (7) | (8) | (9) | (10) | (11) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | Name of the Project | Item from the list of activities in Schedule VII to the Act | Local area (Yes/ No) | Location of the project | | Project Duration | Amount allocated for the project (Rs. in Lacs) | Amount spent in the current Financial Year (Rs. in Lacs) | Amount transferred to Unspent CSR Account for the project as per Section 135(6) (Rs. in Lacs) | Mode of Implem-entation - Direct (Yes/No) | Mode of Implementation - Through Implementing Agency | |
| | | | | State | District | | | | | | Name | CSR Registration number |
| (1) | Supporting Govt School Students | ii | No | Gujarat, Ahmedabad, | | 3 Years | 36.00 | 36.00 | NIL | No | SHARDA Trust CSR Registration Number CSR00004737 | |
| (2) | Scholarship for Higher Education | ii | Yes | Bangalore Karnataka | | 3 Years | 22.00 | 22.00 | NIL | No | SHARDA Trust CSR Registration Number CSR00004737 | |
| (3) | Projects Around Company's Area of Operations | X | Yes | Bangalore Karnataka | | 3-5 Years | 120.00 | 120.00 | NIL | No | SHARDA Trust CSR Registration Number CSR00004737 | |
| Total | | | | | | | | 178.00 | | | | |

*Unspent amount of Rs.89,00,000/- for FY 2019-20 spent in FY 2020-21.

5. **Have you taken steps to ensure that the community successfully adopts this community development initiative? Please explain in 50 words, or so.**

   Ideally, every development initiative should be ultimately managed by the people it is meant for. This, however, will depend on the nature of program too.

   Supporting Government school students' project has a quick adoption. The students' performance is reviewed with their family frequently but needs a larger timeframe to gauge the actual impact.

   Similarly, scholarship for higher education too has a quick adoption but will need larger timeframe to gauge the actual impact.

**Principle 9 - Businesses should engage with and provide value to their customers and consumers in a responsible manner**

1. **What percentage of customer complaints/consumer cases are pending as on the end of financial year.**

   We strive to resolve all the customer complaints / consumer cases in a timely and efficient manner.

   In FY21, 23,447 customer complaints were received in AFL, its subsidiaries and associates. Of the total customer complaints received, 99.96% of the complaints have been resolved as on 31st March 2021.

   Further, no Consumer Cases had been filed against AFL and its subsidiaries in FY 21. However, company received 2 legal notices from the customers in FY 21 which were satisfactorily resolved.

2. **Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information)**

   Beyond the label requirements mandated by local laws, all apparel product labels also include information on raw materials utilized and the environment initiatives, in case applicable. Further, instructions for wash and care are included to maintain durability of the products.

3. **Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as at the end of the financial year? If so, provide details thereof, in about 50 words or so.**

   No.

4. **Did your Company carry out any consumer survey/ consumer satisfaction trends?**

   Not during the recently concluded financial year.

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# Independent Auditor's Report

**TO THE MEMBERS OF ARVIND FASHIONS LIMITED**

**Report on the Audit of the Standalone Financial Statements**

**Opinion**

We have audited the accompanying standalone financial statements of Arvind Fashions Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, the loss and total comprehensive loss, changes in equity and its cash flows for the year ended on that date.

**Basis for Opinion**

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

**Emphasis of Matter Paragraph**

We draw your attention to Note 42 of the standalone financial statements which explains the uncertainties and management's assessment of the financial impact due to the lockdown and other restrictions imposed by the Government of India and other conditions related to the COVID-19 pandemic situation, for which a definitive assessment in the subsequent period is highly dependent upon circumstances as they evolve.

Our opinion is not modified in respect of this matter.

**Key Audit Matters**

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

**A. Recognition of Revenue from Contracts with Customers**

**Key Audit Matter Description**

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

Refer Note 4 and 16 to the Standalone Financial Statements

**How the Key Audit Matter Was Addressed in the Audit**

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

- Evaluated the design of internal controls relating to implementation of the new revenue accounting standard.
- Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, re-performance and inspection of evidence in respect of operation of these controls.
- Selected a sample of continuing and new contracts and performed the following procedures:
    - Read, analyzed and identified the distinct performance obligations in these contracts and compared these performance obligations with that identified and recorded by the Company.
    - Considered the terms of the contracts to determine (a) the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration; (b) for determination of Principal versus agent consideration, recognition of contract assets and refund liability including historical trend of returns.
    - Sample of revenues disaggregated by type and service

offerings was tested with the performance obligations specified in the underlying contracts.

- Performed analytical procedures for reasonableness of revenues disclosed by type and service offerings.
- Analysed returns and discounts and held discussions with management to understand changes in provisioning norms/additional provisions made based on management's assessment of market conditions.
- We reviewed the collation of information to prepare the disclosure relating to the periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.

**B. Valuation of Inventory**

**Key Audit Matter Description**

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

Refer Note 4 and 9 to the Standalone Financial Statements

**How the Key Audit Matter Was Addressed in the Audit**

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

- Evaluated the design of internal controls relating to identification and measurement of cost of inventory, slow moving goods and estimated net realisable value;
- Selected sample of Inventory to verify the correctness of cost components.
- Tested the relevant information technology systems generating report of slow moving goods specifically in relation to validity and completeness of the inventory flags and season codes applied;
- Performed sample testing for accuracy of net realizable value of inventory including slow moving goods with sales invoices;
- Validated cost write-down to estimated net realizable value.

**Information Other than the Standalone Financial Statements and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Management's Responsibility for the Standalone Financial Statements**

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

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

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

**Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matters**

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

Our report on the Statement is not modified in respect of this matter.

**Report on Other Legal and Regulatory Requirements**

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

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

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

   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this

Report are in agreement with the relevant books of account.

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

e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.

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

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

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

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

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

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

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

**For Sorab S. Engineer & Co.**

Chartered Accountants

Firm's Registration No. 110417W

**CA. Chokshi Shreyas B.**

Partner

Membership No.100892

UDIN: 21100892AAAALM1572

Place : Ahmedabad

Date : June 03, 2021

# Annexure "A" To The Independent Auditor's Report

**(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Arvind Fashions Limited of even date)**

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

We have audited the internal financial controls over financial reporting of ARVIND FASHIONS LIMITED ("the Company") as of March 31, 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

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

### Auditor's Responsibility

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

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

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

### Meaning of Internal Financial Controls Over Financial Reporting

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

### Limitations of Internal Financial Controls Over Financial Reporting

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

### Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Sorab S. Engineer & Co.**
Chartered Accountants
Firm's Registration No. 110417W

**CA. Chokshi Shreyas B.**
Partner
Membership No.100892

Place : Ahmedabad
Date : June 03, 2021

# Annexure 'B' To The Independent Auditor's Report

**(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Arvind Fashions Limited of even date)**

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

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

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

c) According to the information and explanations given to us, the records examined by us and based on the examination of the conveyance deeds / registered sale deed provided to us, we report that, the title deeds, comprising all the immovable properties of buildings which are freehold, are held in the name of the Company as at the balance sheet date except the following.

| Particulars | No of Cases | Area | Gross Carrying Amount | Net Carrying Amount | Remarks |
|---|---|---|---|---|---|
| Building | 1 | 13,500 Sq Feet | Rs. 6.94 Crores | Rs. 6.88 Crores | The Company is in the process to register title deed in its name. |

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

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

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

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

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

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

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

b) According to the information and explanations given to us, no undisputed amounts payable in respect of outstanding statutory dues were in arrears as at March 31, 2021 for a period of more than six months from the date they became payable.

c) Following amounts have not been deposited as on March 31, 2021 on account of any dispute:

| Nature of the Statute | Nature of the dues | Amount (Rs. in Crores) | Period to which the amount relates | Forum where matter is pending |
|---|---|---|---|---|
| Sales Tax Act | Sales Tax | 1.34 | 2015-16 | Assistant Commissioner |
| | | 0.09 | 2015-16 | Assessing Officer |
| | | 0.17 | 2016-17 | Assessing Officer |

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

ix. In our opinion and according to the information and explanations given to us, the moneys raised by the Company by way of further public offers (Rights issues) and term loans were, prima facie, applied by the Company for the purpose for which they were raised, other than temporary deployment pending application.

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

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

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

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

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

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

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

**For Sorab S. Engineer & Co.**
Chartered Accountants
Firm's Registration No. 110417W

**CA. Chokshi Shreyas B.**
Partner
Membership No.100892

Place : Ahmedabad
Date : June 03, 2021

# Standalone Balance Sheet as at March 31, 2021

(₹in Crores)

| Particulars | Notes | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **I Non-current assets** | | | |
| (a) Property, plant and equipment | 5 | **20.92** | 31.01 |
| (b) Intangible assets | 6 | **20.78** | 26.69 |
| (c) Financial assets | | | |
| (i) Investments | 7 (a) | **1,754.30** | 1,301.48 |
| (ii) Loans | 7 (c) | **0.01** | 0.03 |
| (iii) Other financial assets | 7 (f) | **13.69** | 18.15 |
| (d) Deferred tax assets (net) | 26 | **19.35** | 19.81 |
| (e) Other non-current assets | 8 | **0.57** | 0.19 |
| **Total non-current assets** | | **1,829.62** | 1,397.36 |
| **II. Current assets** | | | |
| (a) Inventories | 9 | **108.80** | 247.93 |
| (b) Financial assets | | | |
| (i) Investments | 7 (a) | **-** | - |
| (ii) Trade receivables | 7 (b) | **119.59** | 185.97 |
| (iii) Cash and cash equivalents | 7 (d) | **0.65** | 8.00 |
| (iv) Bank balance other than (iii) above | 7 (e) | **0.07** | 0.22 |
| (v) Loans | 7 (c) | **43.09** | 110.86 |
| (vi) Others financial assets | 7 (f) | **2.05** | 0.47 |
| (c) Current tax assets (net) | 10 | **5.98** | 15.18 |
| (d) Other current assets | 8 | **46.10** | 66.75 |
| **Total current assets** | | **326.33** | 635.38 |
| **Total Assets** | | **2,155.95** | 2,032.74 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| (a) Equity share capital | 11 | **42.43** | 23.47 |
| (b) Other equity | 12 | **1,752.55** | 1,325.79 |
| **Total equity** | | **1,794.98** | 1,349.26 |
| **Liabilities** | | | |
| **I. Non-current liabilities** | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 13 (a) | **49.39** | 20.97 |
| (ii) Other financial liabilities | 13 (c) | **1.94** | 4.14 |
| (b) Long-term provisions | 14 | **3.43** | 4.55 |
| **Total non-current liabilities** | | **54.76** | 29.66 |
| **II. Current liabilities** | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 13 (a) | **70.37** | 234.42 |
| (ii) Trade payables | 13 (b) | | |
| a) Total outstanding dues of micro enterprises and small enterprises | | **17.65** | 57.97 |
| b) Total outstanding dues of creditors other than micro enterprises and small enterprises | | **199.48** | 338.42 |
| (iii) Other financial liabilities | 13 (c) | **11.88** | 18.90 |
| (b) Other current liabilities | 15 | **6.27** | 3.57 |
| (c) Short-term provisions | 14 | **0.56** | 0.54 |
| **Total current liabilities** | | **306.21** | 653.82 |
| **Total Equity and Liabilities** | | **2,155.95** | 2,032.74 |
| Significant Accounting Policies | 3 | | |

The accompanying notes are an integral part of these Standalone financial statements.

In terms of our report attached
**For Sorab S. Engineer & Co.**
Chartered Accountants
Firm's Registration No. 110417W
**CA. Chokshi Shreyas B.**
Partner
Membership no. 100892

**Place:** Ahmedabad
**Date:** June 03, 2021

**For and on behalf of the board of directors of Arvind Fashions Limited**

**Sanjay S. Lalbhai**
Chairman & Director
(DIN: 00008329)
**Place:** Ahmedabad

**Shailesh Chaturvedi**
Managing Director &CEO
(DIN - 03023079)
**Place:** Bengaluru

**Pramod Kumar Gupta**
Chief Financial Officer
**Place:** Bengaluru
**Date:** June 03, 2021

**Vijay Kumar B.S.**
Company Secretary
**Place:** Bengaluru

# Standalone Statement of profit and loss for the year ended March 31, 2021

(₹in Crores)

| Particulars | Notes | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|---|
| **I. Income** | | | |
| Revenue from operations | | | |
| Sale of Products | 16 | **297.46** | 851.76 |
| Operating Income | 16 | **0.84** | 2.35 |
| **Revenue from operations** | | **298.30** | 854.11 |
| Other income | 17 | **14.74** | 12.44 |
| **Total income (I)** | | **313.04** | 866.55 |
| **II. Expenses** | | | |
| Cost of trims and accessories consumed | 18 | **8.37** | 4.52 |
| Purchases of stock-in-trade | 19 | **55.96** | 577.52 |
| Changes in inventories of stock-in-trade | 20 | **104.17** | 4.69 |
| Employee benefits expense | 21 | **35.41** | 56.10 |
| Finance costs | 22 | **31.43** | 37.32 |
| Depreciation and amortisation expense | 23 | **17.54** | 13.04 |
| Other expenses | 24 | **74.12** | 161.43 |
| **Total expenses (II)** | | **327.00** | 854.62 |
| **III. Profit/(Loss) before exceptional items and tax (I-II)** | | **(13.96)** | 11.93 |
| **IV.. Exceptional items** | 25 | **(45.73)** | (19.26) |
| **V. Profit/(Loss) before tax (III+IV)** | | **(59.69)** | (7.33) |
| **VI. Tax expense** | 26 | | |
| Current tax | | **-** | - |
| (Excess)/short provision related to earlier years | | **-** | (0.17) |
| Deferred tax charge / (credit) | | **(0.28)** | (2.27) |
| **Total tax expense** | | **(0.28)** | (2.44) |
| **VII. Profit/(Loss) for the year (V-VI)** | | **(59.41)** | (4.89) |
| **VIII. Other comprehensive income** | | | |
| **Items that will not to be reclassified to profit or loss:** | | | |
| Re-measurement gains / (losses) on defined benefit plans | 31 | **0.01** | (0.26) |
| Income tax effect on above | 26 | **-** | 0.09 |
| **Total other comprehensive income/(loss) for the year** | | **0.01** | (0.17) |
| **IX. Total comprehensive income for the year, net of tax (VII+VIII)** | | **(59.40)** | (5.06) |
| **X. Earning per equity share** | | | |
| Nominal Value per share - Rs. 4 (Previous Year Rs. 4) | | | |
| Basic - Rs. | 33 | **(6.85)** | (0.63) |
| Diluted - Rs. | 33 | **(6.85)** | (0.62) |
| Significant Accounting Policies | 3 | | |

The accompanying notes are an integral part of these Standalone financial statements.
In terms of our report attached

**For Sorab S. Engineer & Co.**
Chartered Accountants
Firm's Registration No. 110417W
**CA. Chokshi Shreyas B.**
Partner
Membership no. 100892

**Place:** Ahmedabad
**Date:** June 03, 2021

**For and on behalf of the board of directors of Arvind Fashions Limited**

**Sanjay S. Lalbhai**
Chairman & Director
(DIN: 00008329)
**Place:** Ahmedabad

**Shailesh Chaturvedi**
Managing Director &CEO
(DIN - 03023079)
**Place:** Bengaluru

**Pramod Kumar Gupta**
Chief Financial Officer
**Place:** Bengaluru
**Date:** June 03, 2021

**Vijay Kumar B.S.**
Company Secretary
**Place:** Bengaluru

# Standalone Statement of cash flows for the year ended March 31, 2021

(₹in Crores)

| | Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|---|
| **A** | **Operating activities** | | |
| | **Profit/(Loss) Before taxation** | **(59.69)** | (7.33) |
| | **Adjustments to reconcile profit/(loss) before tax to net cash flows:** | | |
| | Depreciation/Amortization | **17.54** | 13.04 |
| | Interest Income | **(10.20)** | (8.22) |
| | Gain on Reassessment of Lease | **-** | (0.05) |
| | Interest and Other Borrowing Cost | **31.43** | 37.32 |
| | Allowance for doubtful debts | **6.00** | 2.55 |
| | Sundry debits written off | **0.03** | 0.28 |
| | Provision for Litigation/Disputes | **-** | 0.45 |
| | Bad debts written off | | 0.09 |
| | Foreign Exchange Difference | **(0.55)** | 1.04 |
| | Financial guarantee commission | **(3.98)** | (3.72) |
| | (Profit)/Loss on Sale of Property, Plant & Equipment /Intangible assets | **(0.01)** | 0.33 |
| | Share based payment expense | **2.20** | 0.48 |
| | **Operating Profit before Working Capital Changes** | **(17.23)** | 36.26 |
| | Working Capital Changes: | | |
| | (Increase)/Decrease in Inventories | **94.39** | 1.21 |
| | (Increase)/Decrease in Trade receivables | **(4.33)** | (41.22) |
| | (Increase)/Decrease in Other financial assets | **2.89** | (3.67) |
| | (Increase)/Decrease in Other bank balances | **0.15** | (0.19) |
| | (Increase)/Decrease in Other assets | **14.42** | 3.79 |
| | Increase/(Decrease) in Trade payables | **(113.44)** | 22.41 |
| | Increase/(Decrease) in Other financial liabilities | **(2.62)** | (2.88) |
| | Increase/(Decrease) in Provisions | **(1.10)** | (0.84) |
| | Increase/(Decrease) in Other liabilities | **2.77** | (13.16) |
| | **Net Changes in Working Capital** | **(6.87)** | (34.55) |
| | **Cash Generated from /(used in) Operations** | **(24.10)** | 1.71 |
| | Direct Taxes paid (Net of Income Tax refund) | **9.19** | (1.94) |
| | **Net Cash flow received/ (used in) Operating Activities** | **(14.91)** | (0.23) |
| **B** | **Cash Flow from Investing Activities** | | |
| | Purchase of Property, Plant & Equipment/Intangible assets | **(6.15)** | (25.58) |
| | Proceeds from disposal of Property, Plant & Equipment/Intangible assets | **0.77** | 1.52 |
| | Purchase of Long term Investments | **(445.71)** | (50.00) |
| | Changes in Loans and Advances | **67.80** | (79.26) |
| | Proceeds from sale of undertaking | **52.00** | - |
| | Interest Received | **10.19** | 8.22 |
| | **Net cash flow received/ (used in) Investing Activities** | **(321.10)** | (145.10) |
| **C** | **Cash Flow from Financing Activities** | | |
| | Proceeds from Issue of share capital | **499.30** | 9.30 |
| | Changes in Share application money | **-** | (8.51) |
| | Changes in long term borrowings | **29.07** | 2.86 |
| | Changes in short term borrowings | **(163.50)** | 181.68 |
| | Repayment of Lease Liabilities | - **-** | (0.78) |
| | Interest and Other Borrowing Cost Paid | **(36.21)** | (32.38) |
| | **Net Cash flow received/ (used in) Financing Activities** | **328.66** | 152.17 |
| | **Net Increase/(Decrease) in cash & cash equivalents** | **(7.35)** | 6.84 |

# Standalone Statement of cash flows for the year ended March 31, 2020 (Contd.)

(₹in Crores)

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Cash & Cash equivalent at the beginning of the year** | **8.00** | 1.16 |
| **Cash & Cash equivalent at the end of the year** | **0.65** | 8.00 |

Figures in brackets indicate outflows.

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Cash and cash equivalents comprise of: (Note 7(d))** | | |
| Cash on Hand | **-** | - |
| Balances with Banks | **0.65** | 8.00 |
| Cash and cash equivalents | **0.65** | 8.00 |

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

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

| Particulars of liabilities arising from financing activity | Note No. | As at April 1 2020 | Net cash flows | Non Cash Changes: Effect of change in Foreign Currency Rates | Non Cash Changes: Other changes * | As at March 31, 2021 |
|---|---|---|---|---|---|---|
| **Borrowings:** | | | | | | |
| Long term borrowings | 13 (a) | 23.86 | 29.07 | - | - | 52.93 |
| Short term borrowings | 13 (a) | 234.42 | (163.50) | (0.55) | - | 70.37 |
| Interest accrued on borrowings | 13 (c) | 2.86 | (2.86) | - | 3.83 | 3.83 |
| **Total** | | **261.14** | **(137.29)** | **(0.55)** | **3.83** | **127.13** |

| Particulars of liabilities arising from financing activity | Note No. | As at April 1 2019 | Net cash flows | Non Cash Changes: Effect of change in Foreign Currency Rates | Non Cash Changes: Other changes * | As at March 31, 2020 |
|---|---|---|---|---|---|---|
| **Borrowings:** | | | | | | |
| Long term borrowings | 13 (a) | 21.00 | 2.86 | - | - | 23.86 |
| Short term borrowings | 13 (a) | 51.70 | 181.68 | 1.04 | - | 234.42 |
| Interest accrued on borrowings | 13 (c) | 2.23 | (2.23) | - | 2.86 | 2.86 |
| **Total** | | **74.93** | **182.31** | **1.04** | **2.86** | **261.14** |

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

Notes: 1) The standalone cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) "Statement of Cash Flows".
2) Purchase of property plant and equipment/Intangible Assets include movement of Capital Advances.

In terms of our report attached
**For Sorab S. Engineer & Co.**
Chartered Accountants
Firm's Registration No. 110417W
**CA. Chokshi Shreyas B.**
Partner
Membership no. 100892

**Place:** Ahmedabad
**Date:** June 03, 2021

**For and on behalf of the board of directors of Arvind Fashions Limited**

**Sanjay S. Lalbhai**
Chairman & Director
(DIN: 00008329)
**Place:** Ahmedabad

**Shailesh Chaturvedi**
Managing Director &CEO
(DIN - 03023079)
**Place:** Bengaluru

**Pramod Kumar Gupta**
Chief Financial Officer
**Place:** Bengaluru
**Date:** June 03, 2021

**Vijay Kumar B.S.**
Company Secretary
**Place:** Bengaluru

# Standalone Statement of changes in equity for the year ended March 31, 2021

(₹in Crores)

**Statement of changes in Equity**

**A. Equity share capital**

| Balance | Amount Note 11 |
|---|---|
| **As at April 1, 2019** | **23.20** |
| Add : Shares allotted pursuant to exercise of Employee Stock Option Plan | 0.27 |
| **As at March 31, 2020** | **23.47** |
| Add: Issue of fully paid up shares (Refer Note 11.4) | 15.99 |
| Add: Issue of partly paid up shares (Refer Note 11.4) | 2.96 |
| Add : Shares allotted pursuant to exercise of Employee Stock Option Plan | 0.01 |
| **As at March 31, 2021** | **42.43** |

**B. Other equity** **Attributable to the equity holders**

| Particulars | Share Application Money Pending Allotment | Reserves and Surplus | | | | Items of Other Comprehensive Income | | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | Share Based Payment Reserve | Securities premium | Retained Earnings | Capital Reserve | Cash Flow Hedge Reserve | Net Gain/ (Loss) on FVOCI Equity Instruments | |
| | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | |
| **Balance as at April 1, 2019** | **8.51** | **3.60** | **1,160.59** | **108.61** | **45.39** | **(0.05)** | **(Rs. 4,272)** | **1,326.65** |
| Profit/ (Loss) for the year | - | - | - | (4.89) | - | - | - | (4.89) |
| Other comprehensive income/(loss) for the year | - | - | - | (0.17) | - | - | - | (0.17) |
| **Total Comprehensive income/(loss) for the year** | **-** | **-** | **-** | **(5.06)** | **-** | **-** | **(Rs. 4,272)** | **(5.06)** |
| Addition during the year | - | 3.73 | 9.03 | - | - | - | - | 12.76 |
| Impact on adoption of Ind AS 116 | - | - | - | (0.16) | - | - | - | (0.16) |
| Tax Impact on adoption of Ind AS 116 | - | - | - | 0.06 | - | - | - | 0.06 |
| Transfer from Net Gain/(Loss) on FVOCI Equity Instruments | - | - | - | (Rs. 4,272) | - | - | (Rs. 4,272) | - |
| Shares issued during the year | (8.51) | | | | - | - | - | (8.51) |
| Reclassified to profit and loss | - | - | - | - | - | 0.05 | - | 0.05 |
| Transfer to securities premium | - | (0.90) | - | - | - | - | - | (0.90) |
| Transfer from share based payment reserve | - | - | 0.90 | - | - | - | - | 0.90 |
| **Balance as at March 31, 2020** | **-** | **6.43** | **1,170.52** | **103.45** | **45.39** | **-** | **-** | **1,325.79** |
| **Balance as at April 1, 2020** | **-** | **6.43** | **1,170.52** | **103.45** | **45.39** | **-** | **-** | **1,325.79** |
| Profit/ (Loss) for the year | - | - | - | (59.41) | - | - | - | (59.41) |
| Other comprehensive income/(loss) for the year | - | - | - | 0.01 | - | - | - | 0.01 |
| **Total Comprehensive income/(loss) for the year** | **-** | **-** | **-** | **(59.40)** | **-** | **-** | **-** | **(59.40)** |
| Addition during the year | - | 5.82 | 484.56 | - | - | - | - | 490.38 |
| Equity issue expenses adjusted during the year (Refer Note 11.4) | - | - | (4.22) | - | - | - | - | (4.22) |
| Transfer to securities premium | - | (1.02) | - | - | - | - | - | (1.02) |
| Transfer from share based payment reserve | - | - | 1.02 | - | - | - | - | 1.02 |
| **Balance as at March 31, 2021** | **-** | **11.23** | **1,651.88** | **44.05** | **45.39** | **-** | **-** | **1,752.55** |

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

In terms of our report attached

**For Sorab S. Engineer & Co.**
Chartered Accountants
Firm's Registration No. 110417W
**CA. Chokshi Shreyas B.**
Partner
Membership no. 100892

**Place:** Ahmedabad
**Date:** June 03, 2021

**For and on behalf of the board of directors of Arvind Fashions Limited**

**Sanjay S. Lalbhai**
Chairman & Director
(DIN: 00008329)
**Place:** Ahmedabad

**Shailesh Chaturvedi**
Managing Director &CEO
(DIN - 03023079)
**Place:** Bengaluru

**Pramod Kumar Gupta**
Chief Financial Officer
**Place:** Bengaluru
**Date:** June 03, 2021

**Vijay Kumar B.S.**
Company Secretary
**Place:** Bengaluru

# Notes to the Standalone Financial Statement As At and for The Year Ended 31st March, 2021

## 1. Corporate Information

Arvind Fashions Limited ("the Company") is a public limited company incorporated in India under the provisions of the Companies Act, 2013 and has its registered office at Arvind Limited Premises, Naroda Road, Ahmedabad – 380025 having CIN L52399GJ2016PLC085595. The Company has its primary listings on the BSE Limited and National Stock Exchange of India Limited ("the Stock Exchanges"). The Company is marketing in India the branded apparel under various brands.

The Company and its subsidiaries are operating in branded apparels, beauty and footwear space. The Company and its subsidiaries are having a portfolio of owned and licensed international brands including US Polo, Arrow, Flying Machine, Tommy Hilfiger, Calvin Klein, Unlimited, Sephora and others.

The Company and its subsidiaries have diversified business by brands (power, emerging, value and specialty retail), gender (menswear, womenswear and kidswear), categories (denims, topwear, trousers, innerwear, footwear, beauty etc.) and sales channels (retail, distribution, departmental stores and online). It also operates apparel value retails stores UNLIMITED through subsidiary company.

The Company's Standalone Financial Statements were approved by Board of Directors in the meeting held on June 3, 2021.

## 2. Statement of Compliance and Basis of Preparation

### 2.1 Basis of Preparation and Presentation and Statement of Compliance

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

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

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

### 2.2 Historical Cost Convention

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

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

### 2.3 Rounding of Amount

The Standalone Financials Statement are prepared in Indian Rupees (INR) and all the values are rounded to nearest crores as per the requirement of Schedule III, except when otherwise indicated. Figures less than Rs 50,000 which are required to be shown separately, have been shown in actual brackets.

## 3. Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Company in preparing its Standalone Financial Statements consistently to all the periods presented:

### 3.1. Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

**Operating cycle**

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

**Non-Current Assets classified as held for sale**

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use of the assets and actions required to complete such sale indicate that it is unlikely that significant changes to the plan to sell will be made or that the decision to sell will be withdrawn. Also, such assets are classified as held for sale only if the management expects to complete the sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and the fair value less cost to sell. Non-current assets are not depreciated or amortized.

**Discontinued operation**

A discontinued operation is a business of the entity that has been disposed off or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose off such a line of business or area of operations. The results of discontinued operations are presented separately in the Statement of Profit and Loss.

**3.2. Use of estimates and judgements**

The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Company and are based on historical experience and various other assumptions and factors (including expectations of future events) that the Company believes to be reasonable under the existing circumstances. Difference between actual results and estimates are recognised in the period in which the results are known / materialised.

The said estimates are based on the facts and events, that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date.

**3.3. Business combinations and goodwill**

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

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

**Business Combination under Common Control**

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and the control is not transitory. The transactions between entities under common control are specifically covered by Ind AS 103. Such transactions are accounted for using the pooling-of-interest method. The assets and liabilities of the acquired entity are recognised at their carrying amounts of the parent entity's Standalone Financial Statements with the exception of certain income tax and deferred tax assets. No adjustments are made to reflect fair values, or recognise any new assets or liabilities. The only adjustments that are made are to harmonise accounting policies. The components of equity of the acquired companies are added to the same components within the Company's equity. The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to other equity and is presented separately from other capital reserves. The Company's shares issued in consideration for the acquired companies are recognized from the moment the acquired companies are included in these financial statements and the financial statements of the commonly controlled entities would be combined, retrospectively, as if the transaction had occurred at the beginning of the earliest reporting period presented.

**Acquisition-related costs are expensed as incurred.**

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

- Deferred tax assets or liabilities, the assets or liabilities related to employee benefit arrangements and related to leases are recognised and measured in accordance with Ind AS 12 "Income Taxes", Ind AS 19 "Employee Benefits" and Ind AS 116 "Leases" respectively.
- Liabilities or equity instruments related to share based payment arrangements of the acquiree or share – based payments arrangements of the Company entered into to replace share-based payment

arrangements of the acquire are measured in accordance with Ind AS 102 “Share-based Payments” at the acquisition date.

- Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

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

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

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

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

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

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

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

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

### 3.4. Foreign currencies

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

**Transactions and balances**

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement of such transaction and on translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rate are recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

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

**3.5. Fair value measurement**

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

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

- In the principal market for the asset or liability

Or

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

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

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

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

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

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

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

### 3.6. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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

**Derecognition**

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

**Depreciation**

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

| Asset | Estimated Useful Life |
|---|---|
| Buildings | 20 Years |
| Plant & Machinery | 6 to 15 Years |
| Office Equipment | 6 to 8 Years |
| Furniture & Fixture | 6 to 9 Years |
| Motor Cars | 4 Years |

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

The management believes that the useful life as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II to the Companies Act 2013. Any change in useful file are being applied prospectively in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

When parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items (Major Components) and are depreciated over their useful life or over the remaining useful life of the principal assets whichever is less. Depreciation for assets purchased/sold during a period is proportionately charged for the period of use.

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

### 3.7. Leases

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

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

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised. The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of the leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

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

**The Company as a lessor**

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

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

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

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

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

### 3.8. Borrowing cost

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such current investments is deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the year. Capitalisation of borrowing costs is suspended and charged to the statement of profit and loss during the extended periods when the active development on the qualifying assets is interrupted.

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

### 3.9. Intangible Assets

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

The useful lives of intangible assets are assessed as finite.

