

INDEPENDENT AUDITOR'S REPORT

To the Members of Arvind Youth Brands Private Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Arvind Youth Brands Private Limited ("the Company"), which comprise the Balance sheet as at March 31, 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the period February 27, 2020 to March 31, 2021, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its loss including other comprehensive income, its cash flows and the changes in equity for the period February 27, 2020 to March 31, 2021.

Basis for Opinion

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

Emphasis of matter

We draw attention to Note 39 of the financial statements which describes management's assessment of the impact of the COVID 19 pandemic on the Company's operations and carrying value of assets as at March 31, 2021. Our opinion is not modified in respect of this matter

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the director's report but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially



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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.

Responsibility of Management for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Obtain an understanding of internal control 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



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responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements


1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, 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 the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;



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- (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 with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Company for the period ended March 31, 2021;
- (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 does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **SRBC & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003


per **Santosh Agarwal**
Partner
Membership Number: 93669
UDIN: 21093669AAAAGR4151



Place of Signature: Ahmedabad
Date: July 19, 2021

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Annexure 1 referred to in Paragraph 1 of Report on Other Legal and Regulatory Requirements of our report of even date of Arvind Youth Brands Private Limited for the period ended March 31, 2021

- (i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of Property, plant and equipment.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. 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 by the management and audit procedures performed by us, there are no immovable properties, included in property, plant and equipment/ fixed assets of the company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company
- (ii) As explained to us, the inventories were physically verified by the management during the period by the management at reasonable interval and no material discrepancies were noticed on physical verification.
- (iii) According to the information and explanations given to us and audit procedures performed by us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products sold by the Company.
- (vii) a) Undisputed statutory dues including income-tax, duty of custom, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities except there have been serious delays in depositing dues relating to provident fund during the reporting period and the amount of Rs. 59,70,501 have been deposited subsequent to year end. The provisions relating to employees' state insurance are not applicable to the Company



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b) According to the information and explanations given to us and audit procedures performed by us, no undisputed dues in respect of income-tax, duty of custom, duty of excise, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable, except in respect of provident fund the details of which are as follows:

Statement of Arrears of Provident Fund Dues Outstanding for More than Six Months

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment	Remarks, if any
Employees' Provident Fund Act, 1952	Provident Fund	349,780	July 2020	21 August 2020	4 May 2021	Paid with interest
Employees' Provident Fund Act, 1952	Provident Fund	691,280	August 2020	21 September 2020	4 May 2021	Paid with interest

c) According to the information and explanations given to us, there are no dues of income tax, customs duty, goods and service tax, and cess which have not been deposited on account of any dispute.

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowings from banks or financial institution. The Company has not issued any debentures and no dues are payable to government during the period.
- (ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud on the company by the officers and employees of the Company has been noticed or reported during the period.
- (xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.



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- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management and audit procedures performed by us, transactions with the related parties are in compliance with section 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of sec 177 are not applicable to the company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the period under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
- (xvi) According to the information and explanations given to us, the company is not required to be registered under section 451A of Reserve Bank of India Act, 1934.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003


per Santosh Agarwal

Partner

Membership Number: 93669

UDIN: 21093669AAAAGR4151



Place of Signature: Ahmedabad

Date: July 19, 2021

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Annexure 2 to the Independent Auditor's Report of even date on the Financial Statements of Arvind Youth Brands Private Limited

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

We were engaged to audit the the internal financial controls with reference to the financial statements of Arvind Youth Brands Private Limited ("the Company") as of March 31, 2021, in conjunction with our audit of the financial statements of the Company for the period February 27, 2020 to March 31, 2021.

Management's Responsibility for Internal Financial Controls

The Company's Management 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 ("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 Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these financial statements 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, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI.

Because of the matter described in Disclaimer of Opinion paragraph below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on internal financial controls with reference to these financial statements of the Company.

Meaning of Internal Financial Controls with Reference to these Financial Statements

A company's internal financial controls with reference to financial statements 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 controls with reference to financial statements 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



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unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Disclaimer of Opinion


According to the information and explanation given to us, the Company is in process of preparation of required documentation in respect of its internal financial control over financial reporting on criteria based or considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by ICAI. As explained by the management, the Company acquired the existing businesses of Flying Machine brand and is in the process integration of transferred businesses during the reporting period and accordingly in the process of establishing required documentation in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by ICAI.

Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal financial controls over financial reporting with reference to these financial statements as at March 31, 2021 and whether such internal financial controls were operating effectively. Accordingly, we do not express an opinion on Internal Financial Controls Over Financial Reporting with reference to these financial statements.

Explanatory paragraph

We also have audited, in accordance with the Standards on Auditing issued by the ICAI, as specified under Section 143(10) of the Act, the financial statements of Arvind Youth Brands Private Limited, which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and our report dated July 19, 2021 expressed unqualified audit opinion. We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company, and the disclaimer does not affect our opinion on the financial statements of the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003


per Santosh Agarwal
Partner
Membership Number: 93669
UDIN: 21093669AAAAGR4151



Place of Signature: Ahmedabad
Date: July 19, 2021

Arvind Youth Brands Private Limited
CIN - U52100GJ2020PTC112995
Balance Sheet as at March 31, 2021

		Amount in Rs. Lacs
Particulars	Notes	As at March 31, 2021
ASSETS		
I. Non-current assets		
(a) Property, plant and equipment	5	836.57
(b) Right-of-use assets	32	3,828.71
(c) Intangible assets	6	1.68
(d) Financial assets		
(i) Other financial assets	7 (d)	533.19
(e) Deferred tax assets (net)	25	373.64
Total non-current assets		5,573.79
II. Current assets		
(a) Inventories	9	9,807.22
(b) Financial assets		
(i) Trade receivables	7 (a)	10,834.47
(ii) Cash and cash equivalent	7 (c)	794.95
(iii) Loans	7 (b)	7.82
(iv) Others financial assets	7 (d)	2,434.70
(c) Current tax asset(net)	10	3.33
(d) Other current assets	8	4,548.73
Total current assets		28,431.22
Total Assets		34,005.01
EQUITY AND LIABILITIES		
Equity		
(a) Equity share capital	11A	11,270.15
(b) Other equity	12	(16,085.57)
Total equity		(4,815.42)
LIABILITIES		
I. Non-current liabilities		
(a) Financial liabilities		
(i) Lease Liabilities	32	3,257.45
(ii) Other financial liabilities	13 (d)	809.82
(iii) Compulsory Convertible Preference Shares	11C	14,295.00
(b) Long-term provisions	14	76.36
Total non-current liabilities		18,438.63
II. Current liabilities		
(a) Financial liabilities		
(i) Borrowings	13 (a)	1,000.00
(ii) Lease Liabilities	32	1,048.09
(iii) Trade payables	13 (b)	
a) Total outstanding dues of micro enterprises and small enterprises		2,495.64
b) Total outstanding dues of creditors other than micro enterprises and small enterprises		5,435.17
(iv) Trade credits	13 (c)	3,531.24
(v) Other financial liabilities	13 (d)	1,037.00
(b) Other current liabilities	15	5,824.07
(c) Short-term provisions	14	10.59
Total current liabilities		20,381.80
Total Equity and Liabilities		34,005.01
Significant Accounting Policies		3

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

In terms of our report attached
for S R B C & CO LLP
Chartered Accountants
Firm Registration No. 324982E/E300003

per **Santosh Agarwal**
Partner
Membership No. 93669



Place : Ahmedabad
Date : July 19, 2021

For and on behalf of the board of directors of
Arvind Youth Brands Private Limited

Pramod Kumar Gupta
Director
(DIN:00064041)

Nishit Garg
Director
(DIN:07222466)

Vinda Maddurappa
Company Secretary

Place : Bengaluru
Date : July 19, 2021

Arvind Youth Brands Private Limited

CIN - U52100GJ2020PTC112995

Statement of Profit and Loss for the period February 27, 2020 to March 31, 2021

		Amount in Rs. Lacs
Particulars	Notes	For the period February 27, 2020 to March 31, 2021
I. Income		
Revenue from operations		
Sale of Products	16	26,396.70
Operating Income	16	0.50
Revenue from operations		26,397.20
Other income	17	892.71
Total income (I)		27,289.91
II. Expenses		
Cost of trims and accessories consumed	18	25.84
Purchases of stock-in-trade	19	14,983.85
Changes in inventories of stock-in-trade	20	2,451.69
Employee benefits expense	21	1,543.34
Finance costs	22	1,706.39
Depreciation and amortisation expense	23	1,763.37
Other expenses	24	9,105.39
Total expenses (II)		31,579.87
III.(Loss) before tax (I-II)		(4,289.96)
IV. Tax expense		
Deferred Tax charge	25	102.38
Total tax expense		102.38
V.(Loss) for the period (III-IV)		(4,392.34)
VI. Other comprehensive income		
A. Items that will not to be reclassified to profit or loss:		
Re-measurement gains on defined benefit plans	29	10.23
Income tax effect on above	25	(2.58)
		7.65
Net other comprehensive income not to be reclassified to profit or loss (A)		7.65
Total other comprehensive income for the period, net of tax (A)		7.65
VII. Total comprehensive income for the period, net of tax (V+VI)		(4,384.69)
VIII. Earnings per equity share		
Nominal Value per share - Rs. 10/-		
Basic - Rs.	31	(3.90)
Diluted - Rs.	31	(3.90)
Significant Accounting Policies	3	

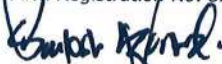
The accompanying notes are an integral part of these Financial Statements.

In terms of our report attached

For S R B C & CO LLP

Chartered Accountants


Firm Registration No. 324982E/E300003


per Santosh Agarwal

Partner

Membership No. 93669


Place : Ahmedabad
Date : July 19, 2021

For and on behalf of the board of directors of
Arvind Youth Brands Private Limited

Pramed Kumar Gupta
Director
(DIN:00064041)


Nishit Garg
Director
(DIN:07222466)

Vinda Maddurappa
Company Secretary

Place : Bengaluru
Date : July 19, 2021

Arvind Youth Brands Private Limited

CIN - U52100GJ2020PTC112995

Statement of Changes in Equity for the period February 27, 2020 to March 31, 2021

A. Equity share capital

Balance	Amount in Rs. Lacs Note 11
As at February 27, 2020	-
Add : Issue of Equity Share capital	11,270.15
As at March 31, 2021	11,270.15

B. Other equity

Particulars	Attributable to the equity holders			Amount in Rs. Lacs
	Reserves and Surplus			Total Other Equity
	Contribution from Parent for ESOP	Retained Earnings	Capital Reserve	
	Note 12	Note 12	Note 12	
As at February 27, 2020	-	-	-	-
Loss for the period	-	(4,392.34)	-	(4,392.34)
Other comprehensive income for the period	-	7.65	-	7.65
Total Comprehensive (loss) for the period	-	(4,384.69)	-	(4,384.69)
Addition during the period		-	-	-
On account of Business Combination (Refer Note 37)			(3,301.94)	(3,301.94)
On account of fair valuation of Compulsory Convertible Preference Shares (Refer Note 11 C)			(8,399.15)	(8,399.15)
Contribution received during the period (Refer Note 38)	0.21	-	-	0.21
Balance as at March 31, 2021	0.21	(4,384.69)	(11,701.09)	(16,085.57)

The accompanying notes are an integral part of these Financial Statements

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

In terms of our report attached

For S R B C & CO LLP

Chartered Accountants

Firm Registration No. 324982E/E300003

[Signature]

per Santosh Agarwal

Partner

Membership No. 93669



Place : Ahmedabad

Date : July 19, 2021

For and on behalf of the board of directors of
Arvind Youth Brands Private Limited

[Signature]

Pramod Kumar Gupta

Director

(DIN:00064041)

[Signature]

Nishit Garg

Director

(DIN:07222466)

Vinda Maddurappa

Company Secretary

Place : Bengaluru

Date : July 19, 2021

Arvind Youth Brands Private Limited

CIN - U52100GJ2020PTC112995

Statement of Cash Flows for the period February 27, 2020 to March 31, 2021

Particulars	Amount in Rs. Lacs For the period February 27, 2020 to March 31, 2021
A Operating activities	
(Loss) Before taxation	(4,289.96)
Adjustments to reconcile loss before tax to net cash flows:	
Depreciation /Amortization	
Interest Income	1,763.37
Gain on reassessment of lease and Lease Concessions	(44.85)
Interest and Other Borrowing Cost	(277.76)
Exchange Difference (Net)	1,706.39
Share based payment expense	(0.50)
Operating Profit before Working Capital Changes	0.21
Working Capital Changes:	(1,143.10)
Decrease in Inventories	
Decrease in trade receivables	2,047.54
Decrease in other assets	1,060.68
(Increase) in other financial assets	2,391.15
Increase in trade payables	(2,212.37)
Increase in trade credit	1,623.52
(Decrease) in other liabilities	3,531.24
Increase in other financial liabilities	(2,070.27)
Increase in provisions	677.04
Net Changes in Working Capital	46.50
Cash Generated from Operations	7,095.03
Direct Taxes paid (Net of Income Tax refund)	5,951.93
Net Cash flow generated from Operating Activities	(3.33)
	5,948.60
B Cash Flow from Investing Activities	
Payment for purchase of Property, Plant & Equipment	(288.10)
Proceeds from disposal of Property, Plant & Equipment	1.50
Consideration paid for purchase of business	(3,733.62)
Net Cash flow (used in) Investing Activities	(4,020.22)
C Cash Flow from Financing Activities	
Proceeds from Issue of share capital	1.00
Changes in short term borrowings	1,000.00
Repayment of principal amount of Lease Liabilities	(717.30)
Repayment of Interest amount of Lease Liabilities	(396.10)
Interest and Other Borrowing Cost Paid	(1,021.03)
Net Cash flow (used in) Financing Activities	(1,133.43)
Net Increase in cash & cash equivalents	794.95
Cash & Cash equivalent at the beginning of the period	-
Cash & Cash equivalent at the end of the period	794.95
Figures in brackets indicate outflows.	

Particulars	For the period February 27, 2020 to March 31, 2021
Cash and cash equivalents comprise of:	
Cash on Hand	347.72
Balances with Banks	447.23
Cash and cash equivalents as per Balance Sheet (Note 7d)	794.95
Less: Bank Overdraft	-
Cash and cash equivalents	794.95

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



Arvind Youth Brands Private Limited
CIN - U52100GJ2020PTC112995
Statement of Cash Flows for the period February 27, 2020 to March 31, 2021

Disclosure under Para 44A as set out in Ind AS 7 on cash flow statements under Companies (Indian Accounting Standards) Rules, 2015 (as amended)
Ind AS 7 requires entities to provide disclosure of changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes. The Company has provided the information for current period as follows:

Particulars of liabilities arising from financing activity	Note No.	As at February 27, 2020	Net cash flows	Non Cash Changes		Amount in Rs. Lacs
				Adjustment on account of Business Combination	Effect of lease concession	
Borrowings:						
Short term borrowings	13 (a)	-	1,000.00	-	-	1,000.00
Interest accrued on borrowings and Trade payables*	13 (d)	-	(1,021.03)	-	-	289.27
Lease Liabilities#	32	-	(1,113.40)	4,433.96	(192.52)	4,305.54
Total		-	(1,134.43)	4,433.96	(192.52)	5,594.81

* Other Changes in Interest payables relates to amount charged in statement of profit and loss for the period February 27, 2020 to June 30, 2020 (Refer Note 37)
Other Changes in Lease Liabilities relates to movement in the assets taken on lease and interest charged for the period on outstanding lease liabilities.

Notes:

- The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) "Statement of Cash Flows"
- Non Cash Transactions**

The Company has acquired the business undertakings from Arvind Fashions Limited (AFL) and Arvind Lifestyle Brands Limited (ALBL) and the part of the consideration has been discharged by adjustments against receivables for issue of equity shares and Compulsory Convertible Preference Shares for Rs.11,269.15 lacs and Rs. 5,895.85 lacs respectively. Both the acquisition of business and issue of share capital has been considered as non-cash transactions and not disclosed above.

In terms of our report attached

S R B C & CO LLP
Chartered Accountants

Firm Registration No. 324982E/E300003

Santosh Agarwal
per Santosh Agarwal

Partner
Membership No. 93669
Place : Ahmedabad
Date : July 19, 2021



For and on behalf of the board of directors of
Arvind Youth Brands Private Limited

Pramod Kumar Gupta
Pramod Kumar Gupta
Director
(DIN:00064041)

Vinda Maddurappa
Vinda Maddurappa
Company Secretary

Place : Bengaluru
Date : July 19, 2021

Nishit Garg
Nishit Garg
Director
(DIN:07222466)

Arvind Youth Brands Private Limited

Notes to the Financial Statements for the period ended March 31, 2021

1. Corporate Information

Arvind Youth Brands Private Limited ("the Company") is a private limited company incorporated on February 27, 2020 in India under the provisions of the Companies Act, 2013 and has its registered office at Main Building, Arvind Limited Premises, Naroda Road, Ahmedabad – 380 025 having CIN U52100GJ2020PTC112995. The Company own and market 'Flying Machine' branded apparel and other product including accessories business in India.