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

**Amortisation**

Value of License Brands/License fees acquired under demerger scheme has been amortized on Straight Line basis over the period of 10 years.

Technical Process Development has been amortized on Straight Line basis over the period of five years and Product Development has been amortized on Straight Line basis over the period of 3 to 5 years.

Software and Website are depreciated over management estimate of its useful life of 5 years.

### 3.10. Inventories

Trims and Accessories, Stock-in-trade and Packing Materials are valued at the lower of cost and net realisable value.

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

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

All other inventories are valued at cost. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 3.11. Impairment of non-financial assets

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

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

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

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

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

### 3.12. Revenue Recognition

The Company derives revenues primarily from sale of traded goods and related services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The

Company has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

**a) Sale of goods**

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

**Variable consideration**

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

**i. Rights of return**

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

**ii. Discounts**

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

**b) Contract balances**

**i. Contract assets**

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

**ii. Trade receivables**

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

**iii. Contract liabilities**

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

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

**i. Right of return assets**

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

**ii. Refund liabilities**

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

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

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

**e) Rendering of services**

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

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

**f) Gift Vouchers**

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

**g) Interest income**

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

**h) Profit or loss on sale of Investments**

Profit or Loss on sale of investments is recorded on transfer of title from the Company, and is determined as the difference between the sale price and carrying value of investment and other incidental expenses.

**i) Insurance claims**

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

**j) Export Incentive**

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

**3.13. Financial instruments – initial recognition and subsequent measurement**

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

**a) Financial assets**

**(i) Initial recognition and measurement of financial assets**

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

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

**(ii) Subsequent measurement of financial assets**

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

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

- **Financial assets at amortised cost:**

A financial asset is measured at amortised cost if:

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

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

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

  A financial asset is measured at fair value through other comprehensive income if:

  - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

  FVTPL is a residual category for financial assets. Any financial asset, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

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

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

- **Equity instruments:**

  All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

  If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

  Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L

**(iii) Derecognition of financial assets**

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire, or
- The Company has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or

  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

**(iv) Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

**(v) Impairment of financial assets**

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

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

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

- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 11 and Ind AS 18, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 11 and Ind AS 18 that contain a significant financing component, if the Company applies practical expedient to ignore separation of time value of money, and
- Right Of Use Assets resulting from transactions within the scope of Ind AS 116

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

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

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

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

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

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

- Financial assets measured as at amortised cost, contract assets and ROU Assets: 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.

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

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

**b) Financial Liabilities**

**(i) Initial recognition and measurement of financial liabilities**

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

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

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

**(ii) Subsequent measurement of financial liabilities**

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

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

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

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

- **Loans and Borrowings**

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

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

  This category generally applies to borrowings.

**(iii) Derecognition of financial liabilities**

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

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

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

**Initial recognition and subsequent measurement**

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

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

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

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

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

**(i) Fair value hedges**

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

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

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

**(ii) Cash flow hedges**

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

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

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

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

**d) Offsetting of financial instruments**

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

### 3.14. Cash and cash equivalent

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

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

### 3.15. Taxes

Tax expense comprises of current income tax and deferred tax.

**Current income tax**

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

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

**Deferred tax**

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

### 3.16. Employee Benefits

#### a) Short Term Employee Benefits

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

#### b) Post-Employment Benefits

##### (i) Defined contribution plan

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

##### (ii) Defined benefit plan

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

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

#### c) Other long term employment benefits:

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

**d) Termination Benefits :**

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

**3.17. Share-based payments**

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

**Equity-settled transactions**

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

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

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

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

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

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

**3.18. Earnings per share**

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

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

The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

**3.19. Provisions and Contingencies**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**3.21. Segment Reporting**

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

**3.22. Events after the reporting period**

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

**3.23. Exceptional Items**

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

**4. Critical accounting Judgements and key source of estimation uncertainty**

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

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

**Revenue recognition**

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

**Customer loyalty program reward points**

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

**Provision for discount and sales return**

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

**Defined benefit plans**

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country.

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

**Allowance for uncollectible trade receivables**

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

**Share-based payments**

The Company initially measures the cost of equity-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For equity-settled share-based payment transactions, the liability needs to be measured at the time of grant. The expenses recognised for share-based payment transactions are disclosed in Note 34.

**Taxes**

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

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

Further details on taxes are disclosed in Note 26.

**Inventories**

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

**Useful lives of Property, Plant and Equipment and Intangible assets**

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

**Impairment of non-financial assets**

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

**Provisions and contingencies**

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

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

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

# Notes to the Standalone Financial Statements

(₹in Crores)

## Note 5 : Property, plant and equipment

| Particulars | Buildings | Plant & machinery | Furniture & fixture | Vehicles | Leasehold Improve-ments | Office Equipment | Computer, server & network | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross Carrying Value** | | | | | | | | |
| **As at April 1, 2019** | **6.94** | **2.04** | **16.42** | **1.77** | **8.36** | **1.15** | **0.69** | **37.37** |
| Additions | - | 3.04 | 1.86 | 0.39 | 0.23 | 0.08 | 6.55 | 12.15 |
| Deductions | - | 0.33 | 3.52 | 0.61 | 2.05 | 0.25 | 0.03 | 6.79 |
| **As at March 31, 2020** | **6.94** | **4.75** | **14.76** | **1.55** | **6.54** | **0.98** | **7.21** | **42.73** |
| Additions | - | - | 1.79 | 0.46 | 0.54 | 0.01 | 0.30 | 3.10 |
| Deductions | - | 0.60 | 0.60 | 0.28 | 2.36 | 0.44 | 0.23 | 4.51 |
| Adjustment Due To Business Transfer (Refer Note 41) | - | 0.05 | 5.09 | 0.24 | 1.70 | 0.01 | 0.01 | 7.10 |
| **As at March 31, 2021** | **6.94** | **4.10** | **10.86** | **1.49** | **3.02** | **0.54** | **7.27** | **34.22** |
| **Depreciation and Impairment** | | | | | | | | |
| **As at April 1, 2019** | **0.06** | **0.23** | **4.31** | **0.56** | **2.22** | **0.11** | **0.26** | **7.75** |
| Depreciation for the year | 0.20 | 0.30 | 4.97 | 0.42 | 2.04 | 0.26 | 0.72 | 8.91 |
| Deductions | - | 0.12 | 2.91 | 0.58 | 1.18 | 0.12 | 0.03 | 4.94 |
| **As at March 31, 2020** | **0.26** | **0.41** | **6.37** | **0.40** | **3.08** | **0.25** | **0.95** | **11.72** |
| Depreciation for the year | 0.21 | 1.60 | 2.72 | 0.24 | 1.76 | 0.48 | 1.93 | 8.94 |
| Deductions | - | 0.60 | 0.50 | 0.21 | 1.75 | 0.44 | 0.23 | 3.73 |
| Adjustment Due To Business Transfer (Refer Note 41) | - | 0.03 | 2.46 | 0.13 | 0.99 | 0.01 | 0.01 | 3.63 |
| **As at March 31, 2021** | **0.47** | **1.38** | **6.13** | **0.30** | **2.10** | **0.28** | **2.64** | **13.30** |
| **Net Carrying Value** | | | | | | | | |
| **As at March 31, 2021** | **6.47** | **2.72** | **4.73** | **1.19** | **0.92** | **0.26** | **4.63** | **20.92** |
| **As at March 31, 2020** | **6.68** | **4.34** | **8.39** | **1.15** | **3.46** | **0.73** | **6.26** | **31.01** |

**Notes:**

1) In respect of Building, registration is pending in favour of the company.
2) For Properties pledge as security Refer Note 13 (a).
3) Refer Note 28 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

## Note 6: Intangible assets

| Particulars | Computer Software | Brand Value & License Brands | Technical Process development | Product Develo-pment | Website | Total Intangible assets |
|---|---|---|---|---|---|---|
| **Gross Carrying Value** | | | | | | |
| **As at April 1, 2019** | **0.41** | **21.27** | **8.00** | **-** | **2.46** | **32.14** |
| Additions (Refer Note 1 below) | 8.37 | - | - | 12.57 | - | 20.94 |
| Deductions | - | - | - | - | - | - |
| **As at March 31, 2020** | **8.78** | **21.27** | **8.00** | **12.57** | **2.46** | **53.08** |
| Additions | 2.69 | - | - | - | - | 2.69 |
| Deductions | - | - | - | - | - | - |
| **As at March 31, 2021** | **11.47** | **21.27** | **8.00** | **12.57** | **2.46** | **55.77** |
| **Amortisation and Impairment** | | | | | | |
| **As at April 1, 2019** | **0.06** | **21.27** | **1.06** | **-** | **0.54** | **22.93** |
| Amortisation for the Year | 0.64 | - | 1.59 | 0.38 | 0.85 | 3.46 |
| Deductions | - | - | - | - | - | - |
| **As at March 31, 2020** | **0.70** | **21.27** | **2.65** | **0.38** | **1.39** | **26.39** |
| Amortisation for the Year | 2.09 | - | 1.61 | 4.22 | 0.68 | 8.60 |
| Deductions | - | - | - | - | - | - |
| **As at March 31, 2021** | **2.79** | **21.27** | **4.26** | **4.60** | **2.07** | **34.99** |
| **Net Carrying Value** | | | | | | |
| **As at March 31, 2021** | **8.68** | **-** | **3.74** | **7.97** | **0.39** | **20.78** |
| **As at March 31, 2020** | **8.08** | **-** | **5.35** | **12.19** | **1.07** | **26.69** |

Notes: 1) Product Developments, Software and Intangible Assets under development includes internally generated intangible assets

# Notes to the Standalone Financial Statements

(₹in Crores)

## Note 7 : Financial assets

### 7 (a) Investments

| Particulars | Face Value per share in ₹ | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|---|
| **Non-current investment** | | | |
| **Investment in equity shares (fully paid up)** | | | |
| **Subsidiaries and Controlled Joint Ventures - measured at cost (Unquoted)** | | | |
| Arvind Lifestyle Brands Limited | | | |
| (Refer Note 1, 2 and 4) | 10 | **1,461.84** | 1,081.01 |
| (March 31, 2021: 13,27,00,000; March 31, 2020: 9,62,78,723) | | | |
| Arvind Beauty Brands Retail Private Limited | | | |
| (Refer Note 1 and 2) | 10 | **107.53** | 105.26 |
| (March 31, 2021 : 76,89,488; March 31, 2020: 76,89,488) | | | |
| PVH Arvind Fashion Private Limited | | | |
| (Previously know as Calvin Klein Arvind Fashion Private Limited) (Refer Note 3)" | 10 | **115.21** | 28.94 |
| (March 31, 2021: 25,01,589; March 31, 2020: 5,04,648) | | | |
| Arvind Youth Brands Private Limited | | | |
| (Refer Note 1, 2 and 4) | 10 | **44.72** | - |
| (March 31, 2021:4,46,32,600 , March 31, 2020:Nil) | | | |
| Tommy Hilfiger Arvind Fashion Private Limited | | | |
| (Refer note 3) | 10 | **-** | 86.27 |
| (March 31, 2021:Nil, March 31, 2020 :1,49,47,159) | | | |
| **Total equity Investments** | | **1,729.30** | 1,301.48 |
| Share application money, pending allotment | | **25.00** | - |
| **Total Investments** | | **1,754.30** | 1,301.48 |
| Aggregate amount of quoted investments | | **-** | - |
| Aggregate amount of unquoted investments | | **1,729.30** | 1,301.48 |
| Aggregate impairment in value of investment | | **-** | - |

Note 1: Increase in the cost of investment during the year includes recognition of cost of ESOPs issued to Employees of Subsidiaries. The same is detailed below:

| Subsidiaries | 2020-21 | 2019-20 |
|---|---|---|
| Arvind Lifestyle Brands Limited | **1.39** | 0.87 |
| Arvind Youth Brands Private Limited | **(Rs. 21,358)** | - |
| Arvind Beauty Brands Retail Private Limited | **2.23** | 2.39 |

Note 2: Increase in the Cost of investment during the year includes recognition of Notional Commission on Fair Valuation of Financial Guarantee provided for loan taken by subsidiary. The same is detailed below:

| Subsidiaries | 2020-21 | 2019-20 |
|---|---|---|
| Arvind Lifestyle Brands Limited | **3.37** | 4.23 |
| Arvind Youth Brands Private Limited | **0.08** | - |
| Arvind Beauty Brands Retail Private Limited | **0.04** | - |

Note 3: The National Company Law Tribunal (NCLT), vide its order dated July 14, 2020 has approved the scheme of amalgamation of Tommy Hilfiger Arvind Fashion Private Limited with Calvin Klein Arvind Fashion Private Limited now renamed as PVH Arvind Fashion Private Limited. The scheme has become effective with appointed date i.e. April 01, 2019.

19,96,941 equity shares of Rs. 10 each of PVH Arvind Fashions Private Limited were issued to the Company pursuant to the Scheme of amalgamation.

Note 4: The Company has pledged 5,07,26,265 equity shares of Arvind Lifestyle Brands Limited as a security against working capital loans availed by the Company and Arvind Lifestyle Brands Limited.

The Company has pledged 2,56,97,557 equity shares of Arvind Youth Brands Retail Private Limited as a security against working capital loans availed by the Company.

# Notes to the Standalone Financial Statements

(₹in Crores)

### 7 (b) Trade receivables - Current

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Unsecured, considered good | 143.37 | 229.09 |
| Credit impaired | 13.27 | 7.27 |
| Less : Allowance for doubtful debts | (13.27) | (7.27) |
| | 143.37 | 229.09 |
| Less: Refundable Liability - Refer Note 3 below | (23.78) | (43.12) |
| **Total Trade receivables** | 119.59 | 185.97 |

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

**Allowance for doubtful debts**

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

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Balance at the beginning of the year** | 7.27 | 5.48 |
| Add : Allowance for the year (Refer Note 24 and Note 25) | 6.00 | 2.55 |
| Less : Write off of bad debts (Net of recovery) | - | (0.76) |
| **Balance at the end of the year** | 13.27 | 7.27 |

### 7 (c) Loans

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **(Unsecured, considered good unless otherwise stated)** | | |
| **Non-current** | | |
| Loans to employees | 0.01 | 0.03 |
| | 0.01 | 0.03 |
| **Current** | | |
| Loans to related parties (Refer Note 32) | 42.77 | 110.42 |
| Loans to employees | 0.32 | 0.44 |
| | 43.09 | 110.86 |
| **Total Loans** | 43.10 | 110.89 |

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

### 7 (d) Cash and cash equivalent

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Cash on hand | - | - |
| Balance with Bank | | |
| In Current accounts and debit balance in cash credit accounts | 0.65 | 8.00 |
| **Total cash and cash equivalents** | 0.65 | 8.00 |

# Notes to the Standalone Financial Statements

(₹in Crores)

### 7 (e) Other bank balance

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **In Deposit Account** | | |
| Held as Margin Money* | **0.07** | 0.22 |
| **Total other bank balances** | **0.07** | 0.22 |

* Under lien with bank as Security for Guarantee Facility

### 7 (f) Other financial assets

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **(Unsecured, considered good unless otherwise specified)** | | |
| **Non-current** | | |
| Security deposits | 13.69 | 18.15 |
| **Current** | | |
| Security deposits | **1.00** | - |
| Income receivable | **1.01** | 0.09 |
| Accrued Interest | **0.01** | (Rs. 39,729) |
| Insurance claim receivable | **0.03** | 0.38 |
| | **2.05** | 0.47 |
| **Total other financial assets** | **15.74** | 18.62 |

Other current financial assets are given as security for borrowings as disclosed under Note 13 (a)

Movement in allowance for doubtful advances :

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Balance at the beginning of the year** | **-** | 0.02 |
| Add : Addition during the year | **-** | - |
| Less : Write off (Net of recovery) | **-** | (0.02) |
| **Balance at the end of the year** | **-** | - |

### 7 (g) Financial assets by category

| Particulars | Cost | FVOCI | Amortised cost |
|---|---|---|---|
| **March 31, 2021** | | | |
| Investments | | | |
| - Equity Shares | 1,754.30 | - | - |
| Trade Receivables | - | - | 119.59 |
| Loans | - | - | 43.10 |
| Cash & Bank balances | - | - | 0.72 |
| Other financial assets | - | - | 15.74 |
| **Total Financial Assets** | **1,754.30** | **-** | **179.15** |
| **March 31, 2020** | | | |
| Investments | | | |
| - Equity Shares | 1,301.48 | - | - |
| Trade Receivables | - | - | 185.97 |
| Loans | - | - | 110.89 |
| Cash & Bank balances | - | - | 8.22 |
| Other financial assets | - | - | 18.62 |
| **Total Financial Assets** | **1,301.48** | **-** | **323.70** |

For Financial instruments risk management objectives and policies, refer Note 39
Fair value disclosure for financial assets and liabilities are in Note 37 and fair value hierarchy disclosures are in Note 38

# Notes to the Standalone Financial Statements

## Note 8 : Other current / non-current assets

(₹in Crores)

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| (Unsecured, considered good unless otherwise stated) | | |
| **Non-current** | | |
| Sales tax paid under protest | **0.55** | - |
| Capital advances | **0.02** | 0.19 |
| | **0.57** | 0.19 |
| **Current** | | |
| Advance to suppliers | **7.37** | 12.66 |
| GST / Sales tax / VAT / Service tax receivable (Refer Note 1 below) | **20.92** | 7.33 |
| Export incentive receivable | **0.50** | 0.42 |
| Returnable Asset (Refer Note 3 below) | **0.85** | 23.72 |
| Prepaid expenses | **7.88** | 2.40 |
| Other Current Assets | **8.58** | 20.22 |
| | **46.10** | 66.75 |
| **Total** | **46.67** | 66.94 |

**Notes :**

1. Balance with Government Authorities mainly consist of input credit availed.
2. Other current assets are given as security for borrowings as disclosed under Note 13(a).
3. Returnable Asset are recognised pursuant to Ind AS 115 - Revenue from Contracts with Customers.
4. No advances are due from directors or promotors of the Company either severally or jointly with any person.

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

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Trims and accessories | **2.04** | 5.38 |
| Stock-in-trade | **106.04** | 240.29 |
| Packing materials | **0.72** | 2.26 |
| **Total** | **108.80** | 247.93 |

1) Inventory write downs are accounted, considering the nature of inventory, ageing and net realisable value for Rs. 15.90 Crores (March 31, 2020 Rs. 8.32 Crores). The changes in write downs are recognised as an expense in the Statement of Profit and Loss.

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

## Note 10 : Current Tax Assets (Net)

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Tax Paid in Advance (Net of Provision) | **5.98** | 15.18 |
| **Total** | **5.98** | 15.18 |

# Notes to the Standalone Financial Statements

(₹in Crores)

**Note 11 : Equity share capital:**

| Particulars | As at March 31, 2021 | | As at March 31, 2020 | |
|---|---|---|---|---|
| | No. of shares | ₹in Crores | No. of shares | ₹in Crores |
| **Authorised share capital** | | | | |
| Equity shares of ₹ 4 each (March 31, 2020: Rs. 4 each) | 18,75,00,000 | 75.00 | 18,75,00,000 | 75.00 |
| **Issued and subscribed share capital** | | | | |
| Equity shares of ₹ 4 each (March 31, 2020: Rs. 4 each) | 11,34,87,487 | 42.43 | 5,86,79,364 | 23.47 |
| **Subscribed and fully paid up** | | | | |
| Equity shares of ₹ 4 each (March 31, 2020: Rs. 4 each) | 9,86,85,711 | 39.47 | 5,86,79,364 | 23.47 |
| **Subscribed and Partly paid up** | | | | |
| Equity shares of Rs.4 (Rs. 2 each paid) (March 31, 2020: Nil) | 1,48,01,776 | 2.96 | - | - |
| **Total** | 11,34,87,487 | 42.43 | 5,86,79,364 | 23.47 |

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

| Particulars | As at March 31, 2021 | | As at March 31, 2020 | |
|---|---|---|---|---|
| | No. of shares | ₹in Crores | No. of shares | ₹in Crores |
| At the beginning of the period | 5,86,79,364 | 23.47 | 5,79,94,673 | 23.20 |
| Add: Issue of fully paid up shares (Refer Note 11.4) | 3,99,79,347 | 15.99 | - | - |
| Add: Issue of partly paid up shares (Refer Note 11.4) | 1,48,01,776 | 2.96 | | |
| Add: Shares allotted pursuant to exercise of | | | | |
| Employee Stock Option Plan | 27,000 | 0.01 | 6,84,691 | 0.27 |
| Outstanding at the end of the period | 11,34,87,487 | 42.43 | 5,86,79,364 | 23.47 |

**11.2. Rights, Preferences and Restrictions attached to the equity shares :**

The Company has one class of shares referred to as equity shares having a par value of Rs. 4 each. Each shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets after distribution of all preferential amounts, in proportion to their shareholding.

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

| Name of the Shareholder | As at March 31, 2021 | | As at March 31, 2020 | |
|---|---|---|---|---|
| | No. of shares | % of shareholding | No. of shares | % of shareholding |
| Aura Securities Private Limited | 4,31,18,605 | 37.99% | 1,91,12,362 | 32.57% |
| Plenty Private Equity Fund I Limited | 75,10,649 | 6.62% | 39,35,458 | 6.71% |

**11.4. Issue of Shares under Right Issue**

On June 21, 2020, the Board of Directors of the Company had approved the revised size of Rights Issue of 3,99,79,347 shares of face value of Rs. 4 each (the "Rights Issue Shares") at a price of Rs. 100 per Rights Equity Shares (including premium of Rs. 96 per Rights Equity Share) in the ratio of 62:91, i.e. 62 Rights Equity Shares for every 91 existing Equity Shares held by the eligible equity shareholders on the record date, i.e. March 18, 2020. On July 24, 2020, the Company has approved the allotment of 3,99,79,347 equity shares of face value Rs. 4/- each to the eligible equity shareholders as fully paid up.

On February 03, 2021, the Board of Directors of the Company and subsequently on February 18, 2021, the Committee of Directors had approved the Rights Issue of 1,48,02,856 equity shares of face value of Rs. 4 each (the "Rights Issue Shares") at a price of Rs. 135 per Rights Equity Shares (including premium of Rs. 131 per Rights Equity Share) in the ratio of 3:20, i.e. 3 Rights Equity Shares for every 20 existing Equity Shares held by the eligible equity shareholders on the record date, i.e. February 24, 2021. On March 25, 2021, the Company has approved the allotment of 1,48,01,776 equity shares of face value Rs. 4/- each to the eligible equity shareholders as partly paid up for an amount of Rs. 70/- per Rights Issue Share received on application (of which Rs. 2/- was towards face value and Rs. 68/- towards towards premium). The allotment of 1,080 Rights Equity Shares has been kept in abeyance pending regulatory/other clearance. The first and final call of Rs. 65/- (of which Rs. 2/- was towards face value and Rs. 63/- towards towards premium) per Rights Issue Share was made in the month of May 2021.

Equity Issue expenses of Rs. 4.22 Crores has been adjusted against Securities Premium

# Notes to the Standalone Financial Statements

(₹in Crores)

**11.5. Shares allotted as fully paid up without payment being received in cash during the period of five years immediately preceding the reporting date:**

1) The Company has allotted 26,04,676 Equity Shares as bonus shares by capitalization of Securities Premium during the year 2017-2018 in the ratio of 0.023 equity shares for 1 existing equity share held.
2) The Company has allotted 5,17,23,414 Equity Shares pursuant to the scheme of arrangement during the year 2018-19.

**11.6. Shares reserved for issue under options and contracts:**

Refer Note 34 for details of shares to be issued under Employee Stock Option Schemes (ESOPs)

**11.7. Objective, policy and procedure of capital management, refer Note 40**

## Note 12 : Other Equity

| Balance | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Note 12.1 Reserves & Surplus** | | |
| **Capital reserve** | | |
| Balance as at the beginning of the year | **45.39** | 45.39 |
| Balance at the end of the year | **45.39** | 45.39 |
| **Share application money pending allotment** | | |
| Balance as at the beginning of the year | **-** | 8.51 |
| Less: Shares issued during the year | **-** | (8.51) |
| Balance at the end of the year | **-** | - |
| **Securities premium** | | |
| Balance as at the beginning of the year | **1,170.52** | 1,160.59 |
| Add: Addition during the year | **484.56** | 9.03 |
| Add: Transfer from share based payment reserve | **1.02** | 0.90 |
| Less: Equity issue expenses adjusted during the year (Refer Note 11.4) | **(4.22)** | - |
| Balance at the end of the year | **1,651.88** | 1,170.52 |
| **Share based payment reserve (Refer Note 34)** | | |
| Balance as at the beginning of the year | **6.43** | 3.60 |
| Add: Addition during the year | **5.82** | 3.73 |
| Less: Transfer to Securities Premium Account | **(1.02)** | (0.90) |
| Balance at the end of the year | **11.23** | 6.43 |
| **Surplus in statement of profit and loss** | | |
| Balance as at the beginning of the year | **103.45** | 108.61 |
| Add: Profit/ (Loss) for the year | **(59.41)** | (4.89) |
| (Less): Impact on adoption of Ind AS 116 | **-** | (0.16) |
| Add: Tax Impact on adoption of Ind AS 116 | **-** | 0.06 |
| Add: Transfer from Net Gain/(Loss) on FVOCI Equity Instruments | **-** | (Rs. 4,272) |
| Add / (Less): OCI for the year | **0.01** | (0.17) |
| Balance at the end of the year | **44.05** | 103.45 |
| **Total reserves & surplus** | **1,752.55** | 1,325.79 |
| **Note 12.2 Other comprehensive income** | | |
| **Net Gain/(Loss) on FVOCI Equity Instruments** | | |
| Balance as at the beginning of the year | **-** | (Rs. 4,272) |
| Less: Transfer to Retained Earnings | - | (Rs. 4,272) |
| Balance at the end of the year | **-** | - |
| **Cash Flow Hedge reserve** | | |
| Balance as at the beginning of the year | **-** | (0.05) |
| Less: Reclassified to profit and loss | **-** | 0.05 |
| Balance at the end of the year | **-** | - |
| **Total Other comprehensive income** | **-** | - |
| **Total Other equity** | **1,752.55** | 1,325.79 |

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

**a Capital reserve**

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

# Notes to the Standalone Financial Statements

(₹in Crores)

**b Securities premium**

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

**c Share based payment reserve**

This reserve relates to share options granted by the Company to its employees (including subsidiary Companies) and erstwhile Holding Company's employee share option plan. Further information about share-based payments to employees is set out in Note 34.

**d Net Gain/(Loss) on FVOCI Equity Instruments**

The Company has elected to recognise changes in the fair value of certain investment in equity instrument in other comprehensive income.

This amount will be reclassified to retained earnings on derecognition of equity instrument.

**e Cash Flow Hedge Reserve**

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

## Note 13 : Financial liabilities

### 13 (a) Borrowings

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Long-term Borrowings (Refer Note 1(a) below)** | | |
| (At amortised cost) | | |
| **Non-current portion** | | |
| **Secured** | | |
| Term loan from Banks | **49.39** | 16.06 |
| **Unsecured** | | |
| Deferred Payment liabilities from others | **-** | 4.91 |
| | **49.39** | 20.97 |
| **Current maturities (Refer Note 13c)** | | |
| **Secured** | | |
| Term loan from Banks | **3.54** | 2.89 |
| | **3.54** | 2.89 |
| **Total long-term borrowings** | **52.93** | 23.86 |
| **Short-term Borrowings (Refer Note 1(b) and 2(a) below)** | | |
| (At amortised cost) | | |
| **Secured** | | |
| Working Capital Loans repayable on demand from Banks | **70.32** | 161.10 |
| **Unsecured** | | |
| Under Buyer's Credit Arrangement | **-** | 23.19 |
| Intercorporate Deposits | | |
| From Related Parties (Refer Note 32) | **-** | 50.08 |
| From Others | **0.05** | 0.05 |
| **Total short-term borrowings** | **70.37** | 234.42 |
| **Total borrowings** | **123.30** | 258.28 |

# Notes to the Standalone Financial Statements

(₹in Crores)

**I Secured Borrowings**
**a Long term**

| Particulars | Rs. In Crores | Rate of interest | Security | Terms of repayment |
|---|---|---|---|---|
| Rupee Loans | 17.68 | 7.85% | Secured against first pari passu charge over the entire fixed assets of the Company both present and future, and second charge is created over the entire stock, receivables and other current assets of the Company both present and future. | Repayable in quarterly installments beginning from September 2019 |
| Rupee Loans | 34.38 | 7.75% to 9.25% | 1. Guaranteed By National Credit Guarantee Trustee Company Ltd<br>2. Second Charge on all current assets of borrower both presnt and future<br>3. Extention of second ranking charge over existing primary and collateral securities created in favor of the bank ( including but not limited to hypothecation on present and future stock, book debts and movable fixed assets of the company and assets of the borrower created out of this Facility | Repayable in 48 Monthly installments beginning from April 2022 |
| Hire Purchase loans | 0.87 | 8.10 to 9.10% | Secured by hypothecation of related vehicles | Monthly payment of Equated Monthly Instalments beginning from the month subsequent to taking the loans. |

**b Short term**

| Particulars | Rs. In Crores | Rate of interest | Security |
|---|---|---|---|
| Working Capital loans | 70.32 | 8.2% to 9.1% | First pari passu charge on entire current asset of the Company both present and future.<br>Loans of Rs. 28.89 Crores are secured against Pledge of 43,75,000 shares of Arvind Lifestyle Brands Limited and 81,15,018 shares of Arvind Youth Brands Private Limited (AYBPL). Pledge on AYBPL Shares is not registered till year end.<br>Loan of Rs. 35.43 Crores are secured against Pledge 175,82,539 shares of AYBPL. Pledge on AYBPL Shares is not registered till year end. |

**2. Unsecured Borrowings**
**(a) Short term**

| Particulars | Rs. In Crores | Rate of interest |
|---|---|---|
| Intercorporate Deposits | 0.05 | 8.50% |

## 13 (b) Trade payable

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Current** | | |
| Acceptances | **16.04** | 102.16 |
| **Other Trade Payables (Refer Note a below)** | | |
| -Total outstanding dues of micro enterprises and small enterprises | **17.65** | 57.97 |
| -Total outstanding dues other than micro enterprises and small enterprises | **183.44** | 236.26 |
| **Total** | **217.13** | 396.39 |

# Notes to the Standalone Financial Statements

(₹in Crores)

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

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| (a) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year: | | |
| i) Principal | **17.65** | 57.97 |
| ii) Interest | **1.11** | 6.76 |
| (b) the amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year; | **8.68** | 0.02 |
| (c) the amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMEDAct, 2006; | **1.11** | 6.76 |
| (d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and | **1.11** | 6.76 |
| (e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act, 2006 | **1.11** | 6.76 |

**13 (c) Other financial liabilities**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Non-current** | | |
| Security Deposit | **1.67** | 3.52 |
| Financial Guarantee Contract | **0.27** | 0.62 |
| | **1.94** | 4.14 |
| **Current** | | |
| Security Deposit | **0.42** | - |
| Current maturity of long term borrowings (Refer Note 13a) | **3.54** | 2.89 |
| Interest accrued and due on others | **1.86** | 7.61 |
| Interest accrued but not due on borrowings | **3.83** | 2.86 |
| Payable to employees | **1.26** | 2.20 |
| Payable for capital goods | **0.62** | 2.84 |
| Financial Guarantee Contract | **0.35** | 0.50 |
| | **11.88** | 18.90 |
| **Total** | **13.82** | 23.04 |

**Notes :**

1) There is no amount due and outstanding to be transfer to the Investor Education and Protection Fund (IEPF).