The financial statements were approved by Board of Directors in the meeting held on July 19, 2021.

2. Statement of Compliance and Basis of Preparation

Basis of Preparation and Presentation and Statement of Compliance

The Financial Statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III), as applicable to the financial statement.

The Financial Statements have been prepared on a historical cost convention on the accrual basis except for the certain financial assets and liabilities measured at fair value, as required by the relevant Ind AS. In addition, the financial Statement are presented in Indian rupee (₹) which is the functional currency of the Company. All amounts are rounded to the nearest lacs (INR 00,000) except when otherwise indicated.

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

3. Summary of Significant Accounting Policies

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 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.



Arvind Youth Brands Private Limited

Notes to the Financial Statements for the period ended March 31, 2021

Operating cycle

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle, for the purpose of current / non-current classification of assets and liabilities.

3.2. Business combinations 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 business entity are recognised at their carrying amounts of the acquiree entity's 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 and adjustment pertaining to unrealized margin on acquisition of inventory of FM Brands under business combination. 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 aggregate historical carrying amount of the assets and liabilities of the acquired business entity shall be transfer to capital reserve and is presented separately from other capital reserves. The Company's shares issued in consideration for the acquired business if any are recognized from the moment the acquired business 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.

3.3. 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 at its 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 transactions and on translation of monetary assets and liabilities denominated in foreign currency at year end exchange rate are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.



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3.4. Fair value measurement

The Company measures financial instruments such as current investment if any at fair value at each balance sheet date.

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

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

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

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

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

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

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

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

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.

External valuers are involved for valuation of significant assets and other financial liabilities such as CCPS. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Company's Board of Directors. 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.

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 (Refer note 3.18)
- Quantitative disclosures of fair value measurement hierarchy(Refer note 34)



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Arvind Youth Brands Private Limited

Notes to the Financial Statements for the period ended March 31, 2021

- Financial instruments (including those carried at amortised cost) (Refer note 35)

3.5. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. 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.

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.

Derecognition

An item of property, plant and equipment is derecognized 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 on a straight-line basis using useful lives of the assets as prescribed under Part C of Schedule II of the Companies Act 2013 except for following assets category mentioned below for which useful lives estimated by the management based on technical assessment made by technical expert.

Asset	Estimated Useful Life
Plant & Machinery	6
Office Equipment	6 to 8 Years
Furniture & Fixture	6 to 9 Years
Vehicles	4 Years
Lease Improvement	2 to 6 Years

However, Leasehold Improvements have been depreciated considering the lease term of the retail showroom/stores etc. or useful life whichever is lower.

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.



3.6. Leases

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

Company as Lessee

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

i) Right-of-use assets

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

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

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.

ii) Lease Liabilities

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

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

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

The Company applies the short-term lease recognition exemption to its short-term leases of Stores or Showrooms (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment



Arvind Youth Brands Private Limited

Notes to the Financial Statements for the period ended March 31, 2021

that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised. The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

3.7. Borrowing cost

Borrowing cost includes interest expense and other cost that an company incurs in connection with borrowing of funds.

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.

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

3.8. 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.

Intangible assets comprise of computer software which is amortised over a period of 5 years.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or losses when no future economic benefits are expected from its use or disposal. 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.

3.9. 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.

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. Obsolete and defective inventory are duly provided for, basis the management estimates (refer note 3.18)



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3.10. 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.

3.11. 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.

a) Revenue from Sale of product

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 dispatch of the goods. Revenue is measured at the fair value of the consideration received or receivable net of returns and allowances trade discounts and volume rebates, taking into accounts. Contractually defined terms of payment excluding taxes and duties collected on behalf of the government. Goods and Services (GST) is not received by the Company in its own accounts. Rather, it is collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

b) 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 Assets and refund Liabilities

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 Company then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price. A refund liability is recognized for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from a customer.

ii. Discounts and incentive

Discounts and incentive 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.

iii. Sale of goods – customer loyalty programme (deferred revenue)



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Notes to the Financial Statements for the period ended March 31, 2021

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.

a) Contract balances

i. Contract assets

A contract asset is the right to consideration in exchange for goods transferred to the customer. If the Company performs by transferring goods 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 3.12 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.

iv. 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.

c) Interest income

For all financial instruments measured at amortised cost, 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.

3.12. 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. Financial assets and Financial Liabilities are recognized when a company becomes a party to the contractual provisions of the instruments.

a) Financial assets

i. Initial recognition and measurement of financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of



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trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under Ind AS 115. Refer to the accounting policies in section 3.11 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

ii. Subsequent measurement of financial assets

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

- Financial assets at amortised cost (Debt Instruments)
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)

• 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 (FVTOCI)

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.



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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**

A FVTPL is a residual category for financial assets. Any financial asset, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

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

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

iii. **Derecognition of financial assets**

A financial asset is derecognised when:

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

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

On derecognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of derecognition and consideration received is recognised in the statement of profit and loss.

iv. **Impairment of financial assets**

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 115, if they do not contain a significant financing component
- Right Of Use Assets resulting from transactions within the scope of Ind AS 116



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Arvind Youth Brands Private Limited

Notes to the Financial Statements for the period ended March 31, 2021

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Expected credit loss 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 effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. 12-month expected credit losses are portion of the lifetime expected credit losses and represent the lifetime cash shortfalls that will result if default occurs within 12 months after the reporting date and thus, are not cash shortfalls that are predicted over the next 12 months.

For trade receivables or any contractual right to receive cash or another financial asset that results from transactions that are within the scope of Ind AS 115, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses.

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109. This expected credit loss allowance is computed based on a provision matrix, which takes into account historical credit loss experience and adjusted for forward looking information.

The impairment requirements for the recognition and measurement of a loss allowance are equally applied to debt instruments at FVTOCI except that the loss allowance is recognised in OCI and is not reduced from the carrying amount in the Balance Sheet.

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions – see Note 3.18
- Debt instruments at fair value through OCI – see Note 33
- Trade receivables and contract assets – see Note 7(a)

b) Classification as debt or equity:

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

i. Equity instruments:

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.



ii. Compound Financial Instruments:

The component parts of compound financial instruments (CCPS) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

iii. Financial liabilities

• **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 and trade credits.

• **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.

- Financial Liabilities subsequently measured at amortised cost:
- Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' line item.



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- The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the gross carrying amount on initial recognition.

- **Loans and Borrowings**

Borrowing are initially recognized at fair value, net of transaction cost incurred.

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.

- **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.

iv. Offsetting financial instruments:

Financial assets and liabilities are offset, and the net amount is reported in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business.

3.12. 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.



3.13. Taxes

Tax expense comprises of current income tax and deferred tax.

Current income tax

The Income tax expenses or credit for the period is the tax payable on current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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 recognised 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 and 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 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 utilized, 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 affects neither the accounting profit nor taxable profit or loss.

On the date of acquisition, the Company has recognised Deferred Tax Assets / Liabilities on all the temporary differences between the tax bases and carrying value of assets and liabilities acquired under business combination.

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 offsets, if a legally enforceable right exists to set-off current tax assets against current tax liabilities.



3.14. 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 is 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 is Company's defined benefit plans which requires contributions to be made to a separately administered fund. 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. Net interest is calculated by applying the discount rate to the net defined liabilities or assets. The company recognized following changes in the net defined benefits obligation as on expenses in the statement of Profit and Loss:

(i) Services cost comprising current service cost, gains and losses on curtailments and non-routine settlements; and

(ii) Net interest expenses and income

c) Compensated Absences

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilised accumulating compensated absences and utilise it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Company recognises accumulated compensated absences based on actuarial valuation in the Statement of Profit and Loss. The Company presents the entire leave as a current liability in the Balance Sheet, since it does not have any unconditional right to defer its settlement for twelve months after the reporting date.

3.15. Earnings per share

Basic EPS is calculated by dividing the net 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. Earning, considered in ascertaining the Company's earning per share, is the net profit for the period after deducting preference dividend any attributed tax there to for the period.



Arvind Youth Brands Private Limited

Notes to the Financial Statements for the period ended March 31, 2021

Diluted EPS is calculated by dividing the net 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.

3.16. 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the Financial Statements. Contingent assets are not recognised but disclosed in the Financial Statements when an inflow of economic benefits is probable.

3.17. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Since there are no other business segment in which company operates, there are no other primary reportable segments.

3.18. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions about the reported amounts of assets and liabilities, and, income and expenses the accompanying disclosures of contingent liabilities 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.



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i. 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.

ii. 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.

iii. Provision for discount and sales return

The Company provides for discount and sales return based on season of sales, brand wise and channel wise trend of discount and sales return in 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. As at March 31, 2021, the Company has recognised provision for discount and sales return of ₹ 6,110.81 lacs.

iv. 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 29.

v. 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. Refer Note 35(b).

vi. Fair value measurement of financial instruments:

The fair valuation of CCPS includes significant judgements like future sales and growth therein, EBIDTA margins and working capital estimates. Changes in the assumptions can impact the reported fair value of the above financial instruments. Refer Note 34 for details of valuation method including the sensitivity analysis of the above valuation of CCPS.



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Arvind Youth Brands Private Limited

Notes to the Financial Statements for the period ended March 31, 2021

vii. Taxes:

Deferred tax assets are recognised for unused tax losses 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.

During the year ended March 31, 2021, after a detailed evaluation, the Company elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income taxes for the year ended March 31, 2021 based on the rate prescribed in the aforesaid section.

As at March 31, 2021, the Company has ₹ 986.73 lacs of tax losses carried forward as per income tax records of the Company. These losses pertain to unabsorbed depreciation which do not have any expiry period. Further details on taxes are disclosed in Notes 25.

viii. Provision on inventories:

The Company has defined policy for provision on inventory for its business by differentiating the inventory into core and non-core (fashion) and sub-categorised into finished goods and other materials. The Company provides provision based on policy, past experience, current trend and future expectations of these materials depending on the category of goods. As at March 31, 2021, the Company has recognised provision for inventories of ₹ 1,557.72 lacs.

ix. Leases:

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

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

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

x. Going Concern:

The management has performed an assessment of the Company's ability to continue as a going concern. Based on the assessment, the management believes that there is no material uncertainty with respect to any events or conditions that may cast a significant doubt on the entity to continue as a going concern, hence the financial statements have been prepared on a going concern basis. Refer Note 39.



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Arvind Youth Brands Private Limited

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Notes to the Financial Statements for the period February 27, 2020 to March 31, 2021

Note 5 : Property, plant and equipment

Particulars	Plant & machinery*	Furniture & fixture	Vehicles	Leasehold improvements	Office equipment	Computers, Servers and Network	Total
Gross Carrying Amount							
As at February 27, 2020							
Acquired as part of Business Combination (Refer Note No. 37)	-	-	-	-	-	-	-
Additions	101.21	632.08	13.25	459.84	28.74	6.91	1,242.03
Deductions	30.30	60.79	-	74.63	4.03	0.22	169.97
	10.00	3.18	1.50	11.60	3.12	0.11	29.51
As at March 31, 2021	121.51	689.69	11.75	522.87	29.65	7.02	1,382.49
Depreciation							
As at February 27, 2020							
Depreciation for the period	-	-	-	-	-	-	-
Deductions	36.33	272.98	4.48	247.49	8.17	4.48	573.93
	10.00	3.18	-	11.60	3.12	0.11	28.01
As at March 31, 2021	26.33	269.80	4.48	235.89	5.05	4.37	545.92
Net Carrying Value							
As at March 31, 2021	95.18	419.89	7.27	286.98	24.60	2.65	836.57

Notes:

- Tangible Assets are given as security for borrowings as disclosed under Note 13(a).
- * Plant and Machinery majorly includes air conditioners and office equipments at stores/showroom.
- The Company acquired property, plant and equipment at writtendown value of transferor entities.



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Notes to the Financial Statements for the period February 27,2020 to March 31,2021**Note 6 : Intangible assets**

Particulars	Amount in Rs. Lacs	
	Computer Software	Total Intangible Assets
Gross Carrying Amount		
As at February 27, 2020	-	-
Acquired as part of Business Combination (Refer Note No. 37)	2.00	2.00
Additions	-	-
Deductions	-	-
As at March 31, 2021	2.00	2.00
Amortisation		
As at February 27, 2020	-	-
Amortisation for the period	0.32	0.32
Deductions	-	-
As at March 31, 2021	0.32	0.32
Net Carrying Value		
As at March 31, 2021	1.68	1.68

Note:

i).Intangible Assets are given as security for borrowings as disclosed under Note 13(a).



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Notes to the Financial Statements for the period February 27,2020 to March 31,2021**Note 7 : Financial assets****7 (a) Trade receivables - Current (Refer Note 37)**

Particulars	Amount in Rs. Lacs As at March 31, 2021
Unsecured, considered good	10,834.47
Credit Impaired	434.63
	11,269.10
Less : Allowance for doubtful debts	(434.63)
Total Trade and other receivables	10,834.47

Notes:

i) 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.

ii) Trade receivables are given as security for borrowings as disclosed under Note 13(a).

iii) The Company has discounted bill receivables amounting to Rs 411.07 Lacs on non-recourse basis. The management has assessed that the Company does not have any continuing involvement with the said bills discounted, except in an unlikely scenario of dispute arising with regard to the existence of the receivable discounted. Accordingly, the discounting meets derecognition criteria and the money received has been netted off from the trade receivables discounted.

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
Balance at the beginning of the period	-
Add : Addition on Business Combination (Refer Note 37)	434.63
Balance at the end of the period	434.63

7 (b) Loans (Refer Note 37)

Particulars	As at March 31, 2021
(Unsecured, considered good)	
Current	
Loans to employees	7.82
	7.82
Total Loans	7.82

7 (c) Cash and cash equivalent (Refer Note 37)

Particulars	As at March 31, 2021
Cash on hand*	347.72
Balance with Bank	
In Current accounts	447.23
Total cash and cash equivalent	794.95

*Comprises of the Cash held at stores and franchisees

7 (d) Other financial assets (Refer Note 37)

(Unsecured, considered good unless otherwise stated)

Particulars	As at March 31, 2021
Non-current	
Security deposits	533.19
	533.19
Current	
Security deposits	102.96
Insurance claim receivable	2.79
Other Receivables(Refer note 30)	2,328.95
	2,434.70
Total other financial assets	2,967.89

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



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Notes to the Financial Statements for the period February 27,2020 to March 31,2021**7 (e) : Financial Assets by category**

Amount in Rs. Lacs	
Particulars	Amortised Cost
March 31, 2021	
Trade receivables	10,834.47
Loans	7.82
Cash and cash equivalent	794.95
Other financial assets	2,967.89
Total Financial Assets	14,605.13

For Financial instruments risk management objectives and policies, refer Note 35

Fair value disclosure for financial assets and liabilities are in Note 33 and fair value hierarchy disclosures are in Note 34

Note 8 : Other assets (Refer Note 37)

(Unsecured, considered good unless otherwise stated)

Particulars	As at March 31, 2021
Current	
Advance to suppliers - Considered Good	33.21
Returnable Asset (Refer Note No. iii below)	2,278.53
Prepaid expenses	60.55
Balance with Government Authorities (Refer Note No. i below)	152.57
Goods and services tax recoverable (net)	2,023.87
	4,548.73
Total	4,548.73

Notes:

i) Balance with Government Authorities mainly consist of input credit.

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

iii) Returnable Asset recognized pursuant to Ind AS 115.

Returnable assets represent value of goods with customers that are estimated to be returnable in future.