2) The Company has given the financial guarantee to Banks on behalf of Subsidiary Company.

# Notes to the Standalone Financial Statements

(₹in Crores)

**13 (d) Financial liabilities by category**

| **Particulars** | **FVOCI** | **FVTPL** | **Amortised cost** |
|---|---|---|---|
| **March 31, 2021** | | | |
| Borrowings | - | - | 123.30 |
| Trade payables | - | - | 217.13 |
| Security Deposits | - | - | 2.09 |
| Payable to employees | - | - | 1.26 |
| Financial Guarantee Contract | - | 0.62 | - |
| Interest accrued but not due | - | - | 3.83 |
| Interest accrued and due | - | - | 1.86 |
| Payable in respect of Capital goods | - | - | 0.62 |
| **Total Financial liabilities** | **-** | **0.62** | **350.09** |

| **Particulars** | **FVOCI** | **FVTPL** | **Amortised cost** |
|---|---|---|---|
| **March 31, 2020** | | | |
| Borrowings | - | - | 258.28 |
| Trade payables | - | - | 396.39 |
| Security Deposits | - | - | 3.52 |
| Financial Guarantee Contract | - | 1.12 | - |
| Payable to employees | - | - | 2.20 |
| Interest accrued but not due | - | - | 2.86 |
| Interest accrued and due | - | - | 7.61 |
| Payable in respect of Capital goods | - | - | 2.84 |
| **Total Financial liabilities** | **-** | **1.12** | **673.70** |

For Financial instruments risk management objectives and policies, refer Note 39

Fair value disclosure for financial assets and liabilities are in Note 37 and fair value hierarchy disclosures are in Note 38

## Note 14: Provisions

| **Particulars** | **As at March 31, 2021** | As at March 31, 2020 |
|---|---|---|
| **Long-term** | | |
| **Provision for employee benefits (refer Note 31)** | | |
| Provision for leave encashment | **1.02** | 1.48 |
| Provision for Gratuity | **2.41** | 3.07 |
| | **3.43** | 4.55 |
| **Short-term** | | |
| **Provision for employee benefits (refer Note 31)** | | |
| Provision for leave encashment | **0.38** | 0.52 |
| Provision for Gratuity | **0.18** | - |
| **others** | | |
| Short term provision for litigation/disputed matters (Refer Note a below) | **-** | 0.02 |
| | **0.56** | 0.54 |
| **Total** | **3.99** | 5.09 |

**Provision for litigation/ disputed matters**

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

# Notes to the Standalone Financial Statements

(₹in Crores)

**The movement in the provision account is as under:**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Balance as per last financial statements** | **0.02** | 0.64 |
| Add: Provision during the year (Refer Note 24) | **-** | 0.45 |
| Less: Adjusted during the year | **(0.02)** | (1.07) |
| **Balance as at the end of the year** | **-** | 0.02 |

## Note 15 : Other current liabilities

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Current** | | |
| Advance from customers | **4.15** | - |
| Statutory dues including provident fund and tax deducted at source etc | **1.74** | 2.75 |
| Deferred income of loyalty program reward points (Refer note (a) below) | **0.35** | 0.67 |
| Deferred Revenue | **0.03** | 0.15 |
| **Total** | **6.27** | 3.57 |

**a Deferred income of Loyalty Program Reward Points**

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

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Balance as per last financial statements | **0.67** | 1.32 |
| Add: Provision made during the year (Net of Expiry) (Refer Note 16) | **0.14** | 3.11 |
| Less: Redemption made during the year | **(0.46)** | (3.76) |
| **Balance at the end of the year** | **0.35** | 0.67 |

## Note 16 : Revenue from operations

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Sale of products | **297.46** | 851.76 |
| **Operating income** | | |
| Export incentives | **0.19** | 0.33 |
| Foreign Exchange fluctuation on Vendors and Customers (Net) | **0.65** | 1.85 |
| Royalty Income | **(Rs. 17,088)** | 0.13 |
| Miscellaneous receipts | **-** | 0.04 |
| | **0.84** | 2.35 |
| **Total** | **298.30** | 854.11 |

# Notes to the Standalone Financial Statements

(₹in Crores)

**I. Disaggregation of revenue from contracts with customers**

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **A. Revenue based on Geography** | | |
| i. Domestic | **294.06** | 840.58 |
| ii. Export | **4.24** | 13.53 |
| | **298.30** | 854.11 |
| **B. Revenue based on Business Segment** | | |
| Branded Apparels and accessories | **298.30** | 854.11 |

**II. Reconciliation of Revenue from Operation with Contract Price :**

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Contract Price | **354.24** | 1,126.81 |
| Less: | | |
| Schemes and Discounts | **(55.80)** | (269.59) |
| Customer Loyalty Program | **(0.14)** | (3.11) |
| **Total Revenue from Operations** | **298.30** | 854.11 |

## Note 17 : Other income

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Interest income on financial assets recognised at amortised cost | **10.20** | 8.22 |
| Financial Guarantee Commission (Refer Note a below) | **3.98** | 3.72 |
| Gain on Reassessment of Lease (Refer Note 35) | **-** | 0.05 |
| Profit on sale of Property, Plant & Equipment (Net) | **0.01** | - |
| Exchange Difference (Net) | **0.36** | - |
| Miscellaneous income | **0.19** | 0.45 |
| **Total** | **14.74** | 12.44 |

Note (a): The Company has given financial guarantee to Banks on behalf of the subsidiary. Fair value of the financial guarantee has been accounted as liability and amortised over the period of loan as commission income.

## Note 18 : Cost of Trims and Accessories consumed

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Stock at the beginning of the year | **5.38** | 3.81 |
| Add : Purchases | **5.03** | 6.09 |
| | **10.41** | 9.90 |
| Less : Inventory at the end of the year | **(2.04)** | (5.38) |
| **Total** | **8.37** | 4.52 |

## Note 19 : Purchases of stock-in-trade

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Garments and accessories | **55.96** | 577.52 |
| **Total** | **55.96** | 577.52 |

# Notes to the Standalone Financial Statements

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

(₹in Crores)

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Stock at the end of the year** | | |
| Stock-in-trade | **106.04** | 240.29 |
| **Stock at the beginning of the year** | | |
| Stock-in-trade | **240.29** | 244.98 |
| Adjustment due to Business Transfer | **30.08** | - |
| **Total** | **104.17** | 4.69 |

## Note 21 : Employee benefits expense

(₹in Crores)

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Salaries, wages, gratuity, bonus, commission, etc. (Refer Note 31) | **29.07** | 48.42 |
| Contribution to provident and other funds (Refer Note 31) | **2.85** | 4.31 |
| Welfare and training expenses | **1.29** | 2.89 |
| Share based payment to employees (Refer Note 34) | **2.20** | 0.48 |
| **Total** | **35.41** | 56.10 |

## Note 22 : Finance costs

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Interest Expenses on financial liabilities measured at amortised cost | | |
| Term Loans | **2.19** | 1.88 |
| Cash Credit Facilities | **12.05** | 12.07 |
| Lease Liabilities (Refer Note 35) | **-** | 0.08 |
| Others | **10.89** | 13.14 |
| Other borrowing cost | **6.30** | 10.15 |
| **Total** | **31.43** | 37.32 |

## Note 23 : Depreciation and amortization expense

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Depreciation and Amortization on Property, Plant & Equipment (Refer Note 5) | **8.94** | 8.91 |
| Depreciation on Right-of-use Assets (Refer Note 35) | **-** | 0.67 |
| Amortization on Intangible assets (Refer Note 6) | **8.60** | 3.46 |
| **Total** | **17.54** | 13.04 |

# Notes to the Standalone Financial Statements

## Note 24 : Other expenses

(₹in Crores)

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Power and fuel | **0.21** | 0.63 |
| Insurance | **0.78** | 0.78 |
| Processing charges | **1.00** | 1.95 |
| Printing, stationery & communication | **0.36** | 0.95 |
| Rent | | |
| - Short Term leases and leases of low-value assets (Refer Note 35) | **5.63** | 3.71 |
| Commission & Brokerage | **1.67** | 4.04 |
| Rates and taxes | **1.14** | 0.13 |
| Repairs : | | |
| To Building | **0.14** | 0.16 |
| To Others | **0.33** | 2.18 |
| Royalty on Sales | **20.11** | 43.56 |
| Freight, insurance & clearing charge | **3.98** | 8.80 |
| Legal & Professional charges | **1.31** | 1.02 |
| Housekeeping Charges | **0.45** | 0.93 |
| Security Charges | **0.86** | 1.23 |
| Computer Expenses | **0.30** | 0.04 |
| Conveyance & Travelling expense | **0.75** | 5.42 |
| Advertisement and Publicity | **10.74** | 31.87 |
| Sales Promotion | **-** | 0.19 |
| Charges for Credit Card Transactions | **0.01** | 0.09 |
| Packing Materials Expenses | **2.86** | 3.28 |
| Contract Labour Charges | **17.82** | 35.35 |
| Sundry debits written off | **0.03** | 0.28 |
| Bad debt written off | **-** | 0.09 |
| Allowance for doubtful debts (Refer Note 7b) | **-** | 0.70 |
| Provision for Litigation/Disputed Matters (Refer Note 14) | **-** | 0.45 |
| Sampling and Testing Expenses | **0.48** | 4.88 |
| Director's sitting fees | **0.08** | 0.09 |
| Auditor's remuneration (Refer Note a below) | **0.87** | 0.66 |
| Business Conducting Fees | **-** | 0.02 |
| Bank charges | **0.43** | 0.22 |
| Warehouse Charges | **0.80** | 1.07 |
| Spend on CSR activities (Refer Note 36) | **0.89** | 0.89 |
| Loss on Sale of Property, Plant & Equipment | **-** | 0.33 |
| Exchange Difference Loss (Net) | **-** | 1.06 |
| Miscellaneous expenses | **0.09** | 4.38 |
| **Total** | **74.12** | 161.43 |

# Notes to the Standalone Financial Statements

(₹in Crores)

**(a) Breakup of Auditor's remuneration**

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Payment to Auditors as :** | | |
| Auditors | **0.30** | 0.30 |
| For tax matters | **0.18** | 0.08 |
| For corporate law matters | **0.15** | 0.15 |
| For other certification work | **0.19** | 0.08 |
| For reimbursement of expenses | **0.05** | 0.05 |
| **Total** | **0.87** | 0.66 |

This is excluding payment of Rs 0.33 Crores (Rs. Nil for March 31, 2020) is respect of Rights Issues which has been charged to securities premium

## Note 25 : Exceptional Items

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Impact due to COVID-19** | | |
| Margin on Sales Return Provision | **(7.29)** | (12.52) |
| Inventory Dormancy Provision | **(32.44)** | (4.89) |
| Allowance for Doubtful Debtors | **(6.00)** | (1.85) |
| **Total** | **(45.73)** | (19.26) |

## Note 26 : Income tax

The major component of income tax expense:

| Particulars | Year ended March 31, 20201 | Year ended March 31, 2020 |
|---|---|---|
| **Statement of Profit and Loss** | | |
| **Current tax** | | |
| Current income tax | **-** | - |
| Excess provision related to earlier years | **-** | (0.17) |
| **Deferred Tax** | | |
| Deferred tax Charge/(Credit) | **(0.28)** | (2.27) |
| **Income tax expense reported in the statement of standalone profit & loss** | **(0.28)** | (2.44) |

**OCI section**

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Statement to Other comprehensive income (OCI)** | | |
| **Deferred tax related to items recognised in OCI during the year** | | |
| Net loss/(gain) on actuarial gains and losses | **-** | (0.09) |
| **Deferred tax charged to OCI** | **-** | (0.09) |

# Notes to the Standalone Financial Statements

(₹in Crores)

**Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate:**

**A) Current tax**

| **Particulars** | **Year ended March 31, 2021** | Year ended March 31, 2020 |
|---|---|---|
| **Accounting profit/(loss) before tax** | **(59.69)** | (7.33) |
| **Tax Rate** | **34.944%** | 34.944% |
| Current Tax Expenses on Profit before tax at the enacted income tax rate in India | **(20.86)** | (2.56) |
| **Adjustments** | | |
| Expenditure not deductible for Tax | **1.06** | 1.41 |
| Share based Payment Expense | **-** | (0.15) |
| Guarantee Commission Income | **(1.39)** | (1.30) |
| Non-recognition of deferred taxes due to absence of probable certainty of reversal in future | **18.86** | - |
| Others | **2.05** | 0.16 |
| **At the effective income tax** | **(0.28)** | (2.44) |
| **Effective Income Tax Rate %** | **0.00%** | 0.00% |

**B) Deferred tax**

| **Particulars** | **Standalone Balance Sheet** | **Statement of Standalone Profit & Loss and Other Comprehensive Income** | **Deferred Tax (Asset)/ Liability transferred due to Business Transfer** | **Impact on adoption of Ind AS 116 recognised in Retained Earnings** | **Standalone Balance Sheet** | **Statement of Standalone Profit & Loss and Other Comprehensive Income** |
|---|---|---|---|---|---|---|
| | **As at March 31, 2021** | **Year Ended March 31, 2021** | **Year Ended March 31, 2021** | **As at April 1, 2020** | **As at March 31, 2020** | **Year Ended March 31, 2020** |
| Accelerated depreciation for tax purposes | 5.00 | (0.45) | (0.74) | - | 5.29 | 0.16 |
| Expenditure allowable on payment basis over the period | 1.99 | 0.19 | - | - | 2.18 | (0.21) |
| Expenses on Employee Stock Option | 0.87 | (0.40) | - | - | 0.47 | (0.17) |
| Allowance for Doubtful Receivables/Advances | 2.54 | - | - | - | 2.54 | (0.62) |
| Amortisation of Preliminary Expenses | 0.13 | 0.38 | - | | 0.51 | 0.50 |
| Unused tax credit available for offsetting against future taxable income (MAT credit entitlement) | 6.35 | - | - | - | 6.35 | 0.33 |
| Unabsorbed Depreciation and Business Loss | 2.46 | - | - | - | 2.46 | (2.46) |
| Impact of Ind AS 116 | - | - | - | (0.06) | - | 0.06 |
| Others | 0.01 | - | - | - | 0.01 | 0.05 |
| **Net deferred tax assets/(liabilities)** | **19.35** | **(0.28)** | **(0.74)** | **(0.06)** | **19.81** | **(2.36)** |

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

The Company has unused carried forward losses of Rs. 61.87 Crores as at March 31, 2021 (March 31, 2020: Rs. 7.03 Crores). Out of the same, tax credits on losses of Rs. 54.84 Crores (March 31, 2020: Rs. 0.14) have not been recognized on the basis that recovery is not probable in the foreseeable future.

# Notes to the Standalone Financial Statements

(₹in Crores)

**Reconciliation of deferred tax assets / (liabilities), net**

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Opening balance as at April 1** | **19.81** | 17.39 |
| Impact on adoption of Ind AS 116 recognised in Retained Earnings | **-** | 0.06 |
| Deferred Tax (Assets)/Liability transferred during the year as per Business Transfer | **(0.74)** | - |
| Deferred Tax income/(expense) during the period recognised in profit or loss | **0.28** | 2.27 |
| Deferred Tax income/(expense) during the period recognised in OCI | **-** | 0.09 |
| **Closing balance as at March 31** | **19.35** | 19.81 |

## Note 27 : Contingent liabilities

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Contingent liabilities not provided for** | | |
| a. Bills discounted | **4.45** | 2.32 |
| b. Disputed demands in respect of (Refer Notes below) | | |
| VAT/CST | **8.53** | 0.87 |
| Income Tax | **0.30** | 0.22 |
| c. Guarantee given by bank on behalf of Company | **1.00** | 1.90 |
| d. Guarantee given to bank on behalf of Subsidiary Companies | **1,223.26** | 1,046.78 |

**Notes :**

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

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

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

## Note 28 : Capital commitment and other commitments

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Capital commitments** | | |
| Estimated amount of Contracts remaining to be executed on capital account and not provided for | **0.25** | 2.33 |
| **Other commitments** | **-** | - |

## Note 29 : Foreign Exchange Derivatives and Exposures not hedged

| Nature of exposure | In FC USD | ₹ In Crores |
|---|---|---|
| **Receivables** | | |
| As at March 31, 2021 | 0.04 | 2.79 |
| As at March 31, 2020 | 0.05 | 3.43 |
| **Payable towards borrowings** | | |
| As at March 31, 2021 | - | - |
| As at March 31, 2020 | 0.31 | 23.19 |
| **Payable to creditors** | | |
| As at March 31, 2021 | 0.17 | 12.32 |
| As at March 31, 2020 | 0.11 | 8.43 |

# Notes to the Standalone Financial Statements

(₹in Crores)

## Note 30 : Segment Reporting

Operating segment have been identified on the basis of nature of products and other quantitative criteria specified in the Ind AS 108. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM") of the company. The company's business activity falls within a single operating business segment of Branded Apparels (Garments and Accessories).

**Geographical segment**

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

| Particulars | Year Ended / As at March 31, 2021 | Year Ended / As at March 31, 2020 |
|---|---|---|
| **Segment Revenue*** | | |
| a) In India | **294.06** | 840.58 |
| b) Rest of the world | **4.24** | 13.53 |
| **Total Sales** | **298.30** | 854.11 |
| **Carrying Cost of Segment Assets**** | | |
| a) In India | **2,153.16** | 2,029.31 |
| b) Rest of the world | **2.79** | 3.43 |
| **Total** | **2,155.95** | 2,032.74 |
| **Carrying Cost of Segment Non Current Assets**@** | | |
| a) In India | **42.27** | 57.89 |
| b) Rest of the world | **-** | - |
| **Total** | **42.27** | 57.89 |

* Based on location of Customers

** Based on location of Assets

@ Excluding Financial Assets and Deferred Tax Assets

**Information about major customers (revenues from single external customer more than 10% of total revenue):**

The Company has one customer contributing Rs. 77.95 Crores (March 31, 2020 : Rs. 416.75 Crores) to the revenue of the Company

## Note 31 : Disclosure pursuant to Employee benefits

**A. Defined Contribution Plans**

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

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| Provident Fund | **1.40** | 1.93 |
| Contributory Pension Scheme | **0.50** | 0.87 |
| **Total** | **1.90** | 2.80 |

**Note**

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

# Notes to the Standalone Financial Statements

**Note**

**B Defined Benefit Plans**

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

**Gratuity**

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

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each Balance Sheet date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the Life Insurance Coporation - Insurance product.

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

# Notes to the Standalone Financial Statements

### March 31,2021: Changes in defined benefit obligation and plan assets

(₹in Crores)

| 2020-21 | April 1, 2020 | Gratuity cost charged to statement of profit and loss: Service cost | Net interest expense | Sub-total included in statement of profit and loss (Note 21) | Benefit paid | Remeasurement gains/(losses) in other comprehensive income: Return on plan assets (excluding amounts included in net interest expense) | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Sub-total included in OCI | Increase (decrease) due to effect of business combi-nation/ transfer | Contri-butions by employer | March 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gratuity** | | | | | | | | | | | | | |
| Defined benefit obligation | 4.55 | 0.68 | 0.26 | 0.94 | (1.02) | | (0.10) | (0.20) | 0.31 | 0.01 | (1.35) | - | 3.11 |
| Fair value of plan assets | (1.48) | - | (0.06) | (0.06) | 1.02 | (-Rs 20.984) | | | | - | - | | (0.52) |
| **Total benefit liability** | **3.07** | **0.68** | **0.20** | **0.88** | **-** | **-** | **(0.10)** | **(0.20)** | **0.31** | **0.01** | **(1.35)** | **-** | **2.59** |

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

| 2019-20 | April 1, 2019 | Cost charged to statement of profit and loss: Service cost | Net interest expense | Sub-total included in statement of profit and loss (Note 21) | Benefit paid | Remeasurement gains/(losses) in other comprehensive income: Return on plan assets (excluding amounts included in net interest expense) | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Sub-total included in OCI | Increase (decrease) due to effect of business combi-nation/ transfer | Contri-butions by employer | March 31, 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gratuity** | | | | | | | | | | | | | |
| Defined benefit obligation | 5.18 | 0.93 | 0.36 | 1.29 | (1.25) | - | 0.14 | (0.07) | 0.32 | 0.39 | (0.28) | - | 4.55 |
| Fair value of plan assets | (2.47) | - | (0.16) | (0.16) | 1.25 | (0.65) | - | - | - | (0.65) | - | (0.75) | (1.48) |
| **Total benefit liability** | **2.71** | **0.93** | **0.20** | **1.13** | **-** | **(0.65)** | **0.14** | **(0.07)** | **0.32** | **(0.26)** | **(0.28)** | **(0.75)** | **3.07** |

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

| **Particulars** | **Year ended March 31, 2021** | Year ended March 31, 2020 |
|---|---|---|
| Others (Insurance company Products) | 100% | 100% |
| **(%) of total plan assets** | **100%** | **100%** |

# Notes to the Standalone Financial Statements

(₹in Crores)

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

| Particulars | Year ended March31, 2021 | Year ended March31, 2020 |
|---|---|---|
| Discount rate | 5.70% | 6.20% |
| Future salary increase | 4.65% for Front End Employees 4.90% for others | 7.40% for Front End Employees 7.60% for others |
| Expected rate of return on plan assets | 5.70% | 6.20% |
| Attrition rate | 34.50% for Front End Employees 21.50% for Others | 27.60% for Front End Employees 16.50% for Others |
| Morality rate during employment | Indian assured lives Mortality(2006-08) | Indian assured lives Mortality(2006-08) |

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

**Gratuity**

| Particulars | Sensitivity level | increase / (decrease) in defined benefit obligation (Impact) | |
|---|---|---|---|
| | | Year ended March31, 2021 | Year ended March31, 2020 |
| Gratuity | | | |
| Discount rate | 50 basis points increase | (0.05) | (0.09) |
| | 50 basis points decrease | 0.05 | 0.10 |
| Salary increase | 50 basis points increase | 0.05 | 0.08 |
| | 50 basis points decrease | (0.04) | (0.08) |
| Attrition rate | 50 basis points increase | (Rs. 33,029) | (0.02) |
| | 50 basis points decrease | Rs. 32,824 | 0.01 |

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

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

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

| Particulars | Year ended March31, 2021 | Year ended March31, 2020 |
|---|---|---|
| **Gratuity** | | |
| Within the next 12 months (next annual reporting period) | 0.70 | 0.87 |
| Between 2 and 5 years | 2.52 | 3.53 |
| Beyond 5 years | 2.11 | 3.52 |
| **Total expected payments** | 5.33 | 7.92 |

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

| Particulars | Year ended March31, 2021 | Year ended March31, 2020 |
|---|---|---|
| Gratuity | 4 Years | 6 Years |

**C. Leave encashment**

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

| Particulars | Year ended March31, 2021 | Year ended March31, 2020 |
|---|---|---|
| Leave encashment | 0.55 | 0.26 |
| | 0.55 | 0.26 |

# Notes to Standalone Financial Statements

**Note 32 : Related Party Transactions**

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

| Name of Related Parties | Nature of Relationship |
|---|---|
| Arvind Limited | Enterprise having significant influence by Non-Executive Director |
| Arvind Lifestyle Brand Limited | Subsidiary Company |
| Arvind Beauty Brands Retail Private Limited | Subsidiary Company |
| Tommy Hilfiger Arvind Fashion Private Limited | Controlled Joint Venture Upto July 14, 2020 |
| PVH Arvind Fashion Private Limited (previously known as Calvin Klein Arvind Fashion Pvt Ltd) | Controlled Joint Venture |
| Arvind Youth Brands Private Limited | Subsidiary Company of Arvind Lifestyle Brands Limited |
| Arvind Ruf & Tuf Private Limited | Enterprise having significant influence by Key Management Personnel |
| Arvind True Blue Limited | Enterprise having significant influence by Key Management Personnel |
| Arvind Premium Retail Limited | Enterprise having significant influence by Key Management Personnel |
| Arvind Goodhill Suit Manufacturing Private Limited | Enterprise having significant influence by Non-Executive Director |
| Aura Securities Private Limited | Enterprise having significant influence by Non-Executive Director |
| Suresh Jayaraman | Key Management Personnel , Managing Director and CEO up to February 1, 2021 and Additional Director of the Company w.e.f. February 02, 2021 |
| Shailesh Shyam Chaturvedi | Key Management Personnel, Additional Director of the Company w.e.f. November 12, 2020 and Managing Director & CEO w.e.f. February 01, 2021 |
| Pramod Kumar Gupta, Chief Financial Officer | Key Management Personnel |
| Vijay Kumar BS , Company Secretary | Key Management Personnel |
| Sanjaybhai Srenikbhai Lalbhai | Non Executive Director |
| Jayesh Kantilal Shah | Non Executive Director upto November 12, 2020 |
| Nithya Easwaran | Non Executive Director |
| Kulin S. Lalbhai | Non Executive Director |
| Punit S. Lalbhai | Non Executive Director |
| Nilesh D. Shah | Non Executive Director |
| Abanti Sankaranarayanan | Non Executive Director |
| Vallabh R. Bhanshali | Non Executive Director |
| Nagesh D. Pinge | Non Executive Director |
| Achal A. Bakeri | Non Executive Director |
| Vani Kola | Non Executive Director |

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

# Notes to Standalone Financial Statements

(₹in Crores)

**b Transactions with related parties for the years ended March 31, 2021 and years ended March 31, 2020.**

| Particulars | Subsidiaries and Controlled Joint Ventures | Key Managerial Personnel and Non Executive Directors | Enterprise having significant influence by Key Management Personnel and Non-Executive Director |
|---|---|---|---|
| **Purchase of Goods and Materials** | | | |
| March 31, 2021 | - | - | - |
| March 31, 2020 | - | - | 14.66 |
| **Purchase of Property, Plant & Equipment and Intangible Assets** | | | |
| March 31, 2021 | - | - | - |
| March 31, 2020 | - | - | 13.50 |
| **Net Sales of Goods and Materials** | | | |
| March 31, 2021 | 77.28 | - | 4.97 |
| March 31, 2020 | 416.75 | - | 4.97 |
| **Receiving of Services-Royalty** | | | |
| March 31, 2021 | 5.14 | - | - |
| March 31, 2020 | 21.94 | - | - |
| **Receiving of Services-Shared services** | | | |
| March 31, 2021 | 2.65 | - | - |
| March 31, 2020 | 2.76 | - | 0.29 |
| **Receiving of Services-Commission and Others** | | | |
| March 31, 2021 | - | - | - |
| March 31, 2020 | 2.99 | - | 0.38 |
| **Guarantee Commission Income/(Expenses)** | | | |
| March 31, 2021 | 3.98 | - | (0.40) |
| March 31, 2020 | 3.72 | - | (0.40) |
| **Rendering of Services-Shared service and Other Income** | | | |
| March 31, 2021 | 14.52 | - | - |
| March 31, 2020 | 0.05 | - | 9.87 |
| **Interest Income** | | | |
| March 31, 2021 | 10.08 | - | - |
| March 31, 2020 | 7.99 | - | - |

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

| Particulars | Subsidiaries and Controlled Joint Ventures | Key Managerial Personnel and Non Executive Directors | Enterprise having significant influence by Key Management Personnel and Non-Executive Director |
|---|---|---|---|
| **Interest Expenses** | | | |
| March 31, 2021 | - | - | 1.34 |
| March 31, 2020 | - | - | 0.09 |
| **Remuneration** | | | |
| March 31, 2021 | - | 4.90 | - |
| March 31, 2020 | - | 6.07 | - |
| **Sitting Fees** | | | |
| March 31, 2021 | - | 0.11 | - |
| March 31, 2020 | - | 0.05 | - |

# Notes to Standalone Financial Statements

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

| Particulars | Subsidiaries | Key Managerial Personnel and Non Executive Directors | Enterprise having significant influence by Key Management Personnel and Non-Executive Director |
|---|---|---|---|
| **Contribution Given for Employee Benefit Plans** | | | |
| March 31, 2021 | - | - | - |
| March 31, 2020 | - | - | - |
| **Loan Given/(Repaid)** | | | |
| March 31, 2021 | -76.98 | - | - |
| March 31, 2020 | 72.20 | - | - |
| **Loan Taken/(Repaid)** | | | |
| March 31, 2021 | - | - | -50.00 |
| March 31, 2020 | - | - | 50.00 |
| **Business Transfer** | | | |
| March 31, 2021 | 52.00 | - | - |
| March 31, 2020 | - | - | - |
| **Investments made including share application money** | | | |
| March 31, 2021 | 395.71 | - | - |
| March 31, 2020 | 54.08 | - | - |

**c Balances**

| Particulars | Subsidiaries and Controlled Joint Ventures | Key Managerial Personnel and Non Executive Directors | Enterprise having significant influence by Key Management Personnel and Non-Executive Director |
|---|---|---|---|
| **Guarantee Given** | | | |
| March 31, 2021 | 1,223.26 | - | - |
| March 31, 2020 | 1,046.78 | - | - |
| **Trade and Other Receivable** | | | |
| March 31, 2021 | 34.89 | - | 1.13 |
| March 31, 2020 | 115.91 | - | 0.14 |
| **Trade and Other Payable** | | | |
| March 31, 2021 | 0.03 | - | - |
| March 31, 2020 | 0.69 | - | 8.19 |
| **Payable in respect of Loans** | | | |
| March 31, 2021 | - | - | - |
| March 31, 2020 | - | - | 50.08 |
| **Receivable in respect of Loans** | | | |
| March 31, 2021 | 42.77 | - | - |
| March 31, 2020 | 110.42 | - | - |
| **Investment** | | | |
| March 31, 2021 | 1,754.30 | - | - |
| March 31, 2020 | 1,301.48 | - | - |

# Notes to Standalone Financial Statements

(₹in Crores)

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

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

2) Loans given by related party carries interest rate of 8.5% (March 31, 2020 : 8.5%)

**e Commitments with related parties**

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

**f Transactions with key management personnel**

Compensation of key management personnel of the company

| **Particulars** | **Year Ended March 31, 2021** | Year Ended March 31, 2020 |
|---|---|---|
| Short-term employee benefits | **4.19** | 5.55 |
| Termination benefits | **0.10** | 0.09 |
| Share based payments | **0.61** | 0.43 |
| **Total compensation paid to key management personnel** | **4.90** | 6.07 |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

The amount recognised as an expense during the year for share based payment in respect of Directors is Rs 1.57 Crores (March 31, 2020 Rs. 0.06 Crores)

**g** Disclosure pursuant to the Regulation 34(3) read with para A of Schedule V to the SEBI (Listing obligations and disclosure requirements) Regulations, 2015 read with section 186 (4) of the Companies Act, 2013

**Loans and Advances in the nature of loans**

| **Name of Related Party** | **Purpose** | **Balance as at March 31, 2021** | **Balance as at March 31, 2020** | **Maximum Outstanding during March 31, 2021** | **Maximum Outstanding during March 31, 2020** |
|---|---|---|---|---|---|
| **Loans and Advances** | | | | | |
| Arvind Lifestyle Brands Limited | General Business | 40.22 | 53.34 | 157.52 | 53.34 |
| Arvind Beauty Brands Retail Private Limited | General Business | 2.36 | 57.08 | 57.08 | 57.08 |
| Arvind Youth Fashions Private Limited | General Business | 0.19 | - | 7.36 | - |
| **Corporate Guarantee given on behalf of** | | | | | |
| Arvind Lifestyle Brands Limited | Facilitate Trade Finance | 984.26 | 1,046.78 | | |
| Arvind Youth Fashions Private Limited | Facilitate Trade Finance | 70.00 | - | | |
| Arvind Beauty Brands Retail Private Limited | Facilitate Trade Finance | 30.00 | - | | |
| PVH Arvind Fashion Private Limited | Facilitate Trade Finance | 139.00 | - | | |

# Notes to Standalone Financial Statements

(₹in Crores)

## Note 33 : Earnings per share - EPS (Basic and Diluted)

| Particulars | | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|---|
| Profit/(Loss) for the year | | **(59.41)** | (4.89) |
| Less: Right Issue Expenses Debited to Securities Premium | | **(4.22)** | - |
| Adjusted Profit for the year for EPS Calculation | | **(63.63)** | (4.89) |
| Total no. of equity shares at the end of the year | | **11,34,87,487** | 5,86,79,364 |
| **Weighted average number of equity shares** | | | |
| For basic EPS | No. | **9,28,38,211** | 7,77,46,252 |
| For diluted EPS | No. | **9,29,00,936** | 7,82,99,435 |
| Nominal value of equity shares | Rs. | **4** | 4 |
| Basic earnings per share | Rs. | **(6.85)** | (0.63) |
| Diluted earnings per share | Rs. | **(6.85)** | (0.62) |
| **Weighted average number of equity shares** | | | |
| Weighted average number of equity shares for basic EPS | | **9,28,38,211** | 7,77,46,252 |
| Effect of dilution: Share options | | **62,725** | 5,53,183 |
| Weighted average number of equity shares adjusted for the effect of dilution | | **9,29,00,936** | 7,82,99,435 |

Pursuant to *IND AS 33 - Earnings Per Share,* basic and diluted earnings per share for the previous year have been restated for the bonus element in respect of Right Issue.

#All numbers are in Rs. crore except weighted average number of equity shares, nominal value of Shares and Basic and Diluted EPS

## Note 34 : Share based payments

The Company has instituted Employee Stock Option Scheme 2016 ("ESOP 2016") and Employee Stock Option Scheme 2018 ("ESOP 2018"), pursuant to the approval of the shareholders of the Company at their General Meeting held on October 15, 2016 and on May 12, 2018 respectively. Up to March 31, 2021, the Company has granted 32,48,049 options under ESOP 2016 and issued 3,15,200 options under ESOS 2018 in lieu of demerger under the Scheme and convertible into equal number of Equity Shares of face value of Rs. 4 each. The following table sets forth the particulars of the options granted during the year ended 31st March 2021 under ESOS 2016 and ESOS 2018

**The following table sets forth the particulars of ESOP 2016 :**

| Scheme | | ESOP 2016 | | |
|---|---|---|---|---|
| Date of grant | 26-Jul-20 | 26-Jul-20 | 02-Sep-20 | 30-Dec-20 |
| Number of options granted | 1,75,000 | 25,000 | 4,85,000 | 2,00,000 |
| Exercise price per option | Rs. 140 | Rs. 50 | Rs. 141.3 | Rs. 157.15 |
| Vesting period | | Over a period of 4 years | | |
| Vesting requirements | Time based vesting | Time based vesting | Time based vesting | Time based vesting |
| Exercise period | | 5 years from the date of vesting | | |
| Method of settlement | | Equity | | |

# Notes to the Standalone Financial Statements

(₹in Crores)

**The following tables set forth a summary of the activity of options:**

| Particulars | ESOP 2016 | | | |
|---|---|---|---|---|
| | March 31, 2021 | Weighted average exercise price per option (Rs.) # | March 31, 2020 | Weighted average exercise price per option (Rs.) |
| **Options** | | | | |
| Outstanding at the beginning of the year | 11,57,445 | 415.04 | 16,87,193 | 343.41 |
| Issued during the year | 8,85,000 | 142.05 | 3,35,000 | 369.72 |
| Vested but not exercised at the beginning of the year | | | | - |
| Granted during the year | - | | - | |
| Forfeited during the year | (29,923) | 134.82 | (1,80,057) | 356.46 |
| Exercised during the year | (27,000) | 43.27 | (6,84,691) | 135.86 |
| Reduction in options due to consolidation of shares | - | | - | |
| Outstanding at the end of the year | 19,85,522 | 302.64 | 11,57,445 | 471.77 |
| Exercisable at the end of the year | 5,69,835 | 409.01 | 1,24,178 | 710.20 |

# Price adjusted due to Right Issue bonus factor of Rs. 56.73 per option outstanding

| Particulars | ESOP 2018 | | | |
|---|---|---|---|---|
| | March 31, 2021 | Weighted average exercise price per option (Rs.) # | March 31, 2020 | Weighted average exercise price per option (Rs.) |
| **Options** | | | | |
| Outstanding at the beginning of the year | 3,15,200 | 834.13 | 3,15,200 | 890.86 |
| Issued during the year | - | | - | |
| Vested but not exercised at the beginning of the year | - | | - | |
| Granted during the year | - | | - | |
| Forfeited during the year | - | | - | |
| Exercised during the year | - | | - | |
| Outstanding at the end of the year | 3,15,200 | 834.13 | 3,15,200 | 890.86 |
| Exercisable at the end of the year | 3,15,200 | 834.13 | 1,80,000 | 890.86 |

# Price adjusted due to Right Issue bonus factor of Rs. 56.73 per option outstanding

**Share Options Exercised Year ending March 31, 2021**

| Option Series | No. of Options | Exercise Date | Weighted Average Share Price |
|---|---|---|---|
| ESOS 2016 | 27,000 | 29-Dec-20 | 43.27 |

# Notes to the Standalone Financial Statements

**Share Options Exercised Year ending March 31, 2020**

(₹in Crores)

| Option Series | No. of Options | Exercise Date | Weighted Average Share Price |
|---|---|---|---|
| ESOS 2016* | 1,58,725 | 12-Mar-19 | 121.58 |
| ESOS 2016* | 2,94,510 | 13-Mar-19 | 127.28 |
| ESOS 2016* | 75,242 | 14-Mar-19 | 144.72 |
| ESOS 2016* | 7,417 | 15-Mar-19 | 179.92 |
| ESOS 2016* | 68,477 | 18-Mar-19 | 169.21 |
| ESOS 2016* | 25,647 | 19-Mar-19 | 105.58 |
| ESOS 2016* | 8,688 | 20-Mar-19 | 177.90 |
| ESOS 2016* | 1,279 | 26-Mar-19 | 189.64 |
| ESOS 2016 | 8,308 | 16-Aug-19 | 105.58 |
| ESOS 2016 | 1,279 | 21-Aug-19 | 189.64 |
| ESOS 2016 | 21,470 | 26-Aug-19 | 189.64 |
| ESOS 2016 | 1,023 | 29-Aug-19 | 189.64 |
| ESOS 2016 | 2,046 | 04-Sep-19 | 189.64 |
| ESOS 2016 | 1,279 | 09-Sep-19 | 212.00 |
| ESOS 2016 | 2,046 | 10-Sep-19 | 189.64 |
| ESOS 2016 | 5,755 | 11-Sep-19 | 212.00 |
| ESOS 2016 | 1,500 | 15-Sep-19 | 189.64 |

* Allotment of Shares made in April 2019

The share options outstanding at the end of the year under ESOP 2016 have a weighted average remaining contractual life of 6.87 years (March 31, 2020: 6.91 years). The range of exercise price is from Rs. 43.27 to Rs. 1,324.35

The share options outstanding at the end of the period under ESOP 2018 have a weighted average remaining contractual life of 1.26 years (March 31, 2020: 2.26 years). The range of exercise price is from Rs. 612.78 to Rs. 1000.38

| Particulars | ESOP 2016 | ESOP 2018 |
|---|---|---|
| Share price as at measurement date | Rs. 146.25 | |
| Expected volatility | 48.13% | |
| Expected life (years) | 2.98years | No grants made during the period |
| Dividend yield | 0% | |
| Risk-free interest rate (%) | 4.82% | |

**Expense arising from share-based payment transactions**

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

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| Employee option plan | **2.20** | 0.48 |
| **Total employee share based payment expense** | **2.20** | 0.48 |

**Note 35 : Leases**

**A.** The Company has adopted modified retrospective approach as per para C8 (C) (i) of Ind-AS 116 "Leases" to its leases. Consequently, the Company has recorded lease liability of Rs. 2.47 Crores calculated as the present value of the remaining lease payments discounted at the incremental borrowing rate. Right of use asset has been recognised at Rs. 2.31 Crores determined at net of the amount calculated by applying the standard since the date of the commencement of lease and the resulting depreciation up to the date of adoption. The net effect of Rs. 0.10 Crores (net of deferred tax asset of Rs. 0.06 Crores) on initial application of Ind AS 116 has been adjusted to retained earnings as on April 1, 2019

**B.** The Company has taken Buildings and other facilities on lease period of 1 to 9 years.

Disclosures as per Ind AS 116 - Leases are as follows:

# Notes to the Standalone Financial Statements

(₹in Crores)

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

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| Balance at the beginning of the year | - | - |
| Recognition of right of use asset on adoption of Ind AS 116 | - | 2.31 |
| Additions | - | - |
| Deletions | - | (1.64) |
| Depreciation | - | (0.67) |
| **Balance at the end of the year** | - | - |

**D. Movement in lease liabilities**

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| Balance at the beginning of the year | - | - |
| Recognition of Lease Liability on adoption of Ind AS 116 | - | 2.47 |
| Additions | - | - |
| Deletions | - | (1.69) |
| Finance cost accrued during the year | - | 0.08 |
| Payment of lease labilities | - | (0.86) |
| **Balance at the end of the year** | - | - |

**E.** The amount recognised in the statement of profit or loss are as follows:

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| Depreciation expense of right-of-use assets | - | 0.67 |
| Interest expense on lease liabilities | - | 0.08 |
| Rent expense - short-term lease and leases of low value assets | 5.63 | 3.71 |
| **Total** | 5.63 | 4.46 |

## Note 36 : Corporate Social Responsibility (CSR) Activities

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| a) Gross amount required to be spent by the Company during the year | 0.89 | 0.89 |
| b) Amount spent during the year on, | | |
| (i) Construction/acquisition of any asset | - | - |
| (ii) On purposes other than (i) above including Rs 0.89 Crores pertaining to previous year | 1.78 | - |
| c) Amount unspent during the year | - | 0.89 |

## Note 37 : Fair value disclosures for financial assets and financial liabilities

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

| Particulars | As at March 31,2021 | As at March 31,2020 |
|---|---|---|
| **Financial liabilities** | | |
| Borrowings | | |
| Carrying Amount | 123.30 | 258.28 |
| Fair Value | 123.30 | 258.28 |

# Notes to the Standalone Financial Statements

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

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

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

## Note 38 : Fair value hierarchy

The following table provides the fair value measurement hierarchy of the company's assets and liabilities. (₹in Crores)

| Particulars | Date of valuation | Fair value measurement using | | | |
|---|---|---|---|---|---|
| | | Total | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Liabilities measured at Fair Value** | | | | | |
| Financial Guarantee Contract | March 31, 2021 | 0.62 | - | 0.62 | - |
| | March 31, 2020 | 1.12 | - | 1.12 | - |

**Fair value hierarchy**

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments that have quoted price. The fair value of all equity instruments which are traded in the stock exchanges is valued using the closing price as at the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3.

There are no transfer between level 1, 2 and 3 during the year.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

## Note 39 : Financial instruments risk management objectives and policies

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

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

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

### (a) Market risk

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

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

- a parallel shift of 50-basis points of the interest rate yield curves in all currencies.
- a simultaneous, parallel foreign exchange rates shift in which the INR appreciates / depreciates against all currencies by 2%

# Notes to the Standalone Financial Statements

(₹in Crores)

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

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

The following assumption has been made in calculating the sensitivity analysis:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at respective year end including the effect of hedge accounting.

**Interest rate risk**

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

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. As at March 31, 2021, approximately 1% of the Company's Borrowings are at fixed rate of interest (March 31, 2020: 31%)

**Interest rate sensitivity**

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

| Particulars | Effect on profit before tax |
|---|---|
| **March 31, 2021** | |
| Increase in 50 basis points | **(0.61)** |
| Decrease in 50 basis points | **0.61** |
| **March 31, 2020** | **(0.90)** |
| Increase in 50 basis points | **0.90** |
| Decrease in 50 basis points | |

**Exclusion from this analysis are as follows:**

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

**Foreign currency risk**

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

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

**Foreign currency sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in USD rates to the functional currency of entity, 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.

| Particulars | Change in USD rate | Effect on profit before tax |
|---|---|---|
| March 31, 2021 | +2% | (0.19) |
| | -2% | 0.19 |
| March 31, 2020 | +2% | (0.56) |
| | -2% | 0.56 |

Although the financial instruments have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

# Notes to the Standalone Financial Statements

(₹in Crores)

**(b) Credit risk**

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

**Trade receivables**

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

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

**Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties who meets the minimum threshold requirements under the counterparty risk assessment process. The Company monitors the ratings, credit spreads and financial strength of its counterparties. Based on its on-going assessment of counterparty risk, the Company adjusts its exposure to various counterparties. The Company's maximum exposure to credit risk for the components of the Balance sheet as is the carrying amount as disclosed in Note 37.

**(c) Liquidity risk**

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

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

| Particulars | Less than 1 year | 1 year or More |
|---|---|---|
| **March 31, 2021** | | |
| Interest bearing borrowings | 73.91 | 49.39 |
| Trade payables | 217.13 | - |
| Other financial liabilities# | 8.34 | 1.94 |
| | **299.38** | **51.33** |
| **March 31, 2020** | | |
| Interest bearing borrowings | 237.31 | 20.97 |
| Trade payables | 396.39 | - |
| Other financial liabilities# | 16.01 | 4.14 |
| | **649.71** | **25.11** |

# Other financial liabilities includes interest accrued but not due of Rs. 3.83 Crores (March 31, 2020 : Rs. 2.86 Crores)

**Excessive risk concentration**

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

# Notes to the Standalone Financial Statements

(₹in Crores)

### Note 40 : 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).

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Interest-bearing loans and borrowings (Note 13) | **123.30** | 258.28 |
| Less: Cash and Bank Balances (including other bank balance) (Note 7(b) and 7(d)) | **(0.72)** | (8.22) |
| Net debt | **122.58** | 250.06 |
| Equity share capital (Note 11) | **42.43** | 23.47 |
| Other equity (Note 12) | **1,752.55** | 1,325.79 |
| Total capital | **1,794.98** | 1,349.26 |
| Capital and net debt | **1,917.56** | 1,599.32 |
| Gearing ratio | **6.39%** | 15.64% |

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements and other ratios. Breaches in meeting the financial covenants would permit the bank to charge penal interest or immediately call borrowings. There have been breaches in the financial covenants of borrowing as at March 31, 2021 but it don't require accelerated payments. Accordingly, the management has considered the classification of loan based upon the original repayment schedule.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2021 and March 31, 2020.

### Note 41 : Business Combination

**Summary of business combination**

During the year the Company has transferred by way of sale, the wholesale trading business of ""Flying Machine"" (""FM"") brand as a going concern to Arvind Youth Brands Private Limited (AYBPL), a step down subsidiary company on a slump sale basis for a lump sum consideration of Rs. 52.00 Crores.

**Following are the details of net assets transferred:**

| Particulars | Rs. In Crores |
|---|---|
| **Assets:** | |
| Property, plant and equipment | 3.47 |
| Inventories | 44.74 |
| Other Current assets | 6.24 |
| Trade receivables | 65.23 |
| Deferred Tax Assets | 0.73 |
| **Total Assets** | **120.41** |
| **Liabilities** | |
| Trade payables | 66.38 |
| Other Current Liabilities | 2.03 |
| **Total Liabilities** | **68.41** |
| **Net Assets Transferred** | **52.00** |

# Notes to the Standalone Financial Statements

**Note 42 : COVID-19**

Due to Covid19, the fashion business has been severely impacted. This initially led to lower sales, resulting into inventory build-up and slower collection of receivables. With easing of lockdown restrictions, the Company's performance for few period has been progressively better, until the same was once again impacted somewhat in the last quarter at the end of the year due to second wave of Covid 19.

With objectives of faster releasing cash and have fresh inventory offered to customers, the Company decided to offer higher discounts to liquidate old inventory rapidly and take back goods sold from customers where collection of funds was getting delayed to sell it through other channels for faster liquidation. In order to achieve these objectives, the Company has made special provision which are disclosed under Exceptional Item as per Note 25

The Company believes that this pandemic is not likely to impact the recoverability of the carrying value of its assets further. The Company is closely monitoring the developments and possible effects that may result from the present pandemic on its financial condition, liquidity and operations and working to minimize the impact of this unprecedented situation. As the situation is continuously evolving, the eventual impact may be different from the estimates made as of the date of approval of these Financials.

**Note 43 : Social Code**

The Parliament of India has approved the Code of Social Security, 2020 (the Code) which may impact the contribution by the Company towards Provident Fund, Gratuity and ESIC. The Code have been published in the Gazette of India. However effective date has yet not been notified. The Company will access the impact of the Code and will record related impact in the period it becomes effective.

**Note 44 : New Accounting Pronouncements to be adopted after March 31, 2021**

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

**Note 45 : Regrouped, Recast, Reclassified**

Previous period's figures in the financial statements, including the notes thereto, have been reclassified wherever required to conform to the current period's presentation/classification.

**Note 46 : Events occurring after the reporting period**

The Company evaluates events and transactions that occur subsequent to the balance sheet date but prior to the approval of financial statements to determine the necessity for recognition and/or reporting of subsequent events and transactions in the financial statements. As of June 03, 2021, there were no subsequent events and transactions to be recognized or reported that are not already disclosed.

# Independent Auditor's Report

**TO THE MEMBERS OF ARVIND FASHIONS LIMITED**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the accompanying consolidated financial statements of **Arvind Fashions Limited** ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2021, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year ended on that date, and the notes to the consolidated financial statements including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2021, the consolidated loss, consolidated total comprehensive loss, consolidated changes in equity and its consolidated cash flows for the year ended on that date.

**Basis for Opinion**

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

**Emphasis of Matter Paragraph**

We draw your attention to Note 42 of the consolidated financial statements which explains the uncertainties and management's assessment of the financial impact due to the lockdown and other restrictions imposed by the Government of India and other conditions related to the COVID-19 pandemic situation, for which a definitive assessment in the subsequent period is highly dependent upon circumstances as they evolve.

**Key Audit Matters**

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

**A. Recognition of Revenue from Contracts with Customers**

**Key Audit Matter Description**

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

Refer Note 4 and 16 to the Consolidated Financial Statements

**How the Key Audit Matter Was Addressed in the Audit**

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

- Evaluated the design of internal controls relating to implementation of the new revenue accounting standard.
- Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, re-performance and inspection of evidence in respect of operation of these controls.
- Selected a sample of continuing and new contracts and performed the following procedures:
    - Read, analysed and identified the distinct performance obligations in these contracts and compared these performance obligations with that identified and recorded by the Group.
    - Considered the terms of the contracts to determine (a) the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration; (b) for determination of Principal versus agent consideration, recognition of contract assets and refund liability including historical

trend of returns.

- Sample of revenues disaggregated by type and service offerings was tested with the performance obligations specified in the underlying contracts.
- Performed analytical procedures for reasonableness of revenues disclosed by type and service offerings.
- Analysed returns and discounts and held discussions with management to understand changes in provisioning norms/additional provisions made based on management's assessment of market conditions.
- We reviewed the collation of information to prepare the disclosure relating to the periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.

**B. Valuation of Inventory**

**Key Audit Matter Description**

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

Refer Note 4 and 9 to the Consolidated Financial Statements

**How the Key Audit Matter Was Addressed in the Audit**

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

- Evaluated the design of internal controls relating to identification and measurement of cost of inventory, slow moving goods and estimated net realisable value;
- Selected sample of Inventory to verify the correctness of cost components.
- Tested the relevant information technology systems generating report of slow-moving goods specifically in relation to validity and completeness of the inventory flags and season codes applied;
- Performed sample testing for accuracy of net realizable value of inventory including slow moving goods with sales invoices;
- Validated cost write-down to estimated net realizable value.

**C. Accounting for Lease Concessions under Amendments to Ind AS 116 – "Leases"**

**Key Audit Matter Description**

As at March 31, 2021, the Group has Rs. 664.54 Crores of Right of use (ROU) assets and Rs. 811.88 crores of Lease liabilities recognised under Ind AS 116 pertaining to the premises leased by the Group.

During the year, considering the impact of COVID-19 pandemic on its business, the Group negotiated for rent concessions with its lessors for its retail outlets across malls, high street stores and other leased premises.

The Ministry of Corporate Affairs vide notification dated July 24, 2020, issued an amendment to Ind AS 116-Leases, by inserting a practical expedient w.r.t "Covid-19-Related Rent Concessions" effective from the period beginning on or after April 01, 2020. Pursuant to the above amendment, the Group has applied the practical expedient with effect from April 01, 2020. Accordingly, the Group accounted unconditional rent concessions of Rs. 98.75 Crores during the year in Other Income (Refer Note 17) in the Statement of Consolidated Profit and Loss.

Accounting of rent concessions pursuant to amendment to Ind AS 116 is considered as a key audit matter considering the number of lease arrangements and the assessment of whether individual rent concession arrangements meet the criteria of the practical expedient under Ind AS 116, and the amounts involved.

Refer Note 35 to the Consolidated Financial Statements

**How the Key Audit Matter Was Addressed in the Audit**

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

- Assessed the Group's accounting policy with respect to recognition of leases and for assessing compliance with Ind AS 116, including accounting for rent concession arrangements.
- Obtained an understanding, evaluated the design and tested the operating effectiveness of controls that the Group has in relation of accounting of rent concession arrangements under Ind AS 116.
- Tested on a sample basis, the rent concessions accounted by the Group, to agreed rent concession arrangements / underlying documents, calculations and assessed the terms of the same against the requirements of the practical expedient under Ind AS 116.
- Assessed the Group's disclosures made in accordance with the requirements of Ind AS 116 in this matter.

**Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

The Holding Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company and its subsidiary companies which are companies incorporated in India, has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matters**

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

  Our report on the Statement is not modified in respect of this matter.

- We did not audit the financial information of two asubsidiaries, whose financial statements reflect total assets of Rs. 2,945.32 Crores as at March 31, 2021, total revenue of Rs. 1754.70 Crores, total comprehensive loss of Rs. 410.96 Crores and cash inflow (net) of Rs. 0.98 Crores for the year ended March 31, 2021, as considered in the consolidated financial statements. This financial information has been audited by other auditors and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

  Our opinion on the consolidated financial statements above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

- We did not audit the financial information of one subsidiary, whose financial statements reflect total assets of Rs. 352.57 Crores as at March 31, 2021, total revenue of Rs. 246.30 Crores, total comprehensive loss of Rs. 5.49 and cash inflow (net) of Rs. 4.47 Crores for the year ended March 31, 2021, as considered in the consolidated financial statements. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial results, in so far as it relates to the amounts and disclosures included in respect of this subsidiary is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Board of Directors, these financial statements are not material to the Group.

  Our report on the Statement is not modified in respect of the above matter with respect to our reliance on the financial statements certified by the Board of the Directors. Our conclusion on the Statement is not modified in respect of the above matters.

**Report on Other Legal and Regulatory Requirements**

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

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

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.

c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including (including Other Comprehensive Income), Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

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

e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and its subsidiaries and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditor's reports of the Holding Company and its subsidiary companies incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the internal financial control over financial reporting of those companies, for reasons stated therein.

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

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

   i. The Consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.

   ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts.

   iii. There have been no amounts required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies incorporated in India.

**For Sorab S. Engineer & Co.**
Chartered Accountants
Firm's Registration No. 110417W

**CA. Chokshi Shreyas B.**
Partner
Membership No.100892
UDIN: 21100892AAAALN7699

Place : Ahmedabad
Date : June 03, 2021

# Annexure “A” To The Independent Auditor’s Report

(Referred to in paragraph 1 (f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the Members of Arvind Fashions Limited of even date)

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

We have audited the internal financial controls over financial reporting of Arvind Fashions Limited (“the Holding Company”) and its subsidiary companies incorporated in India, for the year ended March 31, 2021 in conjunction with our audit of the Consolidated Ind AS financial statements of the Holding Company.

**Management’s Responsibility for Internal Financial Controls**

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

**Auditor’s Responsibility**

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

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

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

**Meaning of Internal Financial Controls Over Financial Reporting**

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

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

**Opinion**

In our opinion the Holding Company and its subsidiary companies, which are companies incorporated in India, have in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on “the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India”.

**For Sorab S. Engineer & Co.**
Chartered Accountants
Firm’s Registration No. 110417W

**CA. Chokshi Shreyas B.**
Partner
Membership No.100892

Place : Ahmedabad
Date : June 03, 2021

# Consolidated Balance Sheet as at March 31, 2021

(₹in Crores)

| Particulars | Notes | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **I. Non-current assets** | | | |
| (a) Property, plant and equipment | 5 | **199.26** | 298.87 |
| (b) Capital work-in-progress | - | **0.40** | 1.44 |
| (c) Right-of-use asset | 35 | **664.54** | 733.69 |
| (d) Goodwill on consolidation | 6 | **111.23** | 111.23 |
| (e) Intangible assets | 6 | **69.84** | 90.37 |
| (f) Financial assets | | | |
| (i) Loans | 7 (b) | **1.02** | 0.07 |
| (ii) Other financial assets | 7 (e) | **149.76** | 206.65 |
| (g) Deferred tax assets (net) | 26 | **391.90** | 434.47 |
| (h) Other non-current assets | | **27.06** | 28.75 |
| **Total non-current assets** | | **1,615.01** | 1,905.54 |
| **II. Current assets** | | | |
| (a) Inventories | 9 | **810.01** | 1,305.83 |
| (b) Financial assets | | | |
| (i) Trade receivables | 7 (a) | **625.61** | 781.35 |
| (ii) Cash and cash equivalents | 7 (c) | **8.01** | 10.09 |
| (iii) Bank balance other than (ii) above | 7 (d) | **10.85** | 1.54 |
| (iv) Loans | 7 (b) | **3.81** | 4.17 |
| (v) Others financial assets | 7 (e) | **58.32** | 47.13 |
| (c) Current tax assets (net) | 10 | **30.36** | 41.57 |
| (d) Other current assets | | **416.54** | 335.69 |
| **Total current assets** | | **1,963.51** | 2,527.37 |
| **III. Assets Held for Sale (Discontinued Operations)** | 43 | **122.71** | - |
| **Total Assets** | | **3,701.23** | 4,432.91 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| (a) Equity share capital | 11 | **42.43** | 23.47 |
| (b) Other equity | 12 | **479.55** | 573.83 |
| **Equity attributable to Equity holders of the Parent** | | **521.98** | 597.30 |
| **Non controlling Interest** | | **69.42** | 87.66 |
| **Total equity** | | **591.40** | 684.96 |
| **LIABILITIES** | | | |
| **I. Non-current liabilities** | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 13 (a) | **157.26** | 162.78 |
| (ii) Lease Liabilities | 35 | **651.61** | 830.62 |
| (ii) Other financial liabilities | 13 (c) | **211.45** | 79.00 |
| (b) Long-term provisions | 14 | **18.83** | 19.65 |
| (c) Other non current liabilities | 15 | **0.07** | 0.23 |
| **Total non-current liabilities** | | **1,039.22** | 1,092.28 |
| **II. Current liabilities** | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 13 (a) | **746.15** | 1,047.61 |
| (ii) Lease Liabilities | 35 | **160.27** | 87.70 |
| (iii) Trade payables | 13 (b) | | |
| a) total outstanding dues of micro enterprises and small enterprises | | **144.32** | 177.32 |
| b) total outstanding dues of creditors other than micro enterprises and small enterprises | | **787.48** | 1,147.98 |
| (iv) Other financial liabilities | 13 (c) | **119.92** | 141.05 |
| (b) Other current liabilities | 15 | **62.94** | 47.70 |
| (c) Short-term provisions | 14 | **7.74** | 6.31 |
| **Total current liabilities** | | **2,028.82** | 2,655.67 |
| **III. Liabilities directly associated with Assets classified as held for Sale (Discontinued Operations)** | 43 | **41.79** | - |
| **Total Equity and Liabilities** | | **3,701.23** | 4,432.91 |
| Significant Accounting Policies | 3 | | |

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

In terms of our report attached
**For Sorab S. Engineer & Co.**
Chartered Accountants
Firm's Registration No. 110417W
**C.A. Chokshi Shreyas B.**
Partner
Membership no. 100892

**Place:** Ahmedabad
**Date:** June 03, 2021

**For and on behalf of the board of directors of Arvind Fashions Limited**

**Sanjay S. Lalbhai**
Chairman & Director
(DIN: 00008329)
**Place:** Ahmedabad

**Shailesh Chaturvedi**
Managing Director &CEO
(DIN - 03023079)
**Place:** Bengaluru

**Pramod Kumar Gupta**
Chief Financial Officer
**Place:** Bengaluru
**Date:** June 03, 2021

**Vijay Kumar B.S.**
Company Secretary
**Place:** Bengaluru

# Consolidated Statement of profit and loss for the year ended March 31, 2021

(₹in Crores)

| | Particulars | Notes | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|---|---|
| I | **Income** | | | |
| | Revenue from operations | | | |
| | Sale of Products | 16 | **2,184.85** | 3,578.61 |
| | Sale of Services | 16 | **14.79** | 31.75 |
| | Operating Income | 16 | **1.54** | 3.21 |
| | **Revenue from operations** | | **2,201.18** | 3,613.57 |
| | Other income | 17 | **128.32** | 59.78 |
| | **Total income (I)** | | **2,329.50** | 3,673.35 |
| II | **Expenses** | | | |
| | Cost of trims and accessories consumed | 18 | **43.60** | 5.15 |
| | Purchases of stock-in-trade | 19 | **751.84** | 2,071.95 |
| | Changes in inventories of stock-in-trade | 20 | **491.56** | (84.83) |
| | Employee benefits expense | 21 | **229.10** | 313.06 |
| | Finance costs | 22 | **224.90** | 273.55 |
| | Depreciation and amortisation expense | 23 | **302.69** | 420.66 |
| | Other expenses | 24 | **692.07** | 1,050.45 |
| | **Total expenses (II)** | | **2,735.76** | 4,049.99 |
| III | **Profit/(Loss) before exceptional items and tax (I-II)** | | **(406.26)** | (376.64) |
| IV | **Exceptional items** | 25 | **(45.20)** | (60.69) |
| V | **Profit/(Loss) before tax (III+IV)** | | **(451.46)** | (437.33) |
| VI | **Tax expense** | 26 | | |
| | Current tax | | **-** | - |
| | (Excess)/short provision related to earlier years | | **-** | (0.17) |
| | Deferred Tax charge / (credit) | | **41.86** | (77.26) |
| | **Total tax expense** | | **41.86** | (77.43) |
| VII | **Profit/(Loss) for the year from Continuing Operations (V-VI)** | | **(493.32)** | (359.90) |
| | **Discontinuing Operations** | | | |
| | A. Profit/(Loss) before tax for the year from Discontinuing Operations | 43 | **(102.67)** | (59.09) |
| | B. Tax expense/(Credit) on Discontinued Operations | | **-** | (19.80) |
| VIII. | **Profit/(Loss) for the year from Discontinuing Operations (A-B)** | | **(102.67)** | (39.29) |
| IX. | **Profit/(Loss) for the year from Continuing and Discontinuing Operations (VII+VIII)** | | **(595.99)** | (399.19) |
| X | **Other comprehensive income** | | | |
| | **A. Items that will not to be reclassified to profit or loss:** | | | |
| | Re-measurement gains / (losses) on defined benefit plans | 31 | **1.64** | 1.04 |
| | Income tax effect on above | 26 | **(0.71)** | (0.19) |
| | **Net other comprehensive income/(loss) not to be reclassified to profit or loss (A)** | | **0.93** | 0.85 |
| | **B. Items that will be reclassified to profit or loss:** | | | |
| | Net gains / (loss) on hedging instruments in a cash flow hedge | | **(3.61)** | 5.77 |
| | Income tax effect on above | | **-** | - |
| | **Net other comprehensive income/(loss) that will be reclassified to profit or loss (B)** | | **(3.61)** | 5.77 |
| | **Total other comprehensive income/(loss) for the year, net of tax (A+B)** | | **(2.68)** | 6.62 |
| XI | **Total comprehensive income for the year, net of tax (IX+X)** | | **(598.67)** | (392.57) |
| XII | **Profit / (Loss) for the year attributable to:** | | | |
| | Equity holders of the parent | | **(579.78)** | (400.74) |
| | Non-controlling interest | | **(16.21)** | 1.55 |
| | | | **(595.99)** | (399.19) |
| XIII | **Other Comprehensive Income/(Loss) for the year attributable to:** | | | |
| | Equity holders of the parent | | **(0.65)** | 3.46 |
| | Non-controlling interest | | **(2.03)** | 3.16 |
| | | | **(2.68)** | 6.62 |
| XIV | **Total comprehensive income/(loss) attributable to:** | | | |
| | Equity holders of the parent | | **(580.43)** | (397.28) |
| | Non-controlling interest | | **(18.24)** | 4.71 |
| | | | **(598.67)** | (392.57) |
| XV | **Earning per equity share** | | | |
| | Nominal Value per share - Rs. 4 (Previous Year Rs. 4) | | | |
| | **Continuing Operations** | | | |
| | -Basic Rs. | | **(51.85)** | (46.49) |
| | -Diluted Rs | | **(51.81)** | (46.16) |
| | **Discontinuing Operations** | | | |
| | -Basic Rs. | | **(11.06)** | (5.05) |
| | -Diluted Rs | | **(11.05)** | (5.02) |
| | **Continuing and Discontinuing Operations** | | | |
| | -Basic Rs. | | **(62.91)** | (51.54) |
| | -Diluted Rs | | **(62.86)** | (51.18) |
| | Significant Accounting Policies | 3 | | |