Note 9 : Inventories (At lower of cost and net realisable value) (Refer Note 37)

Particulars	As at March 31, 2021
Trims and accessories	378.78
Stock-in-trade	9,403.66
Packing materials	24.78
Total	9,807.22

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

ii) Stock in trade also include goods at stores / showrooms / customers of Rs.7,959 lakhs (Including sales on returnable basis)

Note 10 : Current Tax Asset (Net) (Refer Note 37)

Particulars	As at March 31, 2021
Tax Paid in Advance (Net of Provision)	3.33
Total	3.33




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Notes to the Financial Statements for the period February 27,2020 to March 31,2021

Note 11A**A. Equity share capital**

Particulars	As at March 31, 2021	
	No. of shares	Amount in Rs. Lacs
Authorised share capital		
Equity shares of Rs. 10 each	11,27,01,480	11,270.15
Issued and subscribed share capital		
Equity shares of Rs. 10 each	11,27,01,480	11,270.15
Subscribed and fully paid up		
Equity shares of Rs. 10 each	11,27,01,480	11,270.15
Total	11,27,01,480	11,270.15

(i) Reconciliation of shares outstanding at the beginning and at the end of the Reporting period

Particulars	As at March 31, 2021	
	No. of shares	Amount in Rs. Lacs
At the beginning of the period	-	-
Add: Issue of Share Capital	11,27,01,480	11,270.15
Outstanding at the end of the period	11,27,01,480	11,270.15

(ii) Rights, preferences and restrictions attached to the equity shares

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

(iii) Shares Held by Ultimate Holding Company and Holding Company

Particulars	Relationship	As at March 31, 2021	
		No. of shares	Amount in Rs. Lacs
Arvind Fashions Limited (along with nominees)	Ultimate Holding Company	4,46,32,600	4,463.26
Arvind Lifestyle Brands Limited (along with nominees)	Holding Company	6,80,68,879	6,806.89

(iv) Number of Shares held by each shareholder holding more than 5% Shares in the Company

Name of the Shareholder	As at March 31, 2021	
	No. of shares	% of shareholding
Arvind Fashions Limited (along with nominees)	4,46,32,600	39.6%
Arvind Lifestyle Brands Limited (along with nominees)	6,80,68,879	60.4%

(v) Objective, policy and procedure of capital management, refer Note 36

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Notes to the Financial Statements for the period February 27,2020 to March 31,2021

Note 11 B**B. Preference share capital**

Particulars	As at March 31, 2021	
	No. of shares	Amount in Rs. Lacs
Authorised share capital		
Preference shares of Rs. 100 each	58,95,852	5,895.85
Issued and subscribed share capital		
Preference shares of Rs. 100 each	58,95,852	5,895.85
Subscribed and fully paid up		
Preference shares of Rs. 100 each	58,95,852	5,895.85
Total	58,95,852	5,895.85

(i) Reconciliation of shares outstanding at the beginning and at the end of the Reporting period

Particulars	As at March 31, 2021	
	No. of shares	Amount in Rs. Lacs
At the beginning of the period	-	-
Add: Issue of Share Capital	58,95,852	5,895.85
Outstanding at the end of the period	58,95,852	5,895.85

(ii) Terms of Conversion / Redemption of CCPS

During the period, the Company issued 58,95,852 Compulsorily Convertible Non-Cumulative Preference Shares ("CCPS") of Rs. 100 each fully paid-up. The CCPS shall be entitled to a preferential right to dividend at the rate of 0.001% per annum which shall accrue but shall be payable annually. The CCPS shall carry all voting rights as are permitted under applicable law.

On the date of allotment, July 9, 2020, each CCPS was convertible into 10 equity share of Rs 10 each fully paid up. On July 13, 2020, the Board of Directors approved the change in the conversion terms of CCPS whereby each CCPS shall be convertible to variable number of equity shares ranging from a minimum of 6 equity shares up to maximum of 10 equity shares determinable based on the Earnings before Interest, Depreciation, Tax and Amortisation for the financial year ending 31 March 2022. The equity shares to be allotted on conversion of the CCPS shall rank pari-passu in all respects with the then existing equity shares of the Company and shall be subject to the Memorandum and Articles of Association of the Company.

(iii) Number of Shares held by convertible preference shareholder holding more than 5% Shares in the Company

Name of the Shareholder	As at March 31, 2021	
	No. of shares	% of shareholding
Flipkart India Private Limited	58,95,852	100%

(iv) Objective, policy and procedure of capital management, refer Note 36**Note 11 C**

In line with Ind AS 109 and Ind AS 32, on the date of allotment, CCPS was classified as equity. With the change in the conversion terms as stated above, such CCPS has been classified as financial liability and accounted at its fair value of Rs 14,295 Lacs. The difference between such fair value and the then carrying amount as equity, amounting to Rs 8,399.15 Lacs has been recognised as Capital Reserve.




Note 12 : Other Equity

Particulars	Amount in Rs. Lacs As at March 31, 2021
Note 12.1 Reserves & Surplus	
Capital reserve	
As at beginning of the period	-
Add: On account of acquisition of business (Refer Note 37)	3,920.58
Less: On account of adjustment of inventory margin on acquisition (Refer Note 37)	(7,222.52)
Less: On account of fair valuation of Compulsory Convertible Preference Shares (Refer Note 11 B)	(8,399.15)
Balance at the end of the period	<u>(11,701.09)</u>
Contribution from Parent for ESOP (Refer Note 38)	
As at beginning of the period	-
Add: Contribution received during the period	0.21
Balance at the end of the period	<u>0.21</u>
Retained Earnings	
As at beginning of the period	-
Add: (Loss) for the period	(4,392.34)
Add: OCI for the period	7.65
Balance at the end of the period	<u>(4,384.69)</u>
Total reserves & surplus	<u>(16,085.57)</u>
Total Other equity	<u>(16,085.57)</u>

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

- i) **Capital reserve**
Capital reserve can be utilised for issue of bonus shares.
- ii) **Retained Earnings**
Net earnings, retained by the Company to be reinvested in its core business.
- iii) **Contribution from Parent for ESOP**
This reserve relates to share options granted by Arvind Fashions Limited (Holding Company) under its employee share option plan. Further information about share-based payments to employees is set out in Note 38.

Note 13 : Financial liabilities

13 (a) Borrowings

Particulars	As at March 31, 2021
Short-term Borrowings (At amortised cost)	
Secured	
Working Capital Loan from Bank	1,000.00
Total short-term borrowings	<u>1,000.00</u>
Total borrowings	<u>1,000.00</u>

1. Secured Borrowings

Short term

Particulars	March 31, 2021	Rate of interest	Security
Working Capital loans	1,000.00	8.65% p.a.	1. a.First and pari passu charge by way of Hypothecation of current assets of the company to be shared with other lenders. b. First and pari passu charge on all intangibles, property, plant and equipments of the company to be shared with other lenders 2. Joint Corporate Guarantee given by Arvind Fashions Limited and Arvind Lifestyle Brands Ltd upto the extent of Rs 2,500 lacs.



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13 (b) Trade payables (Refer Note 37)

Particulars	As at March 31, 2021
Current	
-Total outstanding dues of micro enterprises and small enterprises (refer note a below)	2,495.64
-Total outstanding dues other than micro enterprises and small enterprises	5,435.17
Total	7,930.81

Note:

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

Particulars	As at March 31, 2021
(a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year:	
i) Principal	2,495.64
ii) Interest	248.73
(b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	-
(c) the amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	-
(d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	248.73
(e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	-

13 (c) Trade Credits

Particulars	As at March 31, 2021
Current	
Trade Credits	3,531.24
Total	3,531.24

Notes

- a) Corporate Guarantee given by Arvind Fashions Limited for the trade credits upto the extent of Rs 4,500 Lacs
b) Company has availed trade credits from bank and financial institution.

13 (d) Other financial liabilities (Refer Note 37)

Particulars	As at March 31, 2021
Non-current	
Security Deposits	809.82
	809.82
Current	
Security Deposits	168.80
Interest accrued and due on trade payables	248.73
Interest accrued but not due on borrowings	40.54
Payable to employees	146.40
Book overdraft	361.42
Payable for capital goods	71.11
	1,037.00
Total	1,846.82

Note: As at March 31, 2021 there is no amount due and outstanding to be transferred to the Investor Education and Protection Fund.