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

In terms of our report attached

**For Sorab S. Engineer & Co.**
Chartered Accountants
Firm's Registration No. 110417W
**C.A. Chokshi Shreyas B.**
Partner
Membership no. 100892

**Place:** Ahmedabad
**Date:** June 03, 2021

**For and on behalf of the board of directors of Arvind Fashions Limited**

**Sanjay S. Lalbhai**
Chairman & Director
(DIN: 00008329)
**Place:** Ahmedabad

**Shailesh Chaturvedi**
Managing Director &CEO
(DIN - 03023079)
**Place:** Bengaluru

**Pramod Kumar Gupta**
Chief Financial Officer
**Place:** Bengaluru
**Date:** June 03, 2021

**Vijay Kumar B.S.**
Company Secretary
**Place:** Bengaluru

# Consolidated Statement of cash flows for the year ended March 31, 2021

(₹in Crores)

| | Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|---|
| A | **Operating activities** | | |
| | **Profit/(Loss) Before taxation from** | | |
| | Continuing Operations | **(451.46)** | (437.33) |
| | Discontinuing Operations | **(102.67)** | (59.09) |
| | **Profit/(Loss) for the year from Continuing and Discontinuing Operations** | **(554.13)** | (496.42) |
| | Adjustments to reconcile profit before tax to net cash flows: | | |
| | Depreciation/Amortization | **334.05** | 437.51 |
| | Interest Income | **(2.36)** | (2.61) |
| | Gain on Reassessment of Lease and Lease Concessions | **(123.55)** | (52.61) |
| | Interest and Other Borrowing Cost | **235.68** | 289.11 |
| | Sundry debits written off | **1.30** | 2.32 |
| | Allowance for doubtful debts | **28.80** | 11.50 |
| | Provision for doubtful advances | **0.24** | - |
| | Investments written off | **-** | 0.02 |
| | Provision for Litigation/Disputes | **-** | 2.01 |
| | Bad debts written off | **-** | 0.64 |
| | Foreign Exchange Difference | **(1.79)** | 1.59 |
| | Gain on sale of Shares | **(111.91)** | - |
| | Property, Plant & Equipment written off | **-** | 0.59 |
| | (Profit)/Loss on Sale of Property, Plant & Equipment/Intangible assets | **(0.81)** | (1.79) |
| | Share based payment expense | **5.82** | 3.74 |
| | **Operating Profit before Working Capital Changes** | **(188.66)** | 195.60 |
| | Working Capital Changes: | | |
| | (Increase)/Decrease in Inventories | **426.26** | (121.67) |
| | (Increase)/Decrease in trade receivables | **97.03** | 85.23 |
| | (Increase)/Decrease in other assets | **(81.29)** | (58.80) |
| | (Increase)/Decrease in other financial assets | **28.05** | 15.69 |
| | (Increase)/Decrease in Other Bank Balances | **(9.30)** | 2.81 |
| | Increase/(Decrease) in trade payables | **(353.49)** | 86.34 |
| | Increase/(Decrease) in other liabilities | **15.07** | (12.01) |
| | Increase/(Decrease) in other financial liabilities | **(26.08)** | 25.40 |
| | Increase/(Decrease) in provisions | **2.24** | (1.73) |
| | **Net Changes in Working Capital** | **98.49** | 21.26 |
| | **Cash Generated from Operations** | **(90.17)** | 216.86 |
| | Direct Taxes paid (Net of Income Tax refund) | **11.22** | (11.17) |
| | **Net Cash flow received/ (used in)Operating Activities** | **(78.95)** | 205.69 |
| B | **Cash Flow from Investing Activities** | | |
| | Purchase of Property, Plant & Equipment/Intangible assets | **(45.53)** | (129.80) |
| | Proceeds from disposal of Property, Plant & Equipment/Intangible assets | **3.77** | 9.72 |
| | Changes in Loans and Advances | **0.25** | (0.28) |
| | Interest Received | **2.01** | 2.70 |
| | **Net Cash flow received/ (used in) Investing Activities** | **(39.50)** | (117.66) |
| C | **Cash Flow from Financing Activities** | | |
| | Proceeds from Issue of share capital | **499.30** | 9.30 |
| | Changes in Share application money | **-** | (8.51) |
| | Proceeds from Sales of shares of Subsidiary | **254.86** | - |
| | Changes in long term borrowings | **0.66** | 76.61 |
| | Changes in short term borrowings | **(299.67)** | 341.52 |
| | Repayment of lease liabilities | **(93.13)** | (238.58) |
| | Interest and Other Borrowing Cost Paid | **(249.24)** | (265.67) |
| | **Net Cash flow received/ (used in) Financing Activities** | **112.78** | (85.33) |
| | **Net Increase/(Decrease) in cash & cash equivalents** | **(5.67)** | 2.70 |
| | Cash & Cash equivalent at the beginning of the year | **9.94** | 7.24 |
| | Cash & Cash equivalent at the end of the year | **4.27** | 9.94 |

Figures in brackets indicate outflows.

# Consolidated Statement of cash flows for the year ended March 31, 2021

(₹in Crores)

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Cash and cash equivalents comprise of:** | | |
| Cash on Hand | **0.01** | 0.01 |
| Balances with Banks | **8.00** | 10.08 |
| **Cash and cash equivalents as per Balance Sheet (Note 7c)** | **8.01** | 10.09 |
| Less: Book Overdraft (Note 13c) | **3.74** | 0.15 |
| **Cash and cash equivalents** | **4.27** | 9.94 |

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

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

| Particulars of liabilities arising from financing activity | Note No. | As at April 1, 2020 | Net cash flows | Non Cash Changes: Effect of change in Foreign Currency Rates | Non Cash Changes: Other changes * | As at March 31, 2021 |
|---|---|---|---|---|---|---|
| **As at March 31, 2021** | | | | | | |
| **Borrowings:** | | | | | | |
| Long term borrowings | 13 (a) | 196.23 | 0.66 | - | - | 196.89 |
| Short term borrowings | 13 (a) | 1,047.61 | (299.67) | (1.79) | - | 746.15 |
| Interest accrued on borrowings | 13 (c) | 12.72 | (12.72) | - | 11.34 | 11.34 |
| **Total** | | **1,256.56** | **(311.73)** | **(1.79)** | **11.34** | **954.38** |

| Particulars of liabilities arising from financing activity | Note No. | As at April 1, 2019 | Net cash flows | Non Cash Changes: Effect of change in Foreign Currency Rates | Non Cash Changes: Other changes * | As at March 31, 2020 |
|---|---|---|---|---|---|---|
| **Borrowings:** | | | | | | |
| Long term borrowings | 13 (a) | 119.62 | 76.61 | - | - | 196.23 |
| Short term borrowings | 13 (a) | 704.50 | 341.52 | 1.59 | - | 1,047.61 |
| Interest accrued on borrowings | 13 (c) | 10.52 | (10.52) | - | 12.72 | 12.72 |
| **Total** | | **834.64** | **407.61** | **1.59** | **12.72** | **1,256.56** |

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

**Notes:**

1) The consolidated cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) "Statement of cash flows".
2) Purchase of property plant and equipment/Intangible Assets include movement of Capital Advances and Capital work-in-progress during the year

In terms of our report attached
**For Sorab S. Engineer & Co.**
Chartered Accountants
Firm's Registration No. 110417W
**C.A. Chokshi Shreyas B.**
Partner
Membership no. 100892

**Place:** Ahmedabad
**Date:** June03, 2021

**For and on behalf of the board of directors of Arvind Fashions Limited**

**Sanjay S. Lalbhai**
Chairman & Director
(DIN: 00008329)
**Place:** Ahmedabad

**Shailesh Chaturvedi**
Managing Director &CEO
(DIN - 03023079)
**Place:** Bengaluru

**Pramod Kumar Gupta**
Chief Financial Officer
**Place:** Bengaluru
**Date:** June 03, 2021

**Vijay Kumar B.S.**
Company Secretary
**Place:** Bengaluru

# Consolidated Statement of changes in equity for the year ended March 31, 2021

₹ in Crores

## Consolidated Statement of Changes in Equity

### A. Equity share capital

| Balance | Amount Note 11 |
|---|---|
| **As at April 1, 2019** | **23.20** |
| Add: Shares allotted pursuant to exercise of Employee Stock Option Plan | 0.27 |
| **As at March 31, 2020** | **23.47** |
| Add: Issue of fully paid up shares (Refer Note 11.4) | 15.99 |
| Add: Issue of partly paid up shares (Refer Note 11.4) | 2.96 |
| Add: Shares allotted pursuant to exercise of Employee Stock Option Plan" | 0.01 |
| **As at March 31, 2021** | **42.43** |

### B. Other equity

| Particulars | Attributable to the equity holders | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Reserves and Surplus | | | | | Items of Other Comprehensive income | | | | |
| | Share Application Money Pending Allotment | Share based payment reserve | Securities premium | Retained Earnings | Capital Reserve | Capital Reserve on Consolidation | Cash Flow hedge Reserve | Net gain / (loss) on FVOCI equity instruments | Total Other Equity (A) | Non Controlling interest (B) | Total equity |
| | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | | | |
| **Balance as at April 1, 2019** | **8.51** | **3.59** | **1,160.59** | **36.36** | **45.39** | **(237.08)** | **(1.31)** | **90.16** | **1,106.21** | **91.17** | **1,197.38** |
| Profit/ (Loss) for the year | - | - | - | (400.74) | - | - | - | - | (400.74) | 1.55 | (399.19) |
| Other comprehensive income for the year | - | - | - | 0.57 | - | - | - | - | 0.57 | 3.16 | 3.73 |
| **Total Comprehensive income for the year** | **8.51** | **3.59** | **1,160.59** | **(363.81)** | **45.39** | **(237.08)** | **(1.31)** | **90.16** | **706.04** | **95.88** | **801.92** |
| Addition during the year | - | 3.74 | 9.03 | - | - | - | 5.77 | - | 18.54 | - | 18.54 |
| Share of Non Controlling Interest | - | - | - | - | - | - | (2.87) | - | (2.87) | - | (2.87) |
| Shares Issued during the year | (8.51) | - | - | - | - | - | - | - | (8.51) | - | (8.51) |
| Impact on adoption of Ind AS 116 (Refer Note 35) | - | - | | (207.79) | - | - | - | - | (207.79) | (8.22) | (216.01) |
| Tax impact on adoption of Ind AS 116 (Refer Note 35) | - | - | | 68.42 | - | - | - | - | 68.42 | - | 68.42 |
| Transfer from Net Gain/(Loss) on FVOCI Equity Instruments | - | - | | (Rs. 4,272/-) | - | - | - | - | - | - | - |
| Transfer to Retained earnings | - | - | | - | - | - | - | (Rs. 4,272/-) | - | - | - |
| Transfer to securities premium | - | (0.90) | - | - | - | - | - | - | (0.90) | - | (0.90) |
| Transfer from share based payment reserve | - | - | 0.90 | - | - | - | - | - | 0.90 | - | 0.90 |
| **Balance as at March 31, 2020** | **-** | **6.43** | **1,170.52** | **(503.18)** | **45.39** | **(237.08)** | **1.59** | **90.16** | **573.83** | **87.66** | **661.49** |
| **Balance as at April 1, 2020** | **-** | **6.43** | **1,170.52** | **(503.18)** | **45.39** | **(237.08)** | **1.59** | **90.16** | **573.83** | **87.66** | **661.49** |
| Profit/ (Loss) for the year | - | - | - | (579.78) | - | - | - | - | (579.78) | (16.21) | (595.99) |
| Other comprehensive income for the year | - | - | - | 1.15 | - | - | - | - | 1.15 | (2.03) | (0.88) |
| **Total Comprehensive income for the year** | **-** | **6.43** | **1,170.52** | **(1,081.81)** | **45.39** | **(237.08)** | **1.59** | **90.16** | **(4.80)** | **69.42** | **64.62** |
| Addition during the year | - | 5.82 | 484.56 | - | - | - | (3.61) | - | 486.77 | - | 486.77 |
| Share of Non Controlling Interest | - | - | - | - | - | - | 1.80 | - | 1.80 | - | 1.80 |
| Shares issued during the year | - | - | - | - | - | - | - | - | - | - | - |
| Equity issue expenses adjusted during the year (Refer Note 11.4)" | - | - | (4.22) | - | - | - | - | - | (4.22) | - | (4.22) |
| Transfer to securities premium | - | (1.02) | - | - | - | - | - | - | (1.02) | - | (1.02) |
| Transfer from share based payment reserve | - | - | 1.02 | - | - | - | - | - | 1.02 | - | 1.02 |
| **Balance as at March 31, 2021** | **-** | **11.23** | **1,651.88** | **(1,081.81)** | **45.39** | **(237.08)** | **(0.22)** | **90.16** | **479.55** | **69.42** | **548.97** |

In terms of our report attached
**For Sorab S. Engineer & Co.**
Chartered Accountants
Firm Registration No. 110417W
**C.A. Chokshi Shreyas B.**
Partner
Membership no. 100892
**Place:** Ahmedabad
**Date:** June 3, 2021

**For and on behalf of the board of directors of Arvind Fashions Limited**

**Sanjay S. Lalbhai**
Chairman & Director
(DIN: 00008329)
**Place:** Ahmedabad
**Date:** June 3, 2021

**Shailesh Chaturvedi**
Managing Director & CEO
(DIN :03023079)
**Place:** Bengaluru

**Pramod Kumar Gupta**
Chief Financial Officer
**Place:** Bengaluru

**Vijay Kumar B.S.**
Company Secretary
**Place:** Bengaluru

# Notes to the Consolidated Financial Statements For The Year Ended March 31, 2021

## 1. Corporate Information

Arvind Fashions Limited ("the Group" or "the Company" or "the Parent Company") is a public limited company incorporated in India under the provisions of the Companies Act, 2013 and has its registered office at Arvind Limited Premises, Naroda Road, Ahmedabad – 380025 having CIN L52399GJ2016PLC085595. The Company has its primary listings on the BSE Limited and National Stock Exchange of India Limited ("the Stock Exchanges").

The Group is operating in branded apparels, beauty and footwear space. The Group is having a portfolio of owned and licensed international brands including US Polo, Arrow, Flying Machine, Tommy Hilfiger, Calvin Klein, Unlimited, Sephora and others.

The Group has diversified business by brands (power, emerging, value and specialty retail), gender (menswear, womenswear and kidswear), categories (denims, topwear, trousers, innerwear, footwear, beauty etc.) and sales channels (retail, distribution, departmental stores and online). It also operates apparel value retails stores UNLIMITED.

The Group's Consolidated Financial Statements were approved by Board of Directors in the meeting held on June 03, 2021.

## 2. Statement of Compliance and Basis of Preparation

### 2.1 Basis of Preparation and Presentation and Statement of Compliance

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

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

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

### 2.2 Historical Cost Convention

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

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

### 2.3 Rounding of Amount

The Consolidated Financials Statement are prepared in Indian Rupees (INR) and all the values are rounded to nearest crores as per the requirement of Schedule III, except when otherwise indicated. Figures less than Rs 50,000 which are required to be shown separately, have been shown in actual brackets.

### 2.4 Principles of Consolidation of Subsidiaries

The Group consolidates entities which it owns or controls. The Consolidated Financial Statement comprise the financial statements of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses including unrealized gain /loss and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

## 3. Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Group in preparing its Consolidated Financial Statements consistently to all the periods presented:

### 3.1. Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

**Operating cycle**

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

**Non-Current Assets classified as held for sale**

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use of the assets and actions required to complete such sale indicate that it is unlikely that significant changes to the plan to sell will be made or that the decision to sell will be withdrawn. Also, such assets are classified as held for sale only if the management expects to complete the sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and the fair value less cost to sell. Non-current assets are not depreciated or amortized.

**Discontinued operation**

A discontinued operation is a business of the entity that has been disposed off or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose off such a line of business or area of operations. The results of discontinued operations are presented separately in the Statement of Profit and Loss.

### 3.2. Use of estimates and judgements

The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Group and are based on historical experience and various other assumptions and factors (including expectations of future events) that the Group believes to be reasonable under the existing circumstances. Difference between actual results and estimates are recognised in the period in which the results are known / materialised.

The said estimates are based on the facts and events, that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date.

### 3.3. Business combinations and goodwill

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

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

**Business Combination under Common Control**

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and the control is not transitory. The transactions between entities under common control are specifically covered by Ind AS 103. Such transactions are accounted for using the pooling-of-interest method. The assets and liabilities of the acquired entity are recognised at their carrying amounts of the parent entity's Consolidated Financial Statements with the exception of certain income tax and deferred tax assets. No adjustments are made to reflect fair values, or recognise any new assets or liabilities. The only adjustments that are made are to harmonise accounting policies. The components of equity of the acquired companies are added to the same components within the Group's equity. The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to other equity and is presented separately from other capital reserves. The Group's shares issued in consideration for the acquired companies are recognized from the moment the acquired companies are included in these financial statements and the financial statements of the commonly controlled entities would be combined, retrospectively, as if the transaction had occurred at the beginning of the earliest reporting period presented.

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

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

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

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

### 3.4. Foreign currencies

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

**Transactions and balances**

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement of such transaction and on translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rate are recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

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

### 3.5. Fair value measurement

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

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

- In the principal market for the asset or liability

Or

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- 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 Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

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

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

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

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

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

### 3.6. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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

**Derecognition**

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

**Depreciation**

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

| Asset | Estimated Useful Life |
|---|---|
| Buildings | 20 Years |
| Plant & Machinery | 6 to 15 Years |
| Office Equipment | 6 to 8 Years |
| Furniture & Fixture | 6 to 9 Years |
| Motor Cars | 4 Years |

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

The management believes that the useful life as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II to the Companies Act 2013. Any change in the useful file is being applied prospectively in accordance with Ind AS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors".

When parts of an item of property, plant and equipment have a different useful life, they are accounted for as separate items (Major Components) and are depreciated over their useful life or over the remaining useful life of the principal assets whichever is less. Depreciation for assets purchased/sold during a period is proportionately charged for the period of use.

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

**3.7. Leases**

The Group's lease asset classes primarily consist of leases for buildings. The group assesses whether a contract contains a lease, at the 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 group assesses whether: (1) the contract involves the use of an identified asset (2) the group has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group 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 Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangement include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised. The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of the leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the group changes its assessment of whether it will exercise an extension or a termination option.

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

**The Group as a lessor**

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

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

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

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

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

### 3.8. Borrowing cost

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such current investments is deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the year. Capitalisation of borrowing costs is suspended and charged to the statement of profit and loss during the extended periods when the active development on the qualifying assets is interrupted.

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

### 3.9. Intangible Assets

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

The useful lives of intangible assets are assessed as finite.

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

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

**Amortisation**

Job Workers' Network Value, Vendors' Network Value and Distribution Network Value have been amortized on a Straight Line basis over the period of 5 years.

Value of License Brands/License fees acquired under demerger scheme has been amortized on Straight Line basis over the period of 10 years (in Calvin Klein Arvind Fashion Private Limited – the value of License Brands/License Fees has been amortised over the remaining term of license period or 15 years whichever is less).

Technical Process Development has been amortized on Straight Line basis over the period of 5 years and Product Development has been amortized on Straight Line basis over the period of 3-5 years.

Software and Website are depreciated over management estimate of its useful life of 5 years (over a term of 3-5 years in Tommy Hilfiger Arvind Fashion Private Limited).

### 3.10. Inventories

Trims and Accessories, Stock-in-trade and Packing Materials are valued at the lower of cost and net realisable value.

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

- Trims and Accessories: Cost includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in, first out basis.
- Stock in Trade: Cost includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

All other inventories are valued at cost. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 3.11. Impairment of non-financial assets

The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. It is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

**3.12. Revenue Recognition**

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

**a) Sale of goods**

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

**Variable consideration**

If the consideration in a contract includes a variable amount, the Group 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 Group 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 Group 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 Group recognises a refund liability. A right of return asset (and the 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 Group applies the expected value method. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

**b) Contract balances**

**i. Contract assets**

A contract asset is a right to consideration in exchange for goods or services transferred to the customer. If the Group 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 Group'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 Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group 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 Group performs under the contract.

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

**i. Right of return assets**

Right of return asset represents the Group'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 Group 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 Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to the above accounting policy on variable consideration.

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

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

**e) Rendering of services**

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

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

**f) Gift Vouchers**

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

**g) Interest income**

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

**h) Profit or loss on sale of Investments**

Profit or Loss on sale of investments is recorded on the transfer of title from the Group and is determined as the difference between the sale price and carrying value of investment and other incidental expenses.

**i) Insurance claims**

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

**j) Export Incentive**

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

**3.13. Financial instruments – initial recognition and subsequent measurement**

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

**a) Financial assets**

**(i) Initial recognition and measurement of financial assets**

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

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

**(ii) Subsequent measurement of financial assets**

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

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

**Financial assets at amortised cost:**

A financial asset is measured at amortised cost if:

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

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

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

  A financial asset is measured at fair value through other comprehensive income if:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

  FVTPL is a residual category for financial assets. Any financial asset, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

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

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

- **Equity instruments:**

  All equity investments in the scope of Ind-AS 109 are measured at fair value. Equity instruments that are held for trading are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such an election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

  If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

  Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L

**(iii) Derecognition of financial assets**

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire, or

- The Group has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset or

(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

**(iv) Reclassification of financial assets**

The Group determines the classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines the change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in a business model. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

**(v) Impairment of financial assets**

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

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

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

- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 11 and Ind AS 18, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 11 and Ind AS 18 that contains a significant financing component, if the Group applies practical expedient to ignore the separation of time value of money, and
- Right Of Use Assets resulting from transactions within the scope of Ind AS 116

The application of simplified approach does not require the Group 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 Group 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, the 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 that results from default events on a financial instrument that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group 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 Group is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

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

- Financial assets measured as at amortised cost, contract assets and ROU Assets: 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 Group does not reduce impairment allowance from the gross carrying amount.

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

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

**b) Financial Liabilities**

**(i) Initial recognition and measurement of financial liabilities**

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

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

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

**(ii) Subsequent measurement of financial liabilities**

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

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

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

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

- **Loans and Borrowings**

  This is the category most relevant to the Group. After initial recognition, interest-bearing 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.

**(iii) Derecognition of financial liabilities**

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Group'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.

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

**(i) Fair value hedges**

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

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

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

**(ii) Cash flow hedges**

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

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

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

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

**d) Offsetting of financial instruments**

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

## 3.14 Cash and cash equivalents

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

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

## 3.15. Taxes

Tax expense comprises current income tax and deferred tax.

**Current income tax**

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

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

**Deferred tax**

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

### 3.16. Employee Benefits

**a) Short Term Employee Benefits**

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

**b) Post-Employment Benefits**

**(i) Defined contribution plan**

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

**(ii) Defined benefit plan**

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

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

**c) Other long term employment benefits:**

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

**d) Termination Benefits :**

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

**3.17. Share-based payments**

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

**Equity-settled transactions**

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

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

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

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

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

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

**3.18. Earnings per share**

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

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

The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

**3.19. Provisions and Contingencies**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**3.21. Segment Reporting**

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

**3.22. Events after the reporting period**

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

**3.23. Exceptional Items**

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

**4. Critical accounting Judgements and key source of estimation uncertainty**

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

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

**Revenue recognition**

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

**Customer loyalty program reward points**

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

**Provision for discount and sales return**

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

**Defined benefit plans**

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country.

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

**Fair value measurement of financial instruments**

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

**Allowance for uncollectible trade receivables**

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

**Share-based payments**

The Group initially measures the cost of equity-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For equity-settled share-based payment transactions, the liability needs to be measured at the time of grant. The expenses recognised for share-based payment transactions are disclosed in Note 34.

**Taxes**

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

The Group has taxable temporary difference and tax planning opportunities available that could partly support the recognition of these credits as deferred tax assets. On this basis, the Group has determined that it can recognise deferred tax assets on the tax credits carried forward and unused losses carried forward.

Further details on taxes are disclosed in Note 26.

**Inventories**

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

**Useful lives of Property, Plant and Equipment and Intangible assets**

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

**Impairment of non-financial assets**

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

**Provisions and contingencies**

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

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

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

**Lease Term**

The Group 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.

# Notes to the Consolidated Financial Statements

(₹ in Crores)

## Note 5 : Property, plant and equipment

| Particulars | Buildings | Plant & machinery | Furniture & fixture | Vehicles | Leasehold Improve-ments | Office Equipment | Computer, server & network | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross Carrying Value** | | | | | | | | |
| **As at April 1, 2019** | **6.94** | **94.27** | **218.21** | **8.56** | **316.95** | **35.52** | **41.90** | **722.35** |
| Additions | - | 9.35 | 31.90 | 1.31 | 34.56 | 3.84 | 11.34 | 92.30 |
| Deductions | - | 12.89 | 31.45 | 4.56 | 42.52 | 3.52 | 2.04 | 96.98 |
| **As at March 31, 2020** | **6.94** | **90.73** | **218.66** | **5.31** | **308.99** | **35.84** | **51.20** | **717.67** |
| Additions | - | 2.46 | 16.28 | 1.62 | 12.64 | 1.03 | 4.90 | 38.93 |
| Deductions | | 5.23 | 24.38 | 1.61 | 14.80 | 1.30 | 2.89 | 50.21 |
| Transfer due to Assets Held for Sale | - | 10.02 | 37.60 | - | 35.53 | 5.48 | 4.35 | 92.98 |
| **As at March 31, 2021** | **6.94** | **77.94** | **172.96** | **5.32** | **271.30** | **30.09** | **48.86** | **613.41** |
| **Depreciation and Impairment** | | | | | | | | |
| **As at April 1, 2019** | **0.06** | **52.01** | **98.52** | **4.20** | **150.15** | **18.82** | **25.49** | **349.25** |
| Depreciation for the year (refer note 5) | 0.21 | 18.79 | 46.24 | 1.59 | 75.29 | 7.14 | 8.81 | 158.07 |
| Deductions | - | 12.44 | 29.16 | 3.90 | 37.83 | 3.18 | 2.01 | 88.52 |
| **As at March 31, 2020** | **0.27** | **58.36** | **115.60** | **1.89** | **187.61** | **22.78** | **32.29** | **418.80** |
| Depreciation and Impairment for the year | 0.21 | 13.08 | 45.53 | 1.10 | 51.46 | 5.53 | 9.58 | 126.49 |
| Deductions | - | 5.22 | 22.72 | 1.06 | 14.49 | 1.30 | 2.46 | 47.25 |
| Transfer due to Assets Held for Sale | - | 9.20 | 35.86 | - | 29.59 | 4.95 | 4.29 | 83.89 |
| **As at March 31, 2021** | **0.48** | **57.02** | **102.55** | **1.93** | **194.99** | **22.06** | **35.12** | **414.15** |
| **Net Carrying Value** | | | | | | | | |
| **As at March 31, 2021** | **6.46** | **20.92** | **70.41** | **3.39** | **76.31** | **8.03** | **13.74** | **199.26** |
| **As at March 31, 2020** | **6.67** | **32.37** | **103.06** | **3.42** | **121.38** | **13.06** | **18.91** | **298.87** |

**Notes:**

1. In respect of Building, registration is pending in favour of the Holding Company.
2. No Borrowing costs are capitalised on property plant and equipment during the year
3. For Properties pledge as security Refer Note 13(a).
4. Refer Note 28 for disclosure of contractual commitments for the acquisition of property, plant and equipment.
5. Depreciation for the year ending March 31, 2020 is inclusive of Depreciation of Rs. 16.85 Crores related to discontinued brands identified as held for sale.
6. During the year ended 31 March 2021 and 31 March 2020, there are no impairment loss determined at each level of Cash Generating Unit (CGU).
7. The recoverable amount was based on value in use and was determined at the level of CGU.

# Notes to the Consolidated Financial Statements

(₹ in Crores)

## Note 6: Intangible assets

| Particulars | Computer Software | Brand Value & License Brands | Distribution Network | Technical Process development | Product Devel-opment | Trademark License Fee | Website | Total Intangible Assets | Goodwill on Conso-lidation |
|---|---|---|---|---|---|---|---|---|---|
| **Gross Carrying Value** | | | | | | | | | |
| **As at April 1, 2019** | **24.77** | **42.01** | **2.09** | **32.74** | **-** | **36.89** | **2.46** | **140.96** | **111.23** |
| Additions (Refer Note 3 below) | 27.92 | - | - | 7.48 | 18.58 | - | - | 53.98 | - |
| Deductions | 0.13 | - | - | - | - | - | - | 0.13 | - |
| **As at March 31, 2020** | **52.56** | **42.01** | **2.09** | **40.22** | **18.58** | **36.89** | **2.46** | **194.81** | **111.23** |
| Additions | 7.65 | - | - | - | - | - | - | 7.65 | - |
| Deductions | 0.15 | - | - | - | - | - | - | 0.15 | - |
| Transfer due to Assets Held for Sale | 0.20 | - | - | - | - | - | - | 0.20 | - |
| **As at March 31, 2021** | **60.01** | **42.01** | **2.09** | **40.22** | **18.58** | **36.89** | **2.46** | **202.11** | **111.23** |
| **Amortisation and Impairment** | | | | | | | | | |
| **As at April 1, 2019** | **17.34** | **41.08** | **2.09** | **15.90** | **-** | **10.89** | **0.53** | **87.83** | **-** |
| Amortisation for the Year | 5.17 | 0.64 | - | 6.54 | 0.39 | 3.09 | 0.85 | 16.68 | - |
| Deductions | 0.07 | - | - | - | - | - | - | 0.07 | - |
| **As at March 31, 2020** | **22.44** | **41.72** | **2.09** | **22.44** | **0.39** | **13.98** | **1.38** | **104.44** | **-** |
| Amortisation and Impairment for the year | 11.35 | 0.29 | - | 8.56 | 4.22 | 3.08 | 0.68 | 28.17 | - |
| Deductions | 0.15 | - | - | - | - | - | - | 0.14 | - |
| Transfer due to Assets Held for Sale | 0.20 | - | - | - | - | - | - | 0.20 | - |
| **As at March 31, 2021** | **33.59** | **42.01** | **2.09** | **31.00** | **4.61** | **17.06** | **2.06** | **132.27** | **-** |
| **Net Carrying Value** | | | | | | | | | |
| **As at March 31, 2021** | **26.42** | **-** | **-** | **9.22** | **13.97** | **19.83** | **0.40** | **69.84** | **111.23** |
| **As at March 31, 2020** | **30.12** | **0.29** | **-** | **17.78** | **18.19** | **22.91** | **1.08** | **90.37** | **111.23** |

**Note:**

1) On March 23, 2018, one of the Group Company has entered into an addendum to the license agreements dated December 1, 2015 and March 19, 2014 with Calvin Klein Inc.,to add certain product categories to licensed products for a consideration of Rs. 7.14 Crores (equivalent to USD 1.1 Million), which has been capitalised as an intangible asset, in accordance with Ind AS 38, ""Intangible Assets"".

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

2) On September 7, 2011, one of the Group 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. 37.80 Crores (equivalent to 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, that 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, 2021: Rs. 15.36 Crores (March 31, 2020: Rs. 34.95 Crores) 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.

3) Product Developments, Software and Intangible Assets under development includes development cost being internally generated intangible assets.

# Notes to the Consolidated Financial Statements

(₹ in Crores)

## Note 7 : Financial assets

### 7 (a) Trade receivables - Current

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Unsecured, considered good | **836.89** | 897.88 |
| Credit Impaired | **52.07** | 23.27 |
| Less : Allowance for doubtful debts | **(52.07)** | (23.27) |
| | **836.89** | 897.88 |
| Less: Refundable Liability - (Refer Note 3 below) | **(211.28)** | (116.53) |
| **Total Trade receivables** | **625.61** | 781.35 |

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

**Allowance for doubtful debts**

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

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Balance at the beginning of the year** | **23.27** | 16.33 |
| Add : Allowance for the year (Refer Note 24 and 25) | **28.80** | 11.50 |
| Less : Write off of bad debts (Net of recovery) | **-** | (4.56) |
| **Balance at the end of the year** | **52.07** | 23.27 |

### 7 (b) Loans

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Unsecured, considered good unless otherwise stated | | |
| **Non-current** | | |
| Loans to employees | **1.02** | 0.07 |
| | **1.02** | 0.07 |
| **Current** | | |
| Loans to employees | **3.81** | 4.17 |
| | **3.81** | 4.17 |
| **Total Loans** | **4.83** | 4.24 |

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

### 7 (c) Cash and cash equivalent

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Cash on hand | **0.01** | 0.01 |
| Balance with Bank | | |
| In Current accounts | **8.00** | 10.08 |
| **Total cash and cash equivalents** | **8.01** | 10.09 |

# Notes to the Consolidated Financial Statements

(₹ in Crores)

### 7 (d) Other bank balance

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **In Deposit Account** | | |
| Held as Margin Money* | **10.83** | 1.52 |
| Lodged with Sales Tax Department | **0.02** | 0.02 |
| **Total other bank balances** | **10.85** | 1.54 |

* Under lien with bank as Security for Guarantee Facility

### 7 (e) Other financial assets

(Unsecured, consiered good unless otherwise stated)

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Non-current** | | |
| Security deposits | **148.98** | 204.62 |
| Bank deposits with maturity of more than 12 months | **0.78** | 2.03 |
| | **149.76** | 206.65 |
| **Current** | | |
| Security deposits | **26.78** | 20.60 |
| Doubtful | **0.55** | 0.66 |
| Less: Allowance for Doubtful Deposits | **(0.55)** | (0.66) |
| | **26.78** | 20.60 |
| Income receivable | **5.04** | 1.46 |
| Accrued Interest | **0.50** | 0.15 |
| Mark to market of derivative financial instruments | **-** | 4.42 |
| Insurance claim receivable | **0.22** | 0.80 |
| Other Receivables | **25.78** | 19.70 |
| | **58.32** | 47.13 |
| **Total other financial assets** | **208.08** | 253.78 |

Other current financial assets are given as security for borrowings as disclosed under Note 13(a)

**Allowance for doubtful deposits**

Movement in allowance for doubtful advances:

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Balance at the beginning of the year** | **0.66** | 0.95 |
| Add : Allowance for the year | **-** | - |
| Less : Write off (Net of recovery) | **0.11** | 0.29 |
| **Balance at the end of the year** | **0.55** | 0.66 |

# Notes to the Consolidated Financial Statements

**7 (f) Financial assets by category**

(₹in Crores)

| Particulars | FVTPL | FVOCI | Amortised cost |
|---|---|---|---|
| **March 31, 2021** | | | |
| Trade Receivables | - | - | 625.61 |
| Loans | - | - | 4.83 |
| Cash & Bank balance | - | - | 18.86 |
| Other financial assets | - | - | 208.08 |
| **Total Financial Assets** | **-** | **-** | **857.38** |
| **March 31, 2020** | | | |
| Trade Receivables | - | - | 781.35 |
| Loans | - | - | 4.24 |
| Cash & Bank balance | - | | 11.63 |
| Other financial assets | - | - | 253.78 |
| **Total Financial Assets** | **-** | **-** | **1,051.00** |

For Financial instruments risk management objectives and policies, refer Note 39
Fair value disclosure for financial assets and liabilities are in Note 37 and fair value hierarchy disclosures are in Note 38

## Note 8 : Other current

(Unsecured, consiered good unless otherwise stated)

| Particulars | **As at March 31, 2021** | As at March 31, 2020 |
|---|---|---|
| **Non-current** | | |
| Capital advances | **1.20** | 2.03 |
| Sales tax paid under protest | **23.22** | 21.00 |
| GST/Sales tax / VAT / service tax receivable (net) | **2.11** | 5.72 |
| Prepaid expenses | **0.53** | - |
| | **27.06** | 28.75 |
| **Current** | | |
| Advance to suppliers | | |
| Considered Good | **59.61** | 74.54 |
| Doubtful | **1.85** | 1.66 |
| Less : Provision for doubtful advances | **(1.85)** | (1.66) |
| | **59.61** | 74.54 |
| Balance with Government Authorities (Refer Note 1 below) | **141.43** | 109.70 |
| Export incentive receivable | **0.54** | 0.52 |
| Returnable Asset (Refer Note 3 below) | **89.79** | 60.92 |
| Prepaid expenses | **12.67** | 11.46 |
| Sales tax paid under protest | **-** | 1.69 |
| Prepaid Gratuity (Refer Note 31) | **-** | 0.21 |
| Other Current Assets | **112.50** | 76.65 |
| | **416.54** | 335.69 |
| **Total** | **443.60** | 364.44 |
| Advance to directors or to firm/private company where director is interested | **-** | - |

**Note**

1. Balance with Government Authorities mainly consist of input credit availed
2. Other current assets are given as security for borrowings as disclosed under Note 13(a)
3. Returnable Asset are recognised pursuant to Ind AS 115 - Revenue from Contracts with Customers

# Notes to the Consolidated Financial Statements

(₹in Crores)

**Provision for Doubtful Advances**

Movement in provision for doubtful advances:

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Balance at the beginning of the year** | **1.66** | 4.26 |
| Add: Provision Made during the year (Refer Note 24) | **0.24** | - |
| Less : Write off of doubtful advances | **(0.05)** | (2.60) |
| **Balance at the end of the year** | **1.85** | 1.66 |

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

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Trims and Accessories | **36.57** | 37.35 |
| Stock-in-trade | **758.74** | 1,250.30 |
| Stock-in-trade in transit | **3.42** | 4.16 |
| Packing materials | **11.28** | 14.02 |
| **Total** | **810.01** | 1,305.83 |

1) Inventory write downs are accounted, considering the nature of inventory, ageing and net realisable value for Rs. 150.68 Crores (March 31, 2020 Rs. 61.79 Crores). The changes in write downs are recognised as an expense in the Statement of Profit and Loss.

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

## Note 10 : Current Tax Assets (Net)

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Tax Paid in Advance (Net of Provision) | **30.36** | 41.57 |
| **Total** | **30.36** | 41.57 |

## Note 11 : Equity share capital:

| Particulars | As at March 31, 2021 | | As at March 31, 2020 | |
|---|---|---|---|---|
| | No. of shares | ₹in Crores | No. of shares | ₹in Crores |
| **Authorised share capital**<br>Equity shares of ₹ 4 each<br>(March 31, 2020: Rs. 4 each) | **18,75,00,000** | **75.00** | 18,75,00,000 | 75.00 |
| **Issued and subscribed share capital**<br>Equity shares of ₹ 4 each<br>(March 31, 2020: Rs. 4 each) | **11,34,87,487** | **42.43** | 5,86,79,364 | 23.2 |
| **Subscribed and fully paid up**<br>Equity shares of ₹ 4 each<br>(March 31, 2020: Rs. 4 each) | **9,86,85,711** | **39.47** | 5,86,79,364 | 23.47 |
| **Subscribed and Partly paid up**<br>Equity shares of Rs.4 (Rs. 2 each paid)<br>(March 31, 2020: Nil) | **1,48,01,776** | **2.96** | - | - |
| **Total** | **11,34,87,487** | **42.43** | 5,86,79,364 | 23.47 |

# Notes to the Consolidated Financial Statements

(₹in Crores)

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

| Particulars | As at March 31, 2021 | | As at March 31, 2020 | |
|---|---|---|---|---|
| | No. of shares | ₹in Crores | No. of shares | ₹in Crores |
| **At the beginning of the period** | **5,86,79,364** | **23.47** | 5,79,94,673 | 23.20 |
| Add: Issue of fully paid up shares (Refer Note 11.4 below) | **3,99,79,347** | **15.99** | - | - |
| Add: Issue of partly paid up shares (Refer Note 11.4) | **1,48,01,776** | **2.96** | | |
| Add: Shares allotted pursuant to exercise of Employee Stock Option Plan | **27,000** | **0.01** | 6,84,691 | 0.27 |
| **Outstanding at the end of the year** | **11,34,87,487** | **42.43** | 5,86,79,364 | 23.47 |

**11.2. Rights, Preferences and Restrictions attached to the equity shares**

The Company has one class of shares referred to as equity shares having a par value of Rs. 4 each. Each shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets after distribution of all preferential amounts, in proportion to their shareholding..

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

| Name of the Shareholder | As at March 31, 2021 | | As at March 31, 2020 | |
|---|---|---|---|---|
| | No. of shares | % of shareholding | No. of shares | % of shareholding |
| Aura Securities Private Limited | **4,31,18,605** | **37.99%** | 1,91,12,362 | 32.57% |
| Plenty Private Equity Fund I Limited | **75,10,649** | **6.62%** | 39,35,458 | 6.71% |

**11.4. Issue of Shares under Right Issue**

On June 21, 2020, the Board of Directors of the Company had approved the revised size of Rights Issue of 3,99,79,347 shares of face value of Rs. 4 each (the "Rights Issue Shares") at a price of Rs. 100 per Rights Equity Shares (including premium of Rs. 96 per Rights Equity Share) in the ratio of 62:91, i.e. 62 Rights Equity Shares for every 91 existing Equity Shares held by the eligible equity shareholders on the record date, i.e. March 18, 2020. On July 24, 2020, the Company has approved the allotment of 3,99,79,347 equity shares of face value Rs. 4/- each to the eligible equity shareholders as fully paid up.

On February 03, 2021, the Board of Directors of the Company and subsequently on February 18, 2021, the Committee of Directors had approved the Rights Issue of 1,48,02,856 equity shares of face value of Rs. 4 each (the "Rights Issue Shares") at a price of Rs. 135 per Rights Equity Shares (including premium of Rs. 131 per Rights Equity Share) in the ratio of 3:20, i.e. 3 Rights Equity Shares for every 20 existing Equity Shares held by the eligible equity shareholders on the record date, i.e. February 24, 2021. On March 25, 2021, the Company has approved the allotment of 1,48,01,776 equity shares of face value Rs. 4/- each to the eligible equity shareholders as partly paid up for an amount of Rs. 70/- per Rights Issue Share received on application (of which Rs. 2/- was towards face value and Rs. 68/- towards premium). The allotment of 1,080 Rights Equity Shares has been kept in abeyance pending regulatory/other clearance. The first and final call of Rs. 65/- (of which Rs. 2/- was towards face value and Rs. 63/- towards premium) per Rights Issue Share was made in the month of May 2021.

Equity Issue expenses of Rs. 4.22 Crores has been adjusted against Securities Premium.

**11.5. Shares allotted as fully paid up without payment being received in cash during the period of five years immediately preceding the reporting date:**

1) The Company has allotted 26,04,676 Equity Shares as bonus shares by capitalization of Securities Premium during the year 2017-18 in the ratio of 0.023 equity shares for 1 existing equity share held.

2) The Company has allotted 5,17,23,414 Equity Shares pursuant to the scheme of arrangement during the year 2018-19.

**11.6. Shares reserved for issue under options and contracts**

Refer Note 34 for details of shares to be issued under Employee Stock Option Schemes (ESOPs)

**11.7. Objective, policy and procedure of capital management, refer Note 40**

# Notes to the Consolidated Financial Statements

(₹in Crores)

## Note 12 : Other Equity

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Note 12.1 Reserves & Surplus** | | |
| **Capital reserve on Consolidation** | | |
| Balance as per last financial statements | (237.08) | (237.08) |
| Balance at the end of the year | (237.08) | (237.08) |
| **Capital reserve** | | |
| Balance as per last financial statements | 45.39 | 45.39 |
| Balance at the end of the year | 45.39 | 45.39 |
| **Share application money pending allotment** | | |
| Balance as per last financial statements | - | 8.51 |
| Less: Shares issued during the year | - | (8.51) |
| | - | - |
| **Securities premium** | | |
| Balance as per last financial statements | 1,170.52 | 1,160.59 |
| Add: Addition during the year | 484.56 | 9.03 |
| Add: Transfer from share based payment reserve | 1.02 | 0.90 |
| Less: Equity issue expenses adjusted during the year (Refer Note 11.4) | (4.22) | - |
| Balance at the end of the year | 1,651.88 | 1,170.52 |
| **Share based payment reserve (Refer Note 34)** | | |
| Balance as per last financial statements | 6.43 | 3.59 |
| Add: Addition during the year | 5.82 | 3.74 |
| Less: Transfer to Securities Premium Account | (1.02) | (0.90) |
| Balance at the end of the year | 11.23 | 6.43 |
| **Surplus in statement of profit and loss** | | |
| Balance as per last financial statements | (503.18) | 36.36 |
| Add: Profit/ (Loss) for the year | (579.78) | (400.74) |
| (Less): Impact on adoption of Ind AS 116 | - | (207.79) |
| Add : Tax impact on adoption of Ind AS 116 | - | 68.42 |
| Add: Transfer from Net Gain/(Loss) on FVOCI Equity Instruments | - | (Rs. 4,272/-) |
| Add / (Less): OCI for the year | 1.15 | 0.57 |
| | (1,081.81) | (503.18) |
| **Total reserves & surplus** | 389.61 | 482.08 |
| **Note 12.2 Other comprehensive income** | | |
| **Net Gain/(Loss) on FVOCI Equity Instruments** | | |
| Balance as per last financial statements | 90.16 | 90.16 |
| Less: Transfer to Retained Earnings | - | (Rs. 4,272/-) |
| Balance at the end of the year | 90.16 | 90.16 |
| **Cash Flow Hedge reserve** | | |
| Balance as per last financial statements | 1.59 | (1.31) |
| Add: Gain /(Loss) for the year | (3.61) | 5.77 |
| Less: Share of Non Controling Interest | 1.80 | (2.87) |
| Balance at the end of the year | (0.22) | 1.59 |
| **Total Other comprehensive income** | 89.94 | 91.75 |
| **Total Other equity** | 479.55 | 573.83 |

# Notes to the Consolidated Financial Statements

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

**a Capital reserve on consolidation**

Gain on purchase, i.e. excess of fair value of net assets acquired over the fair value of consideration in a business combination or on acquisition of interest in subsidiary is recognised as capital reserve on Consolidation.

**b Capital reserve**

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

**c Securities premium**

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

**d Share based payment reserve**

This reserve relates to share options granted by the Group to its and erstwhile Holding Company's employee share option plan. Further information about share-based payments to employees is set out in Note 34

**e Net Gain/(Loss) on FVOCI Equity Instruments**

The Group has elected to recognise changes in the fair value of certain investment in equity instrument in other comprehensive income.

This amount will be reclassified to retained earnings on derecognition of equity instrument.

**f Cash Flow Hedge Reserve**

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

## Note 13 : Financial liabilities

### 13 (a) Borrowings

(₹in Crores)

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Long-term Borrowings (Refer Note 1(a) below)** | | |
| **(At amortised cost)** | | |
| **Non-current portion** | | |
| **Secured** | | |
| Term loan from Banks | **157.26** | 156.79 |
| **Unsecured** | | |
| Deferred payment liabilities - from others | **-** | 5.99 |
| **Current maturities (Refer Note 13c)** | | |
| **Secured** | | |
| Term loan from Banks | **39.63** | 33.45 |
| **Total long-term borrowings** | **196.89** | 196.23 |
| **Short-term Borrowings (Refer Note 1(b) and 2(a) below)** | | |
| **(At amortised cost)** | | |
| **Secured** | | |
| Working Capital Loans repayable on demand from Banks | **745.95** | 937.75 |
| Under Buyer's Credit Arrangement | **-** | 1.09 |
| **Unsecured** | | |
| Under Buyer's Credit Arrangement | **-** | 38.51 |
| Working Capital Loans repayable on demand from Banks | **-** | 20.00 |
| Intercorporate Deposits | | |
| From Related Parties (Refer Note 32) | **0.20** | 50.08 |
| From Others | **-** | 0.18 |
| **Total short-term borrowings** | **746.15** | 1,047.61 |
| **Total borrowings** | **943.04** | 1,243.84 |

# Notes to the Consolidated Financial Statements

(₹in Crores)

**1. Secured Borrowings**

**(a) Long term**

| Particulars | Rupees in Crores | Rate of interest | Security | Terms of repayment |
|---|---|---|---|---|
| Rupee Loans | 17.67 | 7.85% | Secured against first pari passu charge over the entire fixed assets of the Company both present and future, and second charge is created over the entire stock, receivables and other current assets of the Company both present and future. | Repayable in quarterly installments beginning from September 2019 |
| Rupee Loans | 34.38 | 7.75% to 9.25% | 1. Guaranteed By National Credit Guarantee Trustee Company Ltd<br>2. Second Charge on all current assets of borrower both presnt and future<br>3. Extension of second ranking charge over existing primary and collateral securities created in favor of the bank ( including but not limited to hypothecation on present and future stock, book debts and movable fixed assets of the company and assets of the borrower created out of this Facility | Repayable in 48 Monthly installments beginning from April 2022 |
| Rupee Loans | 57.65 | 10.90% | 1.First Pari-passu charge over the entire fixed assets (present and future) of the Company and proposed project, comprising electrical, data processing, furniture & fixture, office equipments, plant & machineries, other leasehold improvements with other term lenders.<br>2. Second Charge over entrie stock of raw material, stock in process, finished goods, stores & spares, goods in transit, receviabale and other current assets of the company with other WC lenders.<br>3.Corporate Guarantee given by Holding Company | Repayable in 22 instalments in 5 years beginning from December, 2019 |
| Rupee Loans | 84.11 | 9.35% | 1.First Pari-passu charge over the entire fixed assets of the Borrower (both present and future)<br>2. Second Charge over current assets of the Borrower<br>3.Corporate Guarantee given by Holding Company | Repayable in 17 quarterly installments starting from March 31,2020 |
| Hire Purchase loans | 3.08 | 7.75% to 9.25% | Secured by hypothecation of related vehicles | Payment of Equated Monthly Instalments beginning from the month subsequent to taking the loans |

# Notes to the Consolidated Financial Statements

**(b) Short term**

<table>
<tr><th>Particulars</th><th>Rupees in Crores</th><th>Rate of interest</th><th colspan="2">Security</th></tr>
<tr><td>Working Capital loans</td><td>70.32</td><td>8.2% to 9.1%</td><td colspan="2">First pari passu charge on entire current asset of the Holding Company both present and future.<br>Loans of Rs. 28.89 Crores are secured against Pledge of 43,75,000 shares of Arvind Lifestyle Brands Limited and 81,15,018 shares of Arvind Youth Brands Private Limited (AYBPL). Pledge on AYBPL Shares is not registered till year end.<br>Loan of Rs. 35.43 Crores are secured against Pledge 175,82,539 shares of AYBPL. Pledge on AYBPL Shares is not registered till year end.</td></tr>
<tr><td>Working Capital loans</td><td>10.00</td><td>8.65%</td><td colspan="2">1. a.First and pari passu charge by way of Hypothecation of current assets of the borrowing Company to be shared with other lenders. b. First and pari passu charge on all intangible, fixed assets of the borrower to be shared with other lenders<br>2. Corporate Guarantee given by Arvind Fashions Limited and Arvind Lifestyle Brands Ltd to the extend of Rs. 25.00 Crores</td></tr>
<tr><td>Working Capital loans</td><td>120.62</td><td>8.25%</td><td rowspan="5">1. First and charge over entire stocks, receivables and other current assets excluding the stocks of Nautica Brand and Second Charge over the entire fixed assets of the company both present and future of the Borrowing Company.<br>2. Corporate Guarantee given by Holding Company</td><td>Pledge of 1,09,60,183 equity shares of Arvind Youth Brands Private Limited ('AYBPL') owned by the Borrowing Company.</td></tr>
<tr><td>Working Capital loans</td><td>177.44</td><td>8.35% - 8.75%</td><td>Pledge of 1. 3,25,57,884 equity shares of AYBPL owned by the Borrowing Company. 2. 4,91,64,090 equity shares of the Company held by Holding Company</td></tr>
<tr><td>Working Capital loans</td><td>51.90</td><td>7.8% - 8.4%</td><td>Pledge of 43,84,074 equity shares of AYBPL owned by the Borrowing Company.</td></tr>
<tr><td>Working Capital loans</td><td>31.00</td><td>9.25%</td><td>61,37,703 equity shares of AYBPL owned by the Borrowing Company.</td></tr>
<tr><td>Working Capital loans</td><td>114.00</td><td>9.20%</td><td></td></tr>
<tr><td>Working Capital loans</td><td>140.67</td><td>8.05% to 9.01%</td><td colspan="2">Secured by (i) first exclusive charge over current assets of the borrower for Rs. 280 Crore, both present & future of Borrowing Company; (ii) Corporate Guarantee from (a) PVH Corp., USA for Rs. 100 Crore and (b) Arvind Fashion Limited for Rs. 100 Crore, of the exposure, and (iii) letter of comfort from PVH Corp., USA.</td></tr>
<tr><td>Working Capital loans</td><td>30.00</td><td>8.50%</td><td colspan="2">1. First charge on entire current assets of Borrowing Company. 2. Corporate guarantee by Arvind Fashions Limited (Ultimate Holding Company)</td></tr>
</table>

**2. Unsecured Borrowings**

**(a) Short Term**

| Particulars | Rupees in Crores | Rate of interest | Other Conditions |
|---|---|---|---|
| Intercorporate Deposits | 0.20 | 8.50% to 8.75% | - |

# Notes to the Consolidated Financial Statements

(₹in Crores)

### 13 (b) Trade payable

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Current** | | |
| Acceptances | **152.07** | 259.05 |
| **Other Trade Payables (Refer Note a below)** | | |
| -Total outstanding dues of micro enterprises and small enterprises (Refer Note a below) | **144.32** | 177.32 |
| -Total outstanding dues other than micro enterprises and small enterprises | **635.41** | 888.93 |
| **Total** | **931.80** | 1,325.30 |

a. Information required to be furnished as per Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and Schedule III of the Companies Act, 2013 for the year ended March 31, 2021. This information has been determined to the extent such parties have been identified on the basis of information available with the Company and relied upon by auditors.

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| (a) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year: | | |
| i) Principal | **144.32** | **177.32** |
| ii) Interest | **17.23** | **29.17** |
| (b) the amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year; | **27.04** | 1.83 |
| (c) the amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006; | **17.23** | 29.17 |
| (d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and | **17.23** | 29.17 |
| (e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act, 2006 | **17.23** | 29.17 |

### 13 (c) Other financial liabilities

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Non-current** | | |
| Compulsory Convertible Preference Shares classified as debt (Refer Note 2 below) | **142.95** | - |
| Security Deposit | **68.50** | 79.00 |
| | **211.45** | 79.00 |
| **Current** | | |
| Security Deposit | **13.87** | 1.87 |
| Current maturity of long term borrowings (Refer Note 13a) | **39.63** | 33.45 |
| Interest accrued and due on others | **21.43** | 34.07 |
| Interest accrued but not due on borrowings | **11.34** | 12.72 |
| Payable to employees | **20.86** | 29.94 |
| Book overdraft | **3.74** | 0.15 |
| Payable for capital goods | **8.56** | 28.85 |
| Foreign Exchange Forward contracts (Cash flow hedge) | **0.49** | - |
| | **119.92** | 141.05 |
| **Total** | **331.37** | 220.05 |

Note 1: There is no amount due and outstanding to be transfer to the Investor Education and Protection Fund (IEPF).

Note 2: Terms of Conversion / Redemption of Compulsory Convertible Preference Shares (CCPS):

# Notes to the Consolidated Financial Statements

(₹in Crores)

During the year ended 31 March 2021, one of the Group Company issued 58,95,852 Compulsorily Convertible Preference Shares ("CCPS") of Rs. 100 each fully paid-up. CCPS carry non cumulative dividend @ 0.001% p.a. The Preferential Dividend is non cumulative and which shall accrue but shall be payable annually prior to and in preference to any dividend or distribution payable upon equity shares in same financial years. In addition to and after payment of preferential dividend @ 0.001% p.a., each Series A CCPS would be entitled to participate pari passu in any cash or non-cash dividends paid to the equity shares on a pro-rata, as-if converted basis.

The above 10 CCPS shall be convertible to variable number of equity shares ranging from atleast 6 equity shares upto 10 equity shares determinable on the Earnings before Interest, Depreciation, Tax and Amortisation for the financial year ending March 31, 2022. In line with Ind AS 109, the above CCPS doesn't meet the definition of equity and hence classified as financial liability at fair value.

Flipkart India Private Limited has purchased the above CCPS for Rs. 260 Crores. Rs. 111.91 crores, being the gain on sale of shares (net of adjustment due to fair value of CCPS) has been disclosed under Exceptional Items.