13(e) : Financial Liabilities by category

Particulars	FVTPL	Amortised Cost
March 31, 2021		
Borrowings		1,000.00
Compulsory Convertible Preference Shares	14,295.00	-
Trade payables		7,930.81
Trade credits		3,531.24
Security Deposits		978.62
Payable to employees		146.40
Interest accrued but not due		40.54
Interest accrued and due		248.73
Lease Liabilities		4,305.54
Payable in respect of Capital goods		71.11
Book overdraft		361.42
Total Financial liabilities	14,295.00	18,614.41

For Financial Instruments risk management objectives and policies, refer Note 35

Fair value disclosure for financial assets and liabilities are in Note 33 and fair value hierarchy disclosures are in Note 34



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Note 14: Provisions (Refer Note 37)

Particulars	As at March 31, 2021
Long-term	
Provision for employee benefits (Refer Note 29)	
Provision for leave encashment	31.14
Provision for Gratuity	45.22
	76.36
Short-term	
Provision for employee benefits (Refer Note 29)	
Provision for leave encashment	10.59
	10.59
Total	86.95

Note 15 : Other current liabilities (Refer Note 37)

Particulars	As at March 31, 2021
Current	
Advance from customers	244.52
Statutory dues	221.23
Unaccrued Sale	65.01
Refundable liability	5,285.33
Deferred income of loyalty program reward points (Refer note (a) below)	7.98
Total	5,824.07

(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 beginning of the period	-
Add: Provision made during the period (Refer Note 16)	14.58
(Less): Redemption made during the period	(6.60)
Balance at the end of the period	7.98



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Arvind Youth Brands Private Limited

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Notes to the Financial Statements for the period February 27, 2020 to March 31, 2021
Note 16 : Revenue from operations (Refer Note 37)

Particulars	Amount in Rs. Lacs
	For the period February 27, 2020 to March 31, 2021
Revenue from Contract with Customers	
Sale of products	26,396.70
Operating income	
Foreign exchange fluctuation on vendors and customers (Net)	0.50
	0.50
Total	26,397.20

I. Disaggregation of revenue from Contracts with Customers

Particulars	For the period February 27, 2020 to March 31, 2021
A. Revenue based on Geography	
i. Domestic	26,397.20
ii. Export	-
	26,397.20
B. Revenue based on Business Segment	
Branded Apparels	26,397.20

II. Reconciliation of Revenue from Operation with Contract Price

Particulars	For the period February 27, 2020 to March 31, 2021
Contract Price	22,072.54
Less:	
Schemes and Discounts	(4,310.08)
Customer Loyalty Program	(14.58)
Total Revenue from Operations	26,397.20

Contract Assets	
Trade Receivables	10,834.47
Contract Liability	
Advance from customers	244.52
Deferred Income	65.01

Note 17 : Other income (Refer Note 37)

Particulars	For the period February 27, 2020 to March 31, 2021
Interest income on financial assets measured at amortised cost	6.98
Interest income on financial assets measured at Fair Value	37.87
Unclaimed liabilities written back	570.00
Lease Rental Concessions (Refer Note 32)	192.52
Gain on Reassessment of Lease (Refer Note 32)	85.24
Miscellaneous income	0.10
Total	892.71




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Notes to the Financial Statements for the period February 27, 2020 to March 31, 2021**Note 18 : Cost of Trims and accessories consumed (Refer Note 37)**

Particulars	For the period February 27, 2020 to March 31, 2021
Stock at the beginning of the period	-
Add : Purchases	404.62
	404.62
Less : Inventory at the end of the period	378.78
Total	25.84

Note 19 : Purchases of stock-in-trade (Refer Note 37)

Particulars	For the period February 27, 2020 to March 31, 2021
Garments & Accessories	14,983.85
Total	14,983.85

Note 20 : Changes in inventories of stock-in-trade (Refer Note 37)

Particulars	For the period February 27, 2020 to March 31, 2021
Stock at the end of the period	
Stock-in-trade	(9,403.66)
Stock acquired on account of Business combination (refer note 37)	
Stock-in-trade (net of adjusted in reserves of 7222.52 lacs refer note 37)	11,855.35
Stock at the beginning of the period	
Stock-in-trade	-
Total	2,451.69

Note 21 : Employee benefits expense (Refer Note 37)

Particulars	For the period February 27, 2020 to March 31, 2021
Salaries, wages, gratuity, bonus, commission, etc. (Refer Note 29)	1,478.57
Contribution to provident and other funds (Refer Note 29)	36.36
Welfare and training expenses	28.20
Share based payment to employees (Refer Note 38)	0.21
Total	1,543.34

Note 22 : Finance costs (Refer Note 37)

Particulars	For the period February 27, 2020 to March 31, 2021
Interest Expenses on financial liabilities measured at amortised cost	
Working Capital Loan and others (Refer Note 30)	989.10
MSMED (Refer Note 13b)	248.73
Lease Liabilities (Refer Note 32)	396.10
Other borrowing cost	72.46
Total	1,706.39



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Arvind Youth Brands Private Limited

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Notes to the Financial Statements for the period February 27, 2020 to March 31, 2021
Note 23 : Depreciation and amortization expense (Refer Note 37)

Particulars	For the period February 27, 2020 to March 31, 2021
Depreciation on Property, Plant and Equipment (Refer Note 5)	573.93
Depreciation on Right-of-Use assets (Refer Note 32)	1,189.12
Amortization on Intangible assets (Refer Note 6)	0.32
Total	1,763.37

Note 24 : Other expenses (Refer Note 37)

Particulars	For the period February 27, 2020 to March 31, 2021
Electricity, power and fuel	45.38
Insurance	27.61
Processing charges	23.61
Printing, stationery & communication	17.74
Rent	-
- Short Term leases and leases of low-value assets (Refer Note 32)	59.82
Commission (Refer Note 30)	4,088.89
Rates and taxes	78.74
Repairs :	-
To Others	124.57
Freight, insurance & clearing charge	504.65
Legal & Professional charges	90.23
Housekeeping Charges	8.56
Security Charges	37.99
Computer Expenses	0.03
Conveyance & Travelling expense	75.16
Advertisement and Publicity	1,206.71
Charges for Credit Card Transactions	4.57
Packing Materials Expenses	96.55
Contract Labour Charges	1,038.62
Sampling and Testing Expenses	34.37
Auditor's remuneration (Refer Note a below)	27.50
Bank charges	2.23
Warehouse Charges	482.50
HVAC Charges	8.92
Management Service charges	904.50
Miscellaneous expenses	115.94
Total	9,105.39

a. Break up of Auditor's Remuneration

Particulars	For the period February 27, 2020 to March 31, 2021
Payment to Auditors as :	
For statutory audit	18.00
For other services	9.50
Total	27.50




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Notes to the Financial Statements for the period February 27, 2020 to March 31, 2021**Note 25 : Income Tax**

The major component of income tax expense for the period ended March 31, 2021 are:

Amount in Rs. Lacs	
Particulars	For the period February 27, 2020 to March 31, 2021
<u>Statement of Profit & Loss</u>	
Current Tax	
Current income tax	-
Deferred Tax	
Deferred tax Charge	102.38
Income tax expense reported in the statement of standalone profit & loss	102.38

OCI Section

Particulars	For the period February 27, 2020 to March 31, 2021
<u>Statement to Other comprehensive income (OCI)</u>	
Deferred tax Charge	2.58
Deferred tax charged to OCI	2.58

Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate for the period ended March 31, 2021**A) Current tax**

Particulars	For the period February 27, 2020 to March 31, 2021
Accounting (loss) before tax	(4,289.96)
Tax Rate	25.168%
Current Tax Expenses	(1,079.70)
<u>Adjustments</u>	
Difference on account of change in the tax rate from 34.94% to 25.17% (Refer Note i)	133.90
Expenditure not deductible for tax	62.61
Deferred tax assets on losses not claimable under tax laws	986.73
Others	(1.16)
At the effective income tax	102.38
Effective Income Tax Rate %	-2.39%

During the period ended March 31, 2021, the Company decided to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019.

- (i) Accordingly, the Company recognised provision for income taxes based on the rate prescribed in the aforesaid section. Further, management reviewed the components of deferred tax assets/liabilities transferred as a part of business combination based on the re-assessment change in tax rate resulted in one time additional charge of Rs 133.90 Lacs.



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Notes to the Financial Statements for the period February 27, 2020 to March 31, 2021

B) Deferred tax

Particulars	Balance Sheet	Acquired on account of Business Combination (Refer Note 37)	Statement of Profit & Loss and Other Comprehensive Income
	As at March 31, 2021		For the period February 27, 2020 to March 31, 2021
Accelerated depreciation for tax purposes	193.29	264.14	70.85
Expenditure allowable on payment basis	1.38	-	(1.38)
Impact of Ind AS 116	178.97	214.46	35.49
Deferred tax assets (net)	373.64	478.60	104.96

Reconciliation of Deferred Tax Assets

Particulars	As at March 31, 2021
Effect of Business combination	478.60
Deferred Tax (expense) during the period recognised in profit or loss	(102.38)
Deferred Tax (expense) during the period recognised in OCI	(2.58)
Closing balance as at March 31, 2021	373.64



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Notes to the Financial Statements for the period February 27,2020 to March 31,2021**Note 26 : Capital commitment and other commitments****Amount in Rs. Lacs**

Particulars	As at March 31, 2021
Capital commitments	
Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	6.74
Other commitments	-

Note 27 : Unhedged foreign currency exposures**A. Exposure Not Hedged**

Nature of exposure	In FC USD	Amount in Rs. Lacs
Payable to creditors		
As at March 31, 2021	1,75,373	128.21



Arvind Youth Brands Private Limited

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Notes to the Financial Statements for the period February 27,2020 to March 31,2021**Note 28 : Segment Reporting**

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

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

Geographical segment

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

Particulars	Amount in Rs. Lacs
	Period Ended March 31, 2021
Segment Revenue*	
a) In India	26,397.20
b) Rest of the world	-
Total Sales	26,397.20
Carrying Cost of Segment Non Current Assets**@	
a) In India	4,666.96
b) Rest of the world	-
Total	4,666.96

* Based on location of Customers

@ Excluding Financial asset and Deferred Tax Assets

Note:

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



Notes to the Financial Statements for the period February 27, 2020 to March 31, 2021

Note 29 : 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	Amount in Rs. Lacs Period Ended March 31, 2021
Provident Fund	18.95
Contributory Pension Scheme	11.29
	30.24

Note:

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

B Defined Benefit Plans

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

Gratuity

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

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

March 31, 2021: Changes in defined benefit obligation and plan assets

	Gratuity cost charged to statement of profit and loss					Remeasurement gains/(losses) in other comprehensive income					Amount in Rs. Lacs			
	2020-21	February 27, 2020	Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 21)	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)		Actuarial changes arising from demographic assumptions	Experience adjustments	Sub-total included in OCI combination/transfer	Changes due to effect of business combination/transfer	Contributions by employer	March 31, 2021
Gratuity														
Defined benefit obligation	-	-	(15.86)	-	(15.86)	-	-	-	-	-	8.38	(87.56)	-	(95.04)
Fair value of plan assets	-	-	-	-	-	-	1.85	-	-	-	1.85	-	47.97	49.82
Total benefit liability	-	-	(15.86)	-	(15.86)	-	1.85	-	-	8.38	10.23	(87.56)	47.97	(45.22)



Arvind Youth Brands Private Limited

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Notes to the Financial Statements for the period February 27,2020 to March 31,2021

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

Particulars	Period Ended March 31, 2021
Others (Insurance company Products)	100%
(%) of total plan assets	100%

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

Particulars	Period Ended March 31, 2021
Discount rate	6.20%
Future salary increase	4.65% for Retail Employees and 4.90% for Corporate Employees
Expected rate of return on plan assets	6.20%
Attrition rate	34.2% for Retail Employees and 13.7% for Corporate Employees
Mortality rate during employment	Indian assured lives Mortality(2006-08)

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

Particulars	Sensitivity level	Increase / (Decrease) in defined benefit obligation (Impact) Period Ended March 31, 2021
Gratuity		
Discount rate	50 basis points increase	(2.08)
	50 basis points decrease	2.19
Salary increase	50 basis points increase	1.97
	50 basis points decrease	(1.90)
Attrition rate	50 basis points increase	0.07
	50 basis points decrease	(0.08)

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

Particulars	Amount in Rs. Lacs Year Ended March 31, 2021
Gratuity	
Within the next 12 months (next annual reporting period)	19.54
Between 2 and 5 years	67.11
Beyond 5 years	58.45
Total expected payments	145.10

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

Particulars	Year Ended March 31, 2021
Gratuity	5 years

- C 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 assess the impact of the Code and will record related impact in the period it becomes effective.




Arvind Youth Brands Private Limited

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Notes to the Financial Statements for the period February 27, 2020 to March 31, 2021**Note 30 : 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- Relationship	Entity Name
Ultimate Holding Company	Arvind Fashions Limited
Holding Company	Arvind Lifestyle Brands Limited
Fellow Subsidiary Company	Arvind Beauty Brands Retail Private Limited
Enterprise having significant influence by Non Executive Director of Ultimate Holding Company	Arvind Limited Arvind Smart Textile Ltd
Trust	Arvind Youth Brands Private Limited Employee Group Gratuity Trust
Key Management Personnel - Relationship	Name
Director	Mr. Suresh Jayaraman
Director	Mr. Jayesh Kantilal Shah(Upto August 31, 2020)
Director	Mr. Pramod Kumar Gupta(From August 31, 2020)
Director	Mr. Jagdish Gajanand Dalal (From August 31, 2020)
Director	Mr. Sriram Venkatraman (From September 01, 2020 upto June 19, 2021)
Director	Mr. Nishit Garg (From June 19, 2021)



b Transactions with related parties

Amount in Rs. Lacs					
Particulars	Ultimate Holding Company	Holding Company	Fellow Subsidiaries	Enterprise having significant influence by Non Executive Director of Ultimate Holding Company	Trust
i) Transactions for the period 1st July onwards:					
Purchases of stock-in-trade				155.76	
Sale of Products	1,189.82				
Receiving of Services-Management Service charges	488.97	415.53		1.84	
Receiving of Services-Commission on sales		1,177.88			
Receiving of Services including-Reimbursement of expenses	963.34	307.62			
Receiving of Services - Other service		9.62			
Contribution Given for Employee Benefit Plans					47.97
Transfer of Assets under scheme of Arrangements (Refer Note 37)	5,199.81	15,698.81			
Issue of Equity shares, adjusted with consideration for acquisition of business (Refer Note 37)	4,463.26	6,806.89			
Issue of Compulsory convertible Preference shares, adjusted with consideration for acquisition of business (Refer Note 37)	-	5,895.85			
Cash Consideration paid for acquisition of business (Refer Note 37)	736.55	2,997.07			
Interest Expense	20.36	130.42			
Refer Note (ii) below					

ii) During the period, on account on business transition from the holding company and ultimate holding company to the Company, AFL and ALBL has been made transactions with the Company's customers on behalf of the Company. The details are as follow

Particulars	(Rs in Lacs)		
	AFL	ALBL	Total
Sales of goods	53.15	3,698.01	3,751.16
Credit notes issued to the customers	1,464.42	1,916.22	3,380.64
Goods returned by the customers	137.60	5,063.95	5,201.55
Payments received from the customers	2,084.02	6,421.71	8,505.73
Payments made to the vendors	1,462.35	1,795.20	3,257.55
Guarantee issued for borrowings availed	7,000.00	2,500.00	
Other Receivable (net) at period end		2,328.95	
Other Payable at period end	-		0.13
			179.04

d Terms and conditions of transactions with related parties

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

e Commitments with related parties

The Company has not provided any commitment to the related party as at March 31, 2021

f At the reporting period end dues of Rs 1,040.99 lacs payables to AFL, Ultimate Holding Company, has been adjusted with receivables of Rs 3,369.94 lacs from ALBL, Holding Company, based on consent for such adjustments from both the entities and a final balance of Rs 2,328.95 lacs is reflected as other receivables.



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Signature

Arvind Youth Brands Private Limited

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Notes to the Financial Statements for the period February 27, 2020 to March 31, 2021**Note 31 : Earnings per share (Basic and Diluted)****Amount in Rs. Lacs #**

Particulars	For the period	
	February 27, 2020 to	
	March 31, 2021	
(Loss) attributable to ordinary equity holders		(4,392.34)
Total no. of equity shares at the end of the period		11,27,01,480
Weighted average number of equity shares		
For basic EPS	No.	11,27,01,480
For diluted EPS	No.	11,27,01,480
Nominal value of equity shares	Rs.	10
Basic earnings per share	Rs.	(3.90)
Diluted earnings per share	Rs.	(3.90)
Weighted average number of equity shares		
Weighted average number of equity shares for basic EPS		11,27,01,480
Effect of dilution*		-
Weighted average number of equity shares adjusted for the effect of dilution		11,27,01,480

*The earning per share after considering potential equity share to be issued on conversion of compulsory convertible preference shares as per requirement of Ind AS 33, is anti-dilutive. Hence, the

#All numbers are in Rs. Lacs except weighted average number of equity shares, nominal value of Shares and Basic and Diluted EPS



Arvind Youth Brands Private Limited

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Notes to the Financial Statements for the period February 27,2020 to March 31,2021**Note 32 : Leases**

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

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

Amount in Rs. Lacs	
Particulars	Period Ended March 31, 2021
As at beginning of the period	-
Acquired on account of Business Combination	4,151.19
Additions	1,252.40
Deletions	(385.76)
Depreciation	(1,189.12)
Balance at the end of the period	3,828.71

C. Movement in lease liabilities

Amount in Rs. Lacs	
Particulars	Period Ended March 31, 2021
As at beginning of the period	-
Acquired on account of Business Combination	4,433.96
Additions	1,252.40
Deletions	(471.00)
Finance cost accrued during the period	396.10
Lease Rent Concessions	(192.52)
Payment of lease liabilities	(1,113.40)
Balance at the end of the period	4,305.54

D. Contractual maturities of lease liabilities

Amount in Rs. Lacs	
Particulars	Period Ended March 31, 2020
Less than one year	1,048.09
One to five years	2,656.82
More than five years	600.63
Total	4,305.54

- E. The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.
- F. The Company incurred Rs. 59.82 Lacs for the period ended March 31, 2021 towards expenses relating to leases of low-value assets and short term rent.
- G. During the period, the Company has received lease rental concession amounts to Rs. 192.52 lacs for the period from July'20 to March'21 on showrooms and other facilities taken on lease basis on account of COVID-19 pandemic. The Company has applied the practical expedient to all such lease rental concessions that meet the conditions in prescribed under para 46B of Ind AS 116.