**13 (d) Financial liabilities by category**

| Particulars | FVOCI | FVTPL | Amortised cost |
|---|---|---|---|
| **March 31, 2021** | | | |
| Borrowings | - | - | 943.04 |
| Trade payables | - | - | 931.80 |
| Compulsory Convertible Preference Shares classified as debt | - | 142.95 | - |
| Security Deposits | - | - | 82.37 |
| Payable to employees | - | - | 20.86 |
| Interest accrued but not due | - | - | 11.34 |
| Interest accrued and due | - | - | 21.43 |
| Payable in respect of Capital goods | - | - | 8.56 |
| Lease Liabilities | - | - | 811.88 |
| Foreign Exchange Forward contracts | | | |
| (Cash flow hedge) | 0.49 | - | - |
| Book overdraft | - | - | 3.74 |
| **Total Financial liabilities** | **0.49** | **142.95** | **2,835.02** |

| Particulars | FVOCI | FVTPL | Amortised cost |
|---|---|---|---|
| **March 31, 2020** | | | |
| Borrowings | - | - | 1,243.84 |
| Trade payables | - | - | 1,325.30 |
| Security Deposits | - | - | 80.87 |
| Payable to employees | - | - | 29.94 |
| Interest accrued but not due | - | - | 12.72 |
| Interest accrued and due | - | - | 34.07 |
| Payable in respect of Capital goods | - | - | 28.85 |
| Lease Liabilities | - | - | 918.32 |
| Book overdraft | - | - | 0.15 |
| **Total Financial liabilities** | **-** | **-** | **3,674.06** |

For Financial instruments risk management objectives and policies, refer Note 39

Fair value disclosure for financial assets and liabilities are in Note 37 and fair value hierarchy disclosures are in Note 38

# Notes to the Consolidated Financial Statements

(₹in Crores)

## Note 14: Provisions

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Long-term** | | |
| **Provision for employee benefits (refer Note 31)** | | |
| Provision for leave encashment | **6.15** | 7.80 |
| Provision for Gratuity | **12.68** | 11.85 |
| | **18.83** | 19.65 |
| **Short-term** | | |
| **Provision for employee benefits (refer Note 31)** | | |
| Provision for leave encashment | **4.83** | 4.38 |
| Provision for Gratuity | **0.79** | 0.07 |
| **Others** | | |
| Provision for Wealth tax | **0.01** | 0.01 |
| Short term provision for litigation/disputed matters (Refer Note a below) | **2.11** | 1.85 |
| | **7.74** | 6.31 |
| **Total** | **26.57** | 25.96 |

**a. Provision for litigation/ disputed matters**

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

**The movement in the provision account is as under :**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Balance as per last financial statements** | **1.85** | 15.77 |
| Add: Provision during the year (Refer Note 24) | **-** | 2.01 |
| Less: Adjusted during the year | **0.26** | (15.93) |
| **Balance as at the end of the year** | **2.11** | 1.85 |

## Note 15 : Other current liabilities

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Non-Current** | | |
| Fair valuation of security deposits from customers | **0.07** | 0.23 |
| | **0.07** | 0.23 |
| **Current** | | |
| Advance from customers | **31.18** | 21.47 |
| Statutory dues including provident fund and tax deducted at source etc | **21.71** | 20.01 |
| Fair valuation of security deposits from customers | **0.15** | 0.18 |
| Unaccrued Sale | **7.21** | 1.15 |
| Deferred income of loyalty program reward points (Refer note (a) below) | **2.69** | 4.89 |
| | **62.94** | 47.70 |
| **Total** | **63.01** | 47.93 |

# Notes to the Consolidated Financial Statements

(₹in Crores)

**a Deferred income of Loyalty Program Reward Points**

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

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Balance as per last financial statements | 4.89 | 4.97 |
| Add : Provision Made during the year (Net of expiry) (Refer Note 16) | 3.66 | 14.05 |
| Less : Deferment/Redeemed during the year (Net) | (5.86) | (14.13) |
| **Balance at the end of the year** | **2.69** | 4.89 |

## Note 16 : Revenue from operations

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Sale of products | 2,184.85 | 3,578.61 |
| Sale of services | 14.79 | 31.75 |
| Operating income | | |
| Export incentives | 0.25 | 0.44 |
| Gift Voucher Income | - | 1.08 |
| Foreign Exchange fluctuation on Vendors and Customers (Net) | 0.90 | 0.01 |
| Royalty | (Rs. 17,018) | 0.48 |
| Miscellaneous receipts | 0.39 | 1.20 |
| | 1.54 | 3.21 |
| **Total** | **2,201.18** | 3,613.57 |

### I. Disaggregation of revenue from contracts with customers

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **A. Revenue based on Geography** | | |
| i. Domestic | 2,188.87 | 3,590.99 |
| ii. Export | 12.31 | 22.58 |
| | 2,201.18 | 3,613.57 |
| **B. Revenue based on Business Segment** | | |
| Branded Apparels, Cosmetics and Accessories | 2,201.18 | 3,613.57 |

### II. Reconciliation of Revenue from Operation with Contract Price

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Contract Price | 2,472.93 | 4,245.72 |
| Less: | | |
| Schemes and Discounts | 268.09 | 618.10 |
| Customer Loyalty Program | 3.66 | 14.05 |
| **Total Revenue from Operations** | **2,201.18** | 3,613.57 |

# Notes to the Consolidated Financial Statements

(₹in Crores)

## Note 17 : Other income

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Interest income on financial assets recognised at amortised cost | **2.36** | 2.61 |
| Gain on Reassessment of Lease (Refer Note 35) | **24.80** | 52.61 |
| Income due to Rent Waivers (Refer Note 35) | **98.75** | - |
| Profit on sale of Property, Plant & Equipment (Net) | **0.83** | 1.79 |
| Exchange Difference | **0.47** | - |
| Miscellaneous income | **1.11** | 2.77 |
| **Total** | **128.32** | 59.78 |

## Note 18 : Cost of Trims and Accessories consumed

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Stock at the beginning of the year | **37.35** | 7.15 |
| Add : Purchases | **42.82** | 35.35 |
| | **80.17** | 42.50 |
| Less : Inventory at the end of the year | **36.57** | 37.35 |
| **Total** | **43.60** | 5.15 |

## Note 19 : Purchases of stock-in-trade

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Garments, Cosmetics & Accessories | **751.84** | 2,071.95 |
| **Total** | **751.84** | 2,071.95 |

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

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Stock at the end of the year** | | |
| Stock-in-trade | **758.74** | 1,250.30 |
| **Stock at the beginning of the year** | | |
| Stock-in-trade | **1,250.30** | 1,165.47 |
| **Total** | **491.56** | (84.83) |

# Notes to the Consolidated Financial Statements

(₹in Crores)

## Note 21 : Employee benefits expense

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Salaries, wages, gratuity, bonus, commission, etc. (Refer Note 31) | **194.97** | 263.70 |
| Contribution to provident and other funds (Refer Note 31) | **16.42** | 22.82 |
| Welfare and training expenses | **11.89** | 22.80 |
| Share based payment to employees (Refer Note 34) | **5.82** | 3.74 |
| **Total** | **229.10** | 313.06 |

## Note 22 : Finance costs

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Interest Expenses on financial liabilities measured at amortised cost | | |
| Loans | **87.73** | 65.51 |
| Lease Liabilities (Refer Note 35) | **71.89** | 109.67 |
| Others | **45.01** | 64.06 |
| Other borrowing cost | **20.27** | 34.31 |
| **Total** | **224.90** | 273.55 |

## Note 23 : Depreciation and amortization expense

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Depreciation and Amortization on Property, Plant & Equipment (Refer Note 5) | **95.14** | 141.22 |
| Depreciation on Right-of-use Assets (Refer Note 35) | **179.38** | 262.76 |
| Amortization on Intangible assets (Refer Note 6) | **28.17** | 16.68 |
| **Total** | **302.69** | 420.66 |

# Notes to the Consolidated Financial Statements

## Note 24 : Other expenses

(₹in Crores)

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Power and fuel | 10.82 | 36.79 |
| Insurance | 3.94 | 5.29 |
| Processing charges | 3.66 | 4.18 |
| Printing, stationery & communication | 4.37 | 11.45 |
| Rent | | |
| -Short Term leases and leases of low-value assets (Refer Note 35) | 23.17 | 16.09 |
| Commission & Brokerage | 187.06 | 268.18 |
| Rates and taxes | 5.82 | 6.90 |
| Repairs : | | |
| To Building | 1.30 | 1.33 |
| To Others | 40.74 | 56.47 |
| Royalty on Sales | 86.80 | 126.41 |
| Freight, insurance & clearing charge | 61.45 | 50.38 |
| Legal & Professional charges | 9.27 | 15.90 |
| Housekeeping Charges | 2.99 | 13.66 |
| Security Charges | 4.30 | 15.93 |
| Computer Expenses | 2.02 | 7.92 |
| Conveyance & Travelling expense | 4.23 | 24.59 |
| Advertisement and Publicity | 68.57 | 136.32 |
| Charges for Credit Card Transactions | 4.21 | 10.46 |
| Packing Materials Expenses | 15.87 | 13.92 |
| Contract Labour Charges | 108.01 | 163.19 |
| Sundry debits written off | 1.30 | 2.32 |
| Investment written off | - | 0.02 |
| Bad debt written off | - | 0.64 |
| Allowance for doubtful debts (Refer Note 7a) | 3.26 | 1.49 |
| Provision for Doubtful Advances (Refer Note 8) | 0.24 | - |
| Provision for Litigation/Disputed Matters (Refer Note 14) | - | 2.01 |
| Sampling and Testing Expenses | 1.10 | 11.21 |
| Director's sitting fees | 0.09 | 0.11 |
| Auditor's remuneration (Refer Note a below) | 2.50 | 1.96 |
| Business Conducting Fees | 0.09 | 1.46 |
| Bank charges | 3.00 | 4.63 |
| Warehouse Charges | 13.88 | 12.47 |
| Spend on CSR activities (Refer Note 36) | 0.92 | 1.12 |
| HVAC Charges | 2.56 | 6.42 |
| Loss on Sale of Property, Plant & Equipment | 0.02 | - |
| Property, Plant & Equipment written off | - | 0.59 |
| Exchange Difference Loss (Net) | - | 2.11 |
| Termination fees | - | 3.82 |
| Miscellaneous expenses | 14.51 | 12.71 |
| **Total** | **692.07** | 1,050.45 |

### a. Break up of Auditor's Remuneration

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Payment to Auditors as** | | |
| Auditors | 1.58 | 1.38 |
| For tax audit | 0.33 | 0.20 |
| For Corporate Law matters | 0.15 | - |
| For other certification work | 0.36 | 0.30 |
| For reimbursement of expenses | 0.08 | 0.08 |
| **Total** | **2.50** | 1.96 |

This is excluding payment of Rs 0.33 Crores (Rs. Nil for March 31, 2020) in respect of Rights Issues which has been charged to securities premium

# Notes to the Consolidated Financial Statements

(₹in Crores)

## Note 25 : Exceptional Items

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Margin on Sales Return Provision | 34.74 | 35.15 |
| Inventory Dormancy Provision | 96.83 | 13.19 |
| Allowance for Doubtful Debtors | 25.54 | 10.01 |
| Provision for Schemes and Discounts | - | 2.34 |
| Gain on Sale of Shares (Refer Note 13c) | (111.91) | - |
| **Total** | **45.20** | 60.69 |

## Note 26 : Income tax

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Income Tax Expenses recognised in Statement of Profit & Loss from Continuing Operation** | | |
| **Current Tax** | | |
| Current income tax | - | - |
| Excess provision related to earlier years | - | (0.17) |
| **Deferred Tax** | | |
| Deferred tax Charge/(Credit) | 41.86 | (77.26) |
| **Income Tax Expenses recognised in Statement of Profit & Loss from Discontinuing Operation** | | |
| Deferred tax Charge/(Credit) | - | (19.80) |
| **Income tax expense reported in the statement of consolidated profit & loss** | **41.86** | (97.23) |

**OCI section**

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Statement to Other comprehensive income (OCI)** | | |
| Deferred tax Charge/(Credit) | 0.71 | 0.19 |
| **Deferred tax charged to OCI** | **0.71** | 0.19 |

Reconciliation of tax expense and the accounting profit multiplied by the Company's tax rate:

**A) Current tax**

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Accounting profit/(loss) before tax from Continuing and discontinuing operations** | (554.13) | (496.42) |
| **Tax Rate** | 34.944% | 34.944% |
| Current Tax Expenses on Profit before tax at the enacted income tax rate in India | (193.64) | (173.47) |
| **Adjustments** | | |
| Difference in Tax Rates for certain entities of the Group | 3.40 | 0.78 |
| Expenditure not deductible for Tax | 0.29 | 4.59 |
| Share based payment expense | - | (0.15) |
| Deferred tax assets not recognised as realisation is not probable | 220.03 | 72.55 |
| Others | 11.78 | (1.53) |
| **At the effective income tax** | **41.86** | (97.23) |
| **Effective Income Tax Rate %** | **0.00%** | 0.00% |

# Notes to the Consolidated Financial Statements

(₹in Crores)

**B) Deferred tax**

| Particulars | Consolidated Balance Sheet As at March 31, 2021 | Consolidated Statement of Profit & Loss and Other Comprehensive Income Year Ended March 31, 2021 | Consolidated Balance Sheet As at March 31, 2020 | Consolidated Statement of Profit & Loss and Other Comprehensive Income As at March 31, 2020 | Impact on adoption of Ind AS 116 recognised in Retained Earnings As on April 1, 2019 |
|---|---|---|---|---|---|
| Accelerated depreciation for tax purposes | 125.98 | 9.69 | 116.29 | 23.50 | - |
| Expenditure allowable on payment basis/ over the period | 12.29 | (0.41) | 12.70 | 0.03 | - |
| Expenses on Employee Stock Option | 0.87 | 0.40 | 0.47 | 0.17 | - |
| Unused losses available for offsetting against future taxable income | 155.75 | - | 155.75 | 66.37 | - |
| Allowance for Doubtful Receivables/Advances | 2.54 | - | 2.54 | 0.57 | - |
| Unused tax credit available for offsetting against future taxable income (MAT credit entitlement) | 15.79 | - | 15.79 | (0.33) | - |
| Deferred Tax on unrealised profit | 23.09 | (43.09) | 66.18 | 17.82 | - |
| Impact on adoption of Ind AS 116 | 48.00 | (9.72) | 57.72 | (10.70) | 68.42 |
| Others | 7.59 | 0.56 | 7.03 | (0.56) | - |
| **Net deferred tax assets/(liabilities)** | **391.90** | **(42.57)** | **434.47** | **96.87** | **68.42** |

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

The Group has unused carried forward losses of Rs. 1111.08 Crores as at March 31, 2021 (March 31, 2020: Rs. 660.23 Crores). Out of the same, tax credits on losses of Rs. 695.66 Crores (March 31, 2020: Rs. 208.81 Crores) have not been recognized on the basis that recovery is not probable in the foreseeable future.

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Opening balance as at April 1 | **434.47** | 269.18 |
| Impact on adoption of Ind AS 116 recognised in Retained Earnings | **-** | 68.42 |
| Deferred Tax income/(expense) during the period recognised in profit or loss for Continuing Operations | **(41.86)** | 77.26 |
| Deferred Tax income/(expense) during the period recognised in profit or loss for Discontinuing Operations | **-** | 19.80 |
| Deferred Tax income/(expense) during the period recognised in OCI | **(0.71)** | (0.19) |
| **Closing balance as at March 31** | **391.90** | 434.47 |

## Note 27 : Contingent liabilities

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Contingent liabilities not provided for** | | |
| a. Bills discounted | **4.45** | 7.11 |
| b. Claims against the Group not acknowledged as debts | **10.65** | 10.09 |
| c. Disputed demands in respect of | | |
| Excise/Customs duty (Refer Note d below) | **50.03** | 25.41 |
| Sales tax/ GST (Refer Note e below) | **60.89** | 50.01 |
| Income tax | **5.49** | 4.59 |
| Textile Committee Cess | **0.11** | 0.11 |
| Provident Fund | **0.76** | 0.76 |
| Labour regulation | **0.22** | - |
| d. Guarantee given by bank on behalf of the group | **2.11** | 1.97 |

# Notes to the Consolidated Financial Statements

(₹in Crores)

**Notes :**

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

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

(c) The Group believes that the ultimate outcome of these proceedings will not have a material adverse effect on is considered necessary for the same.

(d) Two of the Group companies 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 Group is confident that it's position will likely be upheld in the appellate process against the above demand. However, the Group had deposited Rs.1.69 Crores under protest in previous year.

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

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

## Note 28 : Capital commitment and other commitments

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Capital commitments** | | |
| Estimated amount of Contracts remaining to be executed on capital account and not provided for | **3.38** | 38.74 |
| **Other commitments** | **-** | - |

## Note 29 : Foreign Exchange Derivatives and Exposures not hedged

### A. Foreign Exchange Derivatives

| Nature of Instrument | Average Exchange rate (in equivalent Rs.) | In FC USD | ₹ In Crores |
|---|---|---|---|
| **Forward contracts - Purchase** | | | |
| As at March 31, 2021 | 73.11 | 0.93 | 67.74 |
| As at March 31, 2020 | 73.70 | 1.18 | 86.97 |

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

### B. Exposure Not Hedged

| Nature of Instrument | In FC USD | ₹ in Crores | In FC EURO | ₹ in Crores | In FC SEK | ₹ in Crores | In FC AED | ₹ in Crores |
|---|---|---|---|---|---|---|---|---|
| **Receivables** | | | | | | | | |
| As at March 31, 2021 | 0.06 | 4.67 | - | - | - | - | - | - |
| As at March 31, 2020 | 0.05 | 4.14 | - | - | - | - | - | - |
| **Payable towards borrowings** | | | | | | | | |
| As at March 31, 2021 | - | - | - | - | - | - | - | - |
| As at March 31, 2020 | 0.52 | 39.60 | - | - | - | - | - | - |
| **Payable to creditors** | | | | | | | | |
| As at March 31, 2021 | 0.91 | 66.67 | 0.01 | 1.18 | 0.05 | 0.45 | - | 0.10 |
| As at March 31, 2020 | 0.78 | 59.30 | 0.03 | 2.40 | 0.05 | 0.40 | 0.01 | 0.13 |

# Notes to the Consolidated Financial Statements

(₹in Crores)

## Note 30 : Segment Reporting

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

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

**Geographical segment**

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

| Particulars | Year Ended / As at March 31, 2021 | Year Ended / As at March 31, 2020 |
|---|---|---|
| **Segment Revenue*** | | |
| a) In India | **2,188.87** | 3,590.99 |
| b) Rest of the world | **12.31** | 22.58 |
| **Total Sales** | **2,201.18** | 3,613.57 |
| **Carrying Cost of Segment Assets**** | | |
| a) In India | **3,696.56** | 4,428.77 |
| b) Rest of the world | **4.67** | 4.14 |
| **Total** | **3,701.23** | 4,432.91 |
| **Carrying Cost of Segment Non-Current Assets**@** | | |
| a) In India | **1,072.33** | 1,264.35 |
| b) Rest of the world | **-** | - |
| **Total** | **1,072.33** | 1,264.35 |

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

**Information about major customers (revenues from single external customer more than 10% of total revenue):**
Considering the nature of business of the Group in which it operates, the group deals with various customers including multiple geographics. Consequently, none of the customer contribute materially to the revenue of the group.

## Note 31 : Disclosure pursuant to Employee benefits

**A. Defined Contribution Plans**

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

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| Provident Fund | **8.27** | 10.80 |
| Contributory Pension Scheme | **5.16** | 7.30 |
| **Total** | **13.43** | 18.10 |

**Note**

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

# Notes to the Consolidated Financial Statements

(₹in Crores)

**B Defined Benefit Plans**

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

**Gratuity**

The Group provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn salary per month computed proportionately for 15 days salary multiplied for the number of years of service.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each Balance Sheet date using the projected unit credit method. The Group make an annual contribution to the gratuity scheme administered by the Life Insurance Corporation of India.

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

# Notes to the Consolidated Financial Statements

**March 31,2021: Changes in defined benefit obligation and plan assets**

(₹in Crores)

| Particulars | April 1, 2020 | Gratuity cost charged to statement of profit and loss | | | Benefit paid | Remeasurement gains/(losses) in other comprehensive income | | | | | Increase (decrease) due to effect of business combination/ transfer | Contributions by employer | March 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Service cost | Net interest expense | Sub-total included in statement of profit and loss | | Return on plan assets (excluding amounts included in net interest expense) | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Sub-total included in OCI | | | |
| **Gratuity** | | | | | | | | | | | | | |
| Defined benefit obligation | 20.03 | 3.51 | 1.12 | 4.63 | (3.62) | - | 0.53 | 0.58 | 0.50 | 1.61 | - | - | 19.43 |
| Fair value of plan assets | (8.32) | - | (0.42) | (0.42) | 3.44 | 0.04 | - | (0.01) | - | 0.03 | - | (0.63) | (5.96) |
| **Total benefit liability** | **11.71** | **3.51** | **0.70** | **4.21** | **(0.18)** | **0.04** | **0.53** | **0.57** | **0.50** | **1.64** | **-** | **(0.63)** | **13.47** |

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

| Particulars | April 1, 2019 | Cost charged to statement of profit and loss | | | Benefit paid | Remeasurement gains/(losses) in other comprehensive income | | | | | Increase (decrease) due to effect of business combination/ transfer | Contributions by employer | March 31, 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Service cost | Net interest expense | Sub-total included in statement of profit and loss | | Return on plan assets (excluding amounts included in net interest expense) | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Sub-total included in OCI | | | |
| **Gratuity** | | | | | | | | | | | | | |
| Defined benefit obligation | 20.18 | 3.93 | 1.31 | 5.24 | (3.73) | - | 0.25 | 0.54 | 0.87 | 1.66 | - | - | 20.03 |
| Fair value of plan assets | (9.00) | - | (0.60) | (0.60) | 3.61 | (0.62) | - | - | - | (0.62) | - | (2.95) | (8.32) |
| **Total benefit liability** | **11.18** | **3.93** | **0.71** | **4.64** | **(0.12)** | **(0.62)** | **0.25** | **0.54** | **0.87** | **1.04** | **-** | **(2.95)** | **11.71** |

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

| **Particulars** | **Year ended March 31, 2021** | Year ended March 31, 2020 |
|---|---|---|
| Others (Insurance company Products) | 100% | 100% |
| **(%) of total plan assets** | **100%** | **100%** |

# Notes to the Consolidated Financial Statements

(₹in Crores)

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

| Particulars | Year ended March31, 2021 | Year ended March31, 2020 |
|---|---|---|
| Discount rate | 5.2% to 6.8% | 5.8% to 6.65% |
| Future salary increase | 3.97% to 10% | 3% to 9% |
| Expected rate of return on plan assets | 6.2% to 6.8% | 6.2% to 6.5% |
| Attrition rate | 12.8% to 42.6% | 9.3% to 38.3% |
| Mortality rate during employment | Indian assured lives Mortality(2006-08) | Indian assured lives Mortality(2006-08) |

The above sensitivity analysis may not be representative of the actual benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period.
In presenting the above sensitivity analysis, the present value of defined benefit obligation has been calculated using the projected unit credit method at the end of reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous period.

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

| Particulars | Sensitivity level | Increase / (decrease) in defined benefit obligation (Impact) | |
|---|---|---|---|
| | | Year ended March 31, 2021 | Year ended March 31, 2020 |
| **Gratuity** | | | |
| Discount rate | 50 basis points increase | **(0.31)** | (0.39) |
| | 50 basis points decrease | **0.32** | 0.41 |
| Salary increase | 50 basis points increase | **0.25** | 0.35 |
| | 50 basis points decrease | **(0.25)** | (0.34) |
| Attrition rate | 50 basis points increase | **(0.03)** | (0.07) |
| | 50 basis points decrease | **0.03** | 0.07 |

The above sensitivity analysis may not be representative of the actual benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of defined benefit obligation has been calculated using the projected unit credit method at the end of reporting period.
In presenting the above sensitivity analysis, the present value of defined benefit obligation has been calculated using the projected unit credit method at the end of reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous period.

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

| Particulars | Year ended March31, 2021 | Year ended March31, 2020 |
|---|---|---|
| **Gratuity** | | |
| Within the next 12 months (next annual reporting period) | **4.91** | 4.18 |
| Between 2 and 5 years | **16.13** | 16.29 |
| Beyond 5 years | **9.85** | 16.83 |
| **Total expected payments** | **30.89** | 37.30 |

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

| Particulars | Year ended March31, 2021 | Year ended March31, 2020 |
|---|---|---|
| Gratuity | **3 years to 8 years** | 4 years to 8.76 years |

# Notes to the Consolidated Financial Statements

**C. Leave encashment**

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

| Particulars | Year ended March31, 2021 | Year ended March31, 2020 |
|---|---|---|
| Leave encashment | 4.11 | 3.49 |
| | 4.11 | 3.49 |

# Notes to the Consolidated Financial Statements

(₹in Crores)

**Note 32 : Related Party Transactions**

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

| Name of Related Parties | Nature of Relationship |
|---|---|
| Arvind Limited | Enterprise having significant influence by Non-Executive Director |
| Arvind Ruf & Tuf Private Limited | Enterprise having significant influence by Key Management Personnel |
| Arvind True Blue Limited | Enterprise having significant influence by Key Management Personnel |
| Arvind Premium Retail Limited | Enterprise having significant influence by Key Management Personnel |
| Arvind Goodhill Suit Manufacturing Private Limited | Enterprise having significant influence by Non-Executive Director |
| Arvind Internet Limited | Enterprise having significant influence by Non-Executive Director |
| Arvind Envisol Limited | Enterprise having significant influence by Non-Executive Director |
| Aura Securities Private Limited | Enterprise having significant influence by Non-Executive Director |
| PVH B.V. | Joint Venture Partners /LLP of the Company |
| Tommy Hilfiger Europe B.V. | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| PVH Corp. | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| Tommy Hilfiger (HK) Limited | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| Tommy Hilfiger Asia Limited | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| Tommy Hilfiger Licensing LLC | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| PVH Hongkong Services Limited | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| PVH Hongkong Sourcing Service Limited | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| PVH Asia Limited | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| PVH Far East Limited | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| PVH Europe, Inc. | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| PVH Neckwear Inc. | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| Calvin Klein Inc. | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| Calvin Klein Europe BV | Owned/ controlled by the joint ventures partners directly/ Indirectly |
| Suresh Jayaraman | Key Management Personnel , Managing Director and CEO up to February 1, 2021 and Additional Director of the Company w.e.f. February 02, 2021 |
| Shailesh Shyam Chaturvedi | Key Management Personnel, Additional Director of the Company w.e.f. November 12, 2020 and Managing Director & CEO w.e.f. February 01, 2021 |
| Pramod Kumar Gupta, Chief Financial Officer | Key Management Personnel |
| Vijay Kumar BS , Company Secretary | Key Management Personnel |
| Sanjaybhai S. Lalbhai | Non-Executive Director |
| Jayesh K. Shah | Non-Executive Director upto November 12, 2020 |
| Nithya Easwaran | Non-Executive Director |
| Kulin S. Lalbhai | Non-Executive Director |
| Punit S. Lalbhai | Non-Executive Director |
| Nilesh D. Shah | Non-Executive Director |
| Abanti Sankaranarayanan | Non-Executive Director |
| Vallabh R. Bhanshali | Non-Executive Director |
| Nagesh D. Pinge | Non-Executive Director |
| Achal A. Bakeri | Non-Executive Director |
| Vani Kola | Non-Executive Director |
| Arvind Youth Brands Limited Employee Group Gratuity Trust | Trust |

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

# Notes to the Consolidated Financial Statements

(₹in Crores)

**b Transactions with related parties for the year ended March 31, 2021 and years ended March 31, 2020.**

| Particulars | Key Managerial Personnel and Non Executive Directors | Enterprise having significant influence by Key Management Personnel and Non-Executive Director | Joint Venture Partners/ LLP of the Company | Entities Owned/ Controlled by the joint venture partners directly/ indirectly | Trust |
|---|---|---|---|---|---|
| **Purchase of Goods and Materials (Net)** | | | | | |
| March 31, 2021 | - | 10.18 | - | 29.09 | - |
| March 31, 2020 | - | 45.04 | 2.75 | 66.39 | - |
| **Purchase of Property, Plant & Equipment and Intangible Assets** | | | | | |
| March 31, 2021 | - | - | - | - | - |
| March 31, 2020 | - | 20.78 | - | - | - |
| **Sales of Goods and Materials** | | | | | |
| March 31, 2021 | - | 0.24 | - | - | - |
| March 31, 2020 | - | 5.22 | - | - | - |
| **Sales Return of Goods and Materials** | | | | | |
| March 31, 2021 | - | 0.58 | - | - | - |
| March 31, 2020 | - | - | - | - | - |
| **Sale of Property, Plant & Equipment** | | | | | |
| March 31, 2021 | - | 0.45 | - | - | - |
| March 31, 2020 | - | - | - | - | - |
| **Receiving of Services-Royalty** | | | | | |
| March 31, 2021 | - | - | - | 32.96 | - |
| March 31, 2020 | - | - | 32.83 | 12.19 | - |
| **Receiving of Services-Shared services and Others** | | | | | |
| March 31, 2021 | - | 0.12 | - | 1.88 | - |
| March 31, 2020 | - | 0.41 | - | 1.92 | - |
| **Receiving of Services-Commission** | | | | | |
| March 31, 2021 | - | 1.66 | - | - | - |
| March 31, 2020 | - | 5.94 | - | - | - |
| **Receiving of Services-Others** | | | | | |
| March 31, 2021 | - | 9.41 | - | - | - |
| March 31, 2020 | - | 12.78 | - | - | - |
| **Rendering of Services-Shared service** | | | | | |
| March 31, 2021 | - | 1.14 | - | - | - |
| March 31, 2020 | - | 19.29 | - | - | - |
| **Interest Expense** | | | | | |
| March 31, 2021 | - | 1.34 | - | - | - |
| March 31, 2020 | - | 0.10 | - | - | - |

# Notes to the Consolidated Financial Statements

**b Transactions with related parties for the year ended March 31, 2021 and years ended March 31, 2020.**

(₹in Crores)

| Particulars | Key Managerial Personnel and Non Executive Directors | Enterprise having significant influence by Key Management Personnel and Non-Executive Director | Joint Venture Partners/ LLP of the Company | Entities Owned/ Controlled by the joint venture partners directly/ indirectly | Trust |
|---|---|---|---|---|---|
| **Remuneration** | | | | | |
| March 31, 2021 | 5.49 | - | - | - | - |
| March 31, 2020 | 6.07 | - | - | - | - |
| **Sitting Fees** | | | | | |
| March 31, 2021 | 0.09 | - | - | - | - |
| March 31, 2020 | 0.11 | - | - | - | - |
| **Contribution Given for Employee Benefit Plans** | | | | | |
| March 31, 2021 | - | - | - | - | 0.48 |
| March 31, 2020 | - | - | - | - | 2.95 |
| **Loan Taken/(Repayment of Loan)** | | | | | |
| March 31, 2021 | - | (50.00) | - | - | - |
| March 31, 2020 | - | 50.00 | - | - | - |
| **Issue of Equity shares** | | | | | |
| March 31, 2021 | 3.72 | 171.25 | 2.00 | - | - |
| March 31, 2020 | - | - | - | - | - |

**c Balances**

| Particulars | Key Managerial Personnel and Non Executive Directors | Enterprise having significant influence by Key Management Personnel and Non-Executive Director | Joint Venture Partners/ LLP of the Company | Entities Owned/ Controlled by the joint venture partners directly/ indirectly | Trust |
|---|---|---|---|---|---|
| **Trade and Other Receivable** | | | | | |
| March 31, 2021 | - | 1.84 | - | - | - |
| March 31, 2020 | - | 2.20 | - | - | - |
| **Trade and Other Payable** | | | | | |
| March 31, 2021 | - | 32.22 | - | 16.30 | - |
| March 31, 2020 | - | 43.60 | - | - | - |
| **Payable in respect of Loans** | | | | | |
| March 31, 2021 | - | - | - | - | - |
| March 31, 2020 | - | 50.08 | - | - | - |

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

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

2) Loans given by related party carries interest rate of 8.5% (March 31, 2020 : 8.5%)

# Notes to the Consolidated Financial Statements

(₹in Crores)

**e Commitments with related parties**

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

**f Transactions with key management personnel**

Compensation of key management personnel of the Group

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Short-term employee benefits | **4.78** | 5.55 |
| Termination benefits | **0.10** | 0.09 |
| Share based payments | **0.61** | 0.43 |
| **Total compensation paid to key management personnel** | **5.49** | 6.07 |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. The amount recognised as an expense during the year for share based payment in respect of Directors is Rs 1.57 Crores (March 31, 2020 Rs. 0.06 Crores )

## Note 33 : Earnings per share (Basic and Diluted)

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Total no. of equity shares at the end of the year | **11,34,87,487** | 5,86,79,364 |
| Nominal value of equity shares | **4** | 4 |
| **Weighted average number of equity shares** | | |
| Weighted average number of equity shares for basic EPS | **9,28,38,211** | 7,77,46,252 |
| Effect of dilution: Share options | **62,725** | 5,53,183 |
| Weighted average number of equity shares adjusted for the effect of dilution | **9,29,00,936** | 7,82,99,435 |
| **A. EPS - Continuing Operations** | | |
| Profit/(Loss) attributable to ordinary equity holders | **(579.78)** | (400.74) |
| Add/Less: (Profit)/Loss before tax from Discontinuing Operations | **102.67** | 39.29 |
| Less: Amount Debited to Securities Premium | **(4.22)** | 0.00 |
| Adjusted Profit/(Loss) for the year for EPS Calculation | **(481.33)** | (361.45) |
| **Weighted average number of equity shares** | | |
| For basic EPS | **9,28,38,211** | 7,77,46,252 |
| For diluted EPS | **9,29,00,936** | 7,82,99,435 |
| Basic earnings per share | **(51.85)** | (46.49) |
| Diluted earnings per share | **(51.81)** | (46.16) |
| **B. EPS - Discontinuing Operations** | | |
| Profit/(Loss) before tax for the year from Discontinuing Operations | **(102.67)** | (39.29) |
| **Weighted average number of equity shares** | | |
| For basic EPS | **9,28,38,211** | 7,77,46,252 |
| For diluted EPS | **9,29,00,936** | 7,82,99,435 |
| Basic earnings per share | **(11.06)** | (5.05) |
| Diluted earnings per share | **(11.05)** | (5.02) |

# Notes to the Consolidated Financial Statements

(₹in Crores)

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **C. EPS - Continuing and Discontinuing Operations** | | |
| Total Profit/(Loss) attributable to ordinary equity holders | **(579.78)** | (400.74) |
| Less: Amount Debited to Securities Premium | **(4.22)** | - |
| Adjusted Profit/(Loss) for the year for EPS Calculation | **(584.00)** | (400.74) |
| **Weighted average number of equity shares** | | |
| For basic EPS | **9,28,38,211** | 7,77,46,252 |
| For diluted EPS | **9,29,00,936** | 7,82,99,435 |
| Basic earnings per share | **(62.91)** | (51.54) |
| Diluted earnings per share | **(62.86)** | (51.18) |

Pursuant to Ind AS 33 - Earnings Per Share, basic and diluted earnings per share for the previous year have been restated for the bonus element in respect of right issue.

#All numbers are in Rs. Crores except weighted average number of equity shares, nominal value of Shares and Basic and Diluted EPS

## Note 34 : Share based payments

**Arvind Fashions Limited (AFL)**

The Company has instituted Employee Stock Option Scheme 2016 ("ESOP 2016") and Employee Stock Option Scheme 2018 ("ESOP 2018"), pursuant to the approval of the shareholders of the Company at their General Meeting held on October 15, 2016 and on May 12, 2018 respectively. Up to March 31, 2021, the Company has granted 32,48,049 options under ESOP 2016 and issued 3,15,200 options under ESOS 2018 in lieu of demerger under the Scheme and convertible into equal number of Equity Shares of face value of Rs. 4 each. The following table sets forth the particulars of the options granted during the year ended 31st March 2021 under ESOS 2016 and ESOS 2018

**The following table sets forth the particulars of ESOP 2016 :**

| Scheme | | ESOP 2016 | | |
|---|---|---|---|---|
| Date of grant | 26-Jul-20 | 26-Jul-20 | 02-Sep-20 | 30-Dec-20 |
| Number of options granted | 1,75,000 | 25,000 | 4,85,000 | 2,00,000 |
| Exercise price per option | Rs. 140 | Rs. 50 | Rs. 141.3 | Rs. 157.15 |
| Vesting period | | Over a period of 4 years | | |
| Vesting requirements | Time based vesting | Time based vesting vesting | Time based vesting | Time based vesting |
| Exercise period | | 5 years from the date of vesting | | |
| Method of settlement | | Equity | | |

# Notes to the Consolidated Financial Statements

(₹in Crores)

**The following tables set forth a summary of the activity of options:**

| Particulars | ESOP 2016 | | | |
|---|---|---|---|---|
| | March 31, 2021 | Weighted average exercise price per option (Rs.) # | March 31, 2020 | Weighted average exercise price per option (Rs.) |
| **Options** | | | | |
| Outstanding at the beginning of the year | 11,57,445 | 415.04 | 16,87,193 | 343.41 |
| Issued during the year | 8,85,000 | 142.05 | 3,35,000 | 369.72 |
| Vested but not exercised at the beginning of the year | - | | - | |
| Granted during the year | - | | - | |
| Forfeited during the year | (29,923) | 134.82 | (1,80,057) | 356.46 |
| Exercised during the year | (27,000) | 43.27 | (6,84,691) | 135.86 |
| Outstanding at the end of the year | 19,85,522 | 302.64 | 11,57,445 | 471.77 |
| Exercisable at the end of the year | 5,69,835 | 409.01 | 1,24,178 | 710.20 |

# Price adjusted due to Right Issue bonus factor of Rs. 56.73 per option outstanding

| Particulars | ESOP 2018 | | | |
|---|---|---|---|---|
| | March 31, 2021 | Weighted average exercise price per option (Rs.) # | March 31, 2020 | Weighted average exercise price per option (Rs.) |
| **Options** | | | | |
| Outstanding at the beginning of the year | 3,15,200 | 834.13 | 3,15,200 | 890.86 |
| Issued during the year | - | | - | |
| Vested but not exercised at the beginning of the year | - | | - | |
| Granted during the year | - | | - | |
| Forfeited during the year | - | | - | |
| Exercised during the year | - | | - | |
| Outstanding at the end of the year | 3,15,200 | 834.13 | 3,15,200 | 890.86 |
| Exercisable at the end of the year | 3,15,200 | 834.13 | 1,80,000 | 890.86 |

# Price adjusted due to Right Issue bonus factor of Rs. 56.73 per option outstanding

**Share Options Exercised Year ending March 31, 2021**

| Option Series | No. of Options | Exercise Date | Weighted Average Share Price at Exercise Date |
|---|---|---|---|
| ESOS 2016 | 27,000 | 29-Dec-20 | 43.27 |

# Notes to the Consolidated Financial Statements

**Share Options Exercised Year ending March 31, 2020**

(₹in Crores)

| Option Series | No. of Options | Exercise Date | Weighted Average Share Price at Exercise Date |
|---|---|---|---|
| ESOS 2016* | 1,58,725 | 12-Mar-19 | 121.58 |
| ESOS 2016* | 2,94,510 | 13-Mar-19 | 127.28 |
| ESOS 2016* | 75,242 | 14-Mar-19 | 144.72 |
| ESOS 2016* | 7,417 | 15-Mar-19 | 179.92 |
| ESOS 2016* | 68,477 | 18-Mar-19 | 169.21 |
| ESOS 2016* | 25,647 | 19-Mar-19 | 105.58 |
| ESOS 2016* | 8,688 | 20-Mar-19 | 177.90 |
| ESOS 2016* | 1,279 | 26-Mar-19 | 189.64 |
| ESOS 2016 | 8,308 | 16-Aug-19 | 105.58 |
| ESOS 2016 | 1,279 | 21-Aug-19 | 189.64 |
| ESOS 2016 | 21,470 | 26-Aug-19 | 189.64 |
| ESOS 2016 | 1,023 | 29-Aug-19 | 189.64 |
| ESOS 2016 | 2,046 | 04-Sep-19 | 189.64 |
| ESOS 2016 | 1,279 | 09-Sep-19 | 212.00 |
| ESOS 2016 | 2,046 | 10-Sep-19 | 189.64 |
| ESOS 2016 | 5,755 | 11-Sep-19 | 212.00 |
| ESOS 2016 | 1,500 | 15-Sep-19 | 189.64 |

* Allotment of Shares made in April 2019

The share options outstanding at the end of the year under ESOP 2016 have a weighted average remaining contractual life of 6.87 years (March 31, 2020: 6.91 years). The range of exercise price is from Rs. 43.27 to Rs. 1,324.35.

The share options outstanding at the end of the period under ESOP 2018 have a weighted average remaining contractual life of 1.26 years (March 31, 2020: 2.26 years). The range of exercise price is from Rs. 612.78 to Rs. 1000.38.

| Particulars | ESOP 2016 | ESOP 2018 |
|---|---|---|
| Share price as at measurement date | Rs. 146.25 | |
| Expected volatility | 48.13% | |
| Expected life (years) | 2.98years | No grants were made during the period |
| Dividend yield | 0% | |
| Risk-free interest rate (%) | 4.82% | |

**Expense arising from share-based payment transactions**

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

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| Employee option plan | **5.82** | 3.74 |
| **Total employee share based payment expense** | **5.82** | 3.74 |

**Note 35 : Leases**

A. The Group has adopted modified retrospective approach as per para C8 (C) (i) of Ind-AS 116 "Leases" to its leases. Consequently, the Group has recorded lease liability of Rs. 1330.95 Crores calculated as the present value of the remaining lease payments discounted at the incremental borrowing rate. Right of use asset has been recognised at Rs. 1117.89 Crores determined at net of the amount calculated by applying the standard since the date of the commencement of lease (including regrouped from Prepaid Rent of Rs. 2.95 Crores) and the resulting depreciation up to the date of adoption. The net effect of Rs. 139.37 Crores (net of (a) deferred tax asset of Rs. 68.42 Crores and (b) Share of Non Controlling Interest of Rs. 8.22 Crores) on initial application of Ind AS 116 has been adjusted to retained earnings as on April 1, 2019.

**B.** The Group 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:

# Notes to the Standalone Financial Statements

(₹in Crores)

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

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| Balance at the beginning of the year | 733.69 | - |
| Recognition of right of use asset on adoption of Ind AS 116 | - | 1,114.94 |
| Regrouping on adoption of Ind AS 116 | - | 2.95 |
| Additions | 203.29 | 186.17 |
| Deletions | (93.06) | (307.61) |
| Depreciation | (179.38) | (262.76) |
| **Balance at the end of the year** | **664.54** | 733.69 |

**D. Movement in lease liabilities**

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| Balance at the beginning of the year | 918.32 | - |
| Recognition of Lease Liability on adoption of Ind AS 116 | - | 1,330.95 |
| Additions | 201.75 | 186.17 |
| Deletions | (117.86) | (360.22) |
| Adjustment due to Rent Waivers (Refer Note a below) | (98.75) | - |
| Finance cost accrued during the year | 71.89 | 109.67 |
| Payment of lease labilities | (163.47) | (348.25) |
| **Balance at the end of the year** | **811.88** | 918.32 |

Note (a) The Ministry of Corporate Affairs vide notification dated July 24, 2020, issued an amendment to Ind AS 116-Leases, by inserting a practical expedient w.r.t "Covid-19-Related Rent Concessions" effective from the period beginning on or after April 01, 2020. Pursuant to the above amendment, the Group has applied the practical expedient by accounting the unconditional rent concessions of Rs. 98.75 Crores for year ended March 31, 2021 in Other Income.

**E. Contractual maturities of lease liabilities on discounted basis are as follows:**

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| Less than one year | 160.27 | 87.70 |
| One to five years | 440.07 | 514.97 |
| More than five years | 211.54 | 315.65 |
| **Total** | **811.88** | 918.32 |

**F.** The group 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 amount recognised in the statement of profit or loss are as follows:

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| Depreciation expense of right-of-use assets | 179.38 | 262.76 |
| Interest expense on lease liabilities | 71.89 | 109.67 |
| Rent expense - short-term lease and leases of low value assets | 23.17 | 16.09 |
| **Total** | **274.44** | 388.52 |

# Notes to the Standalone Financial Statements

(₹in Crores)

## Note 36 : Corporate Social Responsibility (CSR) Activities

| Particulars | | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|---|
| a) | Gross amount required to be spent by the Company during the year | **0.92** | 1.12 |
| b) | Amount spent during the year on, | | |
| | (i) Construction/acquisition of any asset | **-** | - |
| | (ii) On purposes other than (i) above (including Rs 0.95 Crores pertaining to previous year) | **1.87** | 0.17 |
| c) | Amount unspent during the year | **-** | 0.95 |

## Note 37 : Fair value disclosures for financial assets and financial liabilities

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

| Particulars | As at March 31,2021 | As at March 31,2020 |
|---|---|---|
| **Financial liabilities** | | |
| Borrowings | | |
| Carrying Amount | **943.04** | 1,243.84 |
| Fair Value | **943.04** | 1,243.84 |
| Compulsory Convertible Preference Shares classified as debt | | |
| Carrying Amount | **142.95** | - |
| Fair Value | **142.95** | - |

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

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

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

The fair value of Composability Convertible Preference Shares is calculated considering Monte Carlo Simulation to arrive at conversion ratio and discounted cashflow method to arrive at Equity Value.

## Note 38 : Fair value hierarchy

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

| Particulars | Date of valuation | Fair value measurement using | | | |
|---|---|---|---|---|---|
| | | Total | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Liabilities measured at fair value** | | | | | |
| **Fair value through Other Comprehensive Income** | | | | | |
| Foreign Exchange Forward Contracts (Cash Flow Hedge) | March 31, 2021 | 0.49 | - | 0.49 | - |
| | March 31, 2020 | - | - | - | - |
| **Fair value through Statement of Profit and Loss** | | | | | |
| Compulsory Convertible Preference Shares classified as debt | March 31, 2021 | 142.95 | - | - | 142.95 |
| | March 31, 2020 | - | - | - | - |

# Notes to the Standalone Financial Statements

(₹in Crores)

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 March 2021 are as shown below:

| Particulars | Significant unobservable inputs | Sensitivity Level | Increase / (Decrease) |
|---|---|---|---|
| | WACC Sensitivity | **0.50%** | 3.75 |
| Compulsory Convertible Preference Shares | | **-0.50%** | (3.75) |
| | EBIDTA Margin | **0.50%** | 4.10 |
| | | **-0.50%** | (4.10) |

**Fair value hierarchy**

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments that have quoted price. The fair value of all equity instruments which are traded in the stock exchanges is valued using the closing price as at the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3.

There are no transfer between level 1, 2 and 3 during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

## Note 39 : Financial instruments risk management objectives and policies

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

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

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

**(a) Market risk**

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

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

- a parallel shift of 50-basis points of the interest rate yield curves in all currencies.
- a simultaneous, parallel foreign exchange rates shift in which the INR appreciates / depreciates against all currencies by 2%

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

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

# Notes to the Consolidated Financial Statements

(₹in Crores)

The following assumption has been made in calculating the sensitivity analysis:

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

**Interest rate risk**

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. As at March 31, 2021, approximately 16% of the Group's Borrowings are at fixed rate of interest (March 31, 2020: 16%)

**Interest rate sensitivity**

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

| Particulars | Effect on profit before tax |
|---|---:|
| **March 31, 2021** | |
| Increase in 50 basis points | **(4.69)** |
| Decrease in 50 basis points | **4.69** |
| **March 31, 2020** | **(5.26)** |
| Increase in 50 basis points | **5.26** |
| Decrease in 50 basis points | |

**Exclusion from this analysis are as follows:**

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

**Foreign currency risk**

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

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

**Foreign currency sensitivity**

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

| Particulars | Change in USD rate | Effect on profit before tax | Change in EUR rate | Effect on profit before tax | Change in SEK rate | Effect on profit before tax |
|---|---:|---:|---:|---:|---:|---:|
| March 31, 2021 | +2% | (1.06) | +2% | (0.02) | +2% | (0.01) |
| | -2% | 1.06 | -2% | 0.02 | -2% | 0.01 |
| March 31, 2020 | +2% | (1.78) | +2% | (0.01) | +2% | (0.01) |
| | -2% | 1.78 | -2% | 0.01 | -2% | 0.01 |

Although the financial instruments have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

# Notes to the Consolidated Financial Statements

(₹in Crores)

**(b) Credit risk**

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

**Trade receivables**

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

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

**Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties who meets the minimum threshold requirements under the counterparty risk assessment process. The Group monitors the ratings, credit spreads and financial strength of its counterparties. Based on its on-going assessment of counterparty risk, the group adjusts its exposure to various counterparties. The Group's maximum exposure to credit risk for the components of the Balance sheet as is the carrying amount as disclosed in Note 37.

**(c) Liquidity risk**

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

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

| Particulars | Less than 1 year | 1 year or More |
|---|---|---|
| **As at March 31, 2021** | | |
| Interest bearing borrowings | 785.78 | 157.26 |
| Lease Liabilities | 160.27 | 651.61 |
| Trade payables | 931.80 | - |
| Security deposits from customers | 13.87 | 68.50 |
| Compulsory Convertible Preference Shares classified as debt | - | 142.95 |
| Other financial liabilities# | 66.42 | - |
| | **1,958.14** | **1,020.32** |
| **As at March 31, 2020** | | |
| Interest bearing borrowings | 1,081.06 | 162.78 |
| Lease Liabilities | 87.70 | 830.62 |
| Trade payables | 1,325.30 | - |
| Security deposits from customers | 1.87 | 79.00 |
| Other financial liabilities# | 105.73 | - |
| | **2,601.66** | **1,072.40** |

# Other financial liabilities includes interest accrued but not due of Rs. 11.34 Crores (March 31, 2020: Rs. 12.72 Crores)

# Notes to the Consolidated Financial Statements

(₹in Crores)

**Excessive risk concentration**

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

## Note 40 : Capital management

For the purpose of the Group's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Group. The primary objective of the Group'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 Group 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 Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings less cash and short-term deposits (including other bank balance)..

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Interest-bearing loans and borrowings (Note 13) | **943.04** | 1,243.84 |
| Less: Cash and Cash equivalent (including other bank balance and Book Overdraft) (Refer Note 7(c), 7(d) and 13(c)) | **(15.90)** | (13.51) |
| **Net debt** | **927.14** | 1,230.33 |
| Equity share capital (Note 11) | **42.43** | 23.47 |
| Other equity (Note 12) | **479.55** | 573.83 |
| Total capital | **521.98** | 597.30 |
| **Capital and net debt** | **1,449.12** | 1,827.63 |
| Gearing ratio | **63.98%** | 67.32% |

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements and other ratios. Breaches in meeting the financial covenants would permit the bank to charge penal interest or immediately call borrowings. There have been breaches in the financial covenants of borrowing as at March 31, 2021 but it don't require accelerated payments. Accordingly, the management has considered the classification of loan based upon the original repayment schedule.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2021, March 31, 2020.

## Note 41 : Business Combination

**Summary of business combinations during the year**

In the board meetings held on November 4, 2019, the respective Board of Directors of Tommy Hilfiger Arvind Fashion Private Limited (""TH"") and Calvin Klein Arvind Fashion Private Limited (""CK"") have approved the scheme of amalgamation between TH and CK pursuant to provisions of Section 230 to 232 of the Companies Act, 2013 whereby it is proposed to amalgamate TH into CK.

The National Company Law Tribunal (NCLT), vide its order dated July 14, 2020 has approved the scheme of amalgamation of TH with CK now renamed as PVH Arvind Fashion Private Limited. The scheme has become effective with appointed date i.e. April 01, 2019. The above transaction of Business Transfer is a Business Combination under Common control as per Appendix C - Business combinations of entities under common control of Ind AS 103 - Business Combination, hence the consolidated financial results of previous periods have been restated.

## Note 42 : COVID-19

Due to Covid19, the fashion business has been severely impacted. This initially led to lower sales, resulting into inventory build-up and slower collection of receivables. With easing of lockdown restrictions, the Group's performance for few period has been progressively better, until the same was once again impacted somewhat in the last quarter at the end of the year due to second wave of Covid 19.

With objectives of faster releasing cash and have fresh inventory offered to customers, the Group decided to offer higher discounts to liquidate old inventory rapidly and take back goods sold from customers where collection of funds was getting delayed to sell it through other channels for faster liquidation. In order to achieve these objectives, the Group has made special provision which are disclosed under Exceptional Item as per Note 25"

The Group believes that this pandemic is not likely to impact the recoverability of the carrying value of its assets further. The Group is closely monitoring the developments and possible effects that may result from the present pandemic on its financial condition, liquidity and operations and working to minimize the impact of this unprecedented situation. As the situation is continuously evolving, the eventual impact may be different from the estimates made as of the date of approval of these Financials.

# Notes to the Consolidated Financial Statements

(₹in Crores)

**Note 43 : Discontinuing Operations**

The Management of Arvind Lifestyle Brands Limited (ALBL), a wholly owned subsidiary of the Company has decided to discontinue Brands like GAP, Hanes, New Port, The Children's Place and Ruf & Tuf. Accordingly, the activities of these brands business that are considered as disposal group are presented as a discontinued operation in accordance with the provisions of Indian Accounting Standard 105 – 'Non-current Assets Held for Sale and Discontinued Operations'. Consequently, Loss before tax and tax expenses relating to these brands business have been disclosed separately as discontinued operations as part of the above results. The previous years have been re-classified to give effect to the presentation requirements of Ind AS 105: Non-current Assets Held for Sale and Discontinued Operations.

**Details of Assets and liabilities related to discontinued brands classified as Held for Sale:**

| Particulars | As at March 31, 2021 |
|---|---|
| **Assets:** | |
| Property, plant and equipment | 9.09 |
| Other financial assets | 14.39 |
| Inventories | 69.56 |
| Trade receivables | 29.67 |
| **Total assets** | **122.71** |
| **Liabilities** | |
| Trade payables | 41.79 |
| **Total liabilities** | **41.79** |

**Results of discontinued operations for the year are presented below:**

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|---|---|---|
| **Revenue from operations** | | |
| Sale of products | 134.15 | 251.90 |
| Other operating income | 0.50 | 0.83 |
| **Total revenue from operations** | **134.65** | **252.73** |
| **Expenses** | | |
| Purchases of stock-in-trade | 94.64 | 139.22 |
| Employee benefits expense | 19.97 | 36.17 |
| Finance costs | 10.78 | 15.56 |
| Depreciation and Amortisation | 31.36 | 16.85 |
| Other expenses | 80.57 | 104.02 |
| **Total expenses** | **237.32** | **311.82** |
| **Profit/(Loss) before exceptional items and tax** | **(102.67)** | **(59.09)** |
| Exceptional items | - | - |
| **Profit before tax** | **(102.67)** | **(59.09)** |
| **Tax expense** | | |
| Deferred tax charge | - | (19.80) |
| **Profit after tax** | **(102.67)** | **(39.29)** |

# Notes to the Consolidated Financial Statements

(₹in Crores)

**Details of Net Cash Flows of discontinued operations for the year are presented below:**

| Particulars | Year Ended March 31, 2021 |
|---|---|
| Net Cash flow received/ (used in)Operating Activities (A) | (48.84) |
| Net Cash flow received/ (used in) Investing Activities (B) | (10.78) |
| Net Cash flow received/ (used in) Financing Activities | - |

## Note 44 : Interest in Other Entities

**(1) The Consolidated Financial Statements present the consolidated accounts of Arvind Fashions Limited with its subsidiaries and controlled joint ventures**

| Sl. No. | Name of Entities | Country of Incorporation | Activities | Proportion of ownership of interest March 31, 32021 | Proportion of ownership of interest March 31, 2020 |
|---|---|---|---|---|---|
| | **Subsidiaries** | | | | |
| 1 | Arvind Lifestyle Brands Limited | India | Branded Garments | 100% | 100% |
| 2 | Arvind Beauty Brands Retail Private Limited | India | Beauty Products | 100% | 100% |
| 3 | Arvind Youth Brands Private Limited * | India | Branded Garments | 100% | 100% |
| 4 | Value Fashion Retail Limited * | India | Branded Garments | 100% | 100% |
| | **Controlled joint ventures** | | | | |
| 5 | PVH Arvind Fashion Private Limited (previously known as Calvin Klein Arvind Fashion Private Limited) | India | Branded Garments | 50% | 50% |
| 6 | Tommy Hilfiger Arvind Fashion Private Limited | India | Branded Garments | - | 50% |

*Held by Arvind Lifestyle Brands Limited

**(2) Material - party owned subsidiaries**

IND AS 112.12 requires the disclosure of financial information in respect of subsidiaries that have non-controlling interests that are material to the reporting entity (i.e. the Group). A subsidiary may have significant non-controlling interest per se but disclosure is not required if that interest is not material at the Group level. Similarly, these disclosures do not apply to the non-controlling interests that are material in aggregate but not individually.

The Group does not have any subsidiaries that have non-controlling interests that are material to the Group.

# Notes to the Consolidated Financial Statements

(₹in Crores)

## Note 45 : Disclosures Mandated by Schedule III of Companies Act 2013

| Name of Entities | 2020-21 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Net Assets i.e. Total Assets minus Total Labilities | | Share in Profit | | Share in other Comprehensive Income | | Share in Total Comprehensive Income | |
| | As a % of consoli-dation net assets | ₹ In Crores | As a % of consoli-dation net assets | ₹ In Crores | As a % of consoli-dation net assets | ₹ In Crores | As a % of consoli-dation net assets | ₹ In Crores |
| **Parent :** | | | | | | | | |
| Arvind Fashions Limited | 77% | 1,794.98 | 12% | (59.41) | 0% | 0.01 | 11% | (59.40) |
| **Subsidiaries/Control Joint Venture :** | | | | | | | | |
| Arvind Beauty Brands Retail Private Limited | 2% | 40.98 | 6% | (31.21) | -1% | 0.04 | 6% | (31.17) |
| Arvind Lifestyle Brand Limited | 18% | 411.12 | 74% | (375.73) | -46% | 1.24 | 72% | (374.49) |
| PVH Arvind Fashion Private Limited (previously known as Calvin Klein Arvind Fashion Private Limited) | 6% | 138.84 | 6% | (32.42) | 150% | (4.06) | 7% | (36.48) |
| Value Fashion Retail Limited | -1% | (12.00) | 2% | (12.01) | -1% | - | 2% | (12.01) |
| Arvind Youth Brands Private Limited | -2% | (49.00) | 1% | (5.57) | -3% | 0.08 | 1% | (5.49) |
| **Sub Total** | **100%** | **2,324.92** | **101%** | **(516.35)** | **99%** | **(2.69)** | **99%** | **(519.04)** |
| Inter Company Eliminations and Consolidations Adjustment | | 1,802.94 | | 63.43 | | (2.04) | | 61.39 |
| **Total** | | **521.98** | | **(579.78)** | | **(0.65)** | | **(580.43)** |
| Non Controlling Interest in Subsidiaries | | 69.42 | | (16.21) | | (2.03) | | (18.24) |
| **Grand Total** | | **591.40** | | **(595.99)** | | **(2.68)** | | **(598.67)** |

| Name of Entities | 2019-20 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Net Assets i.e. Total Assets minus Total Labilities | | Share in Profit | | Share in other Comprehensive Income | | Share in Total Comprehensive Income | |
| | As a % of consoli-dation net assets | ₹ In Crores | As a % of consoli-dation net assets | ₹ In Crores | As a % of consoli-dation net assets | ₹ In Crores | As a % of consoli-dation net assets | ₹ In Crores |
| **Parent :** | | | | | | | | |
| Arvind Fashions Limited | 68% | 1,349.26 | 1% | (4.89) | -3% | (0.17) | 1% | -5.06 |
| **Subsidiaries/Control Joint Venture :** | | | | | | | | |
| Arvind Beauty Brands Retail Private Limited | 2% | 44.91 | 4% | (15.50) | -3% | (0.14) | 4% | (15.64) |
| Arvind Lifestyle Brand Limited | 21% | 428.14 | 95% | (345.01) | 11% | 0.60 | 96% | (344.41) |
| PVH Arvind Fashion Private Limited (previously known as Calvin Klein Arvind Fashion Private Limited) | 2% | 39.27 | -1% | 2.58 | 31% | 1.71 | -1% | 4.29 |
| Value Fashion Retail Limited | 0% | 0.01 | 0% | - | 0% | 0.00 | 0% | - |
| Arvind Youth Brands Private Limited | 0% | 0.01 | 0% | - | 0% | 0.00 | 0% | - |
| Tommy Hilfiger Arvind Fashion Private Limited | 7% | 138.45 | 0% | 0.33 | 63% | 3.44 | -1% | 3.77 |
| **Sub Total** | **100%** | **2,000.05** | **100%** | **(362.49)** | **100%** | **5.44** | **100%** | **(357.05)** |
| Inter Company Eliminations and Consolidations Adjustment | | 1,402.75 | | (382.42) | | 1.98 | | 40.23 |
| **Total** | **-** | **597.30** | **-** | **19.93** | **-** | **3.46** | **-** | **(397.28)** |
| Non Controlling Interest in Subsidiaries | | 87.66 | | 1.55 | | 3.16 | | 4.71 |
| **Grand Total** | | **684.96** | | **21.48** | | **6.62** | | **(392.57)** |

# Notes to the Consolidated Financial Statements

**Note 46 : Code of Social Security, 2020**

The Parliament of India has approved the Code of Social Security, 2020 (the Code) which may impact the contribution by the Group towards Provident Fund, Gratuity and ESIC. The Code have been published in the Gazette of India. However effective date has yet not been notified. The Group will access the impact of the Code and will record related impact in the period it becomes effective.

**Note 47 : New Accounting Pronouncements to be adopted on March 31, 2021**

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

**Note 48 : Regrouped, Recast, Reclassified**

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

**Note 49 : Events occurring after the reporting period**

The Group evaluates events and transactions that occur subsequent to the balance sheet date but prior to the approval of financial statements to determine the necessity for recognition and/or reporting of subsequent events and transactions in the financial statements. As of June 03, 2021, there were no subsequent events and transactions to be recognized or reported that are not already disclosed.

## FORM AOC - 1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures**

**Part "A": Subsidiaries and Controlled Joint Ventures**

(₹in Crores)

| Sr. no. | Particulars | Name of the subsidiary | | | | |
|---|---|---|---|---|---|---|
| | | Arvind Lifestyle Brands Limited | Arvind Beauty Brands Retail Private Limited | PVH Arvind Fashion Private Limited (Controlled Joint Venture) | Arvind Youth Brands Private Limited | Value Fashion Retail Limited |
| 1. | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | No | No | No | Yes | No |
| 2. | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | INR | INR | INR | INR | INR |
| 3. | Share capital | 132.70 | 7.69 | 5.00 | 112.70 | 0.01 |
| 4. | Reserves & surplus | 298.42 | 33.29 | 133.84 | (160.86) | (12.01) |
| 5. | Total assets | 2,437.46 | 205.51 | 507.86 | 340.05 | 28.42 |
| 6. | Total Liabilities | 2,006.34 | 164.53 | 369.02 | 388.20 | 40.42 |
| 7. | Investments | 68.08 | - | - | - | |
| 8. | Turnover (Total Income) | 1,166.34 | 141.23 | 471.84 | 263.97 | - |
| 9. | Profit/(Loss) before taxation | (375.91) | (32.79) | (32.42) | (42.90) | (12.00) |
| 10. | Provision for taxation | (0.18) | (1.58) | - | 1.02 | - |
| 11. | Profit/(Loss) after taxation | (375.73) | (31.21) | (32.42) | (43.92) | (12.00) |
| 12. | Proposed Dividend and tax (including cess thereon) | Nil | Nil | Nil | Nil | Nil |
| 13. | % of shareholding | 100% | 100% | 50% | 100% | 100% |

1. Names of subsidiaries which are yet to commence operations: Not Applicable
2. Names of subsidiaries which have been liquidated or sold during the year: Not Applicable

**Part "B": Associates and Joint Ventures – Not Applicable**

**For and on behalf of Board of Directors**

**Sanjay S. Lalbhai**
Director (DIN: 00008329)

**Shailesh Chaturvedi**
MD &CEO (DIN: 03023079)

**Pramod Kumar Gupta**
Chief Financial Officer

**Vijay Kumar B S**
Company Secretary

Place : Ahmedabad
Date : June 03, 2021

Place : Bengaluru

Place : Bengaluru

Place : Bengaluru

# Office Locations For The Year 2020-21

**Office Locations**

| SOUTH | NORTH |
|---|---|
| Trinity Circle, 17, MG Road, Craig Park Layout, Ashok Nagar,<br>Bengaluru, Karnataka – 560001 | Lalbhai House, 8th Community Centre,<br>Saket, New Delhi - 110017 |
| **EAST** | **WEST** |
| Unit-1002, 10th Floor, DN-51 Merlin Infinite,<br>Sector - 5, Salt Lake, Kolkata, West Bengal– 700091 | Unit No. - A/402, Everest Chambers,<br>Andheri Kurla Road, Andheri East,<br>Mumbai, Maharashtra – 400059 |

**Subsidiaries & Joint Ventures Corporate Office Locations**

| Arvind Lifestyle Brands Limited | Arvind Beauty Brands Retail Private Limited |
|---|---|
| Trinity Circle, 17, MG Road, Craig Park Layout, Ashok Nagar,<br>Bengaluru, Karnataka - 560001 | Trinity Circle, 17, MG Road, Craig Park Layout, Ashok Nagar,<br>Bengaluru, Karnataka - 560001 |
| **PVH Arvind Fashion Private Limited** | **Value Fashion Retail Limited** |
| No.4, 1st Cross, Brunton Road, Residency Road, Bengaluru,<br>Karnataka - 560025, | Trinity Circle, 17, MG Road, Craig Park Layout, Ashok Nagar,<br>Bengaluru, Karnataka - 560001 |

| Arvind Youth Brands Private Limited |
|---|
| Trinity Circle, 17, MG Road, Craig Park Layout, Ashok Nagar,<br>Bengaluru, Karnataka - 560001 |

# Notes

Arvind FASHIONS

If undelivered, please return to :

**Arvind Fashions Limited**

Main Building, Arvind Limited Premises,

Naroda Road, Ahmedabad – 380 025