Note 33 : 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	Amount in Rs. Lacs As at March 31, 2021
Financial liabilities	
Borrowings	
Carrying Amount	1,000.00
Fair Value	1,000.00
Compulsory Convertible Preference Shares	
Carrying Amount	14,295.00
Fair Value	14,295.00

The management assessed that the fair values of cash and cash equivalents, loans, trade receivables, other financial assets, trade payables, trade credits 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 34 : Fair value hierarchy

Financial Assets and Financial Liabilities fair valuation done considering Level 2 inputs and CCPS is based on Level 3 input

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) in Rs Lacs
Compulsory Convertible Preference Shares	WACC Sensitivity	0.50% -0.50%	375.00 (375.00)
	EBIDTA Margin	0.50% -0.50%	410.00 (410.00)

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.




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Notes to the Financial Statements for the period February 27,2020 to March 31,2021**Note 35 : Financial instruments risk management objectives and policies**

The Company's principal financial liabilities, trade credits 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 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.

The Company's risk management is carried out by a Chief Financial Officer (CFO) of retail business under policies approved by the Board of directors. Company's CFO 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, trade credits, deposits, trade and other receivables, trade and other payables.

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

- a parallel shift of 50-basis points of the interest rate yield curves in all currencies.
- a simultaneous, parallel foreign exchange rates shift in which the INR appreciates / depreciates against all currencies by 2%

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

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

The following assumption has been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at respective period/year end.

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 primarily 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 28% of the Company's Borrowings are at fixed rate of interest rates.

Interest rate sensitivity

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

Amount in Rs. Lacs	
Particulars	Effect on profit before tax
March 31, 2021	
Increase in 50 basis points	(5.00)
Decrease in 50 basis points	5.00



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 foreign currency trade payables 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 the Company, with all other variables held constant. The company's exposure to foreign currency changes for all other currencies is not material. The impact on the company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the company's pre-tax equity is due to changes in the fair value of foreign currency monetary items.

Particulars	Amount in Rs. Lacs	
	Change in USD rate	Effect on profit before tax
March 31, 2021	+2%	(2.56)
	-2%	2.56

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

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. To manage this, the Company 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 Company 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 60 days to 150 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 key customers. In addition, a large number of minor receivables are companyed into homogenous companies 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 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.

As per business transfer agreement (BTA) dated 3rd July 2020 between Arvind Lifestyles Brands Limited (ALBL) and Arvind Fashions Limited (AFL) with the Company, the Company has acquired business undertaking from AFL and ALBL relating to the Flying Machine brand w.e.f. 1st July 2020. As part of these acquisition, the Company has acquired gross receivables of Rs 247 Crore, which were accounted at the net amount of Rs 136 Crore, after adjusting receivables on account of Sale or Return Basis (SOR) of Rs 95 Crore and other credits for schemes and claims of Rs 21 Crore.

During the year, on behalf of the Company, AFL and ALBL received Rs 85 Crores from the customers against above receivables, which has been considered as realised and accounted / adjusted by the Company. The Company also received back goods from the customers whereby net receivables were adjusted to the extent of Rs. 52 Crore. The balance receivables of Rs. 51 Crore has been considered by the Company as a part of the regular receivables of the Company. The Company has knocked off these balance receivables against funds collected from the respective customers during the period on First in First Out (FIFO) basis, pending reconciliation and confirmation from the customers during the period ended March 31, 2021.

As at reporting period ended March 31, 2021, the Company is in process of reconciliation of the outstanding customer balances including transactions carried out by AFL and ALBL on behalf of the Company, although management does not expect any material adjustments to the reported balances incl. adjustments in terms of the BTA.



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Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's CFO 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 33.

(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.

As at March 31, 2021, the Company had available Rs 1500 lacs of undrawn committed borrowings facility from Banks / financial institutions.

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

Particulars	Amount in Rs. Lacs		
	On Demand	Less than 1 year	1 year or more
As at March 31, 2021			
Trade credit	-	3,531.24	-
Interest bearing borrowings	-	1,000.00	-
Lease Liabilities (Refer note 32)	-	1,048.09	3,257.45
Trade payables	-	7,930.81	-
Other financial liabilities#	-	1,037.00	809.82
	-	14,547.14	4,067.27

Other financial liabilities includes interest accrued but not due of Rs. 40.54 lacs.

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.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Note 36 : 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 and exclude preferred stocks. 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 common stock holder's equity divided by Fixed interest bearing funds. The company includes within fixed interest bearing funds, the interest bearing loans, trade credit and borrowings less cash and short-term deposits (including other bank balance) and preferred stocks.

Particulars	Amount in Rs. Lacs	
	As at	March 31, 2020
Interest-bearing loans and borrowings (Note 13)		1,000.00
Interest-bearing trade credits		3,531.24
Add: Compulsory Convertible Preference Shares		14,295.00
Less: Cash and Cash equivalent (including other bank balance and Bank Overdraft)		(433.53)
Fixed Interest bearing funds		18,392.71
Equity share capital (Note 11)		11,270.15
Other equity (Note 12)		(7,686.42)
Total capital		3,583.73
Gearing ratio		513.23%

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 no breaches in the financial covenants of borrowing as at March 31, 2021.



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Notes to the Financial Statements for the period February 27, 2020 to March 31, 2021**Note 37 : Business Combination**

The Company entered into Business Transfer Agreement('s') ("the BTA") dated July 8, 2020 with Arvind Lifestyle Brands Limited (ALBL), the holding Company and Arvind Fashions Limited (AFL), the ultimate holding whereby the Company acquired the Retail Business Undertaking and Wholesale Business Undertaking, respectively, of "Flying Machine" brand as a going concern undertakings on slump sale basis, as per the adjusted consideration of Rs 15,698.81 lacs and Rs 5,199.81 lacs from ALBL and AFL respectively, with effect from July 1, 2020.

In line with Ind AS 103, Appendix C, the Company has accounted the above acquisition with effect from the earliest period presented which is date of incorporation of the Company, being 27th February 2020. Summary of assets / liabilities taken over on such date is given below:

Amount in Rs. Lacs	
Assets transferred	27th February 2020
PPE and Intangibles	1,244.03
Inventories	19,077.27
Trade Receivables	11,895.14
Other assets	7,658.38
Deferred Tax Assets	478.60
Right of use assets	4,151.19
Total assets	44,504.61
Trade payables	6,307.79
Other Liabilities	8,943.66
Lease liabilities	4,433.96
Total Liabilities	19,685.41
Net assets over liabilities taken over*	24,819.20

The consideration payable of Rs 20,898.62 lacs against total value of net asset taken over is Rs 24,819.20 lacs hence the excess of net assets taken over the consideration payable has been accounted for as capital reserve of Rs 3,920.58 lacs.

Pursuant to BTA, the Company has acquired inventory of the products of FM Brand amounts to Rs.14,538.29 lacs held by ALBL which includes unrealised margin of Rs.7,222.52 lacs on sale of said inventory by AFL to ALBL. The Company has eliminated aforesaid unrealised margin of Rs.7,222.52 lacs by reducing carrying value of inventory acquired under business combination with corresponding effect given to Capital Reserve Account.

B The basis of determination of consideration payable to ALBL and AFL is arrived as below:

Amount in Rs. Lacs			
Assets transferred	ALBL - Retail Business Undertaking	AFL - Wholesale Business Undertaking	Total
PPE and Intangibles	579.79	346.84	926.63
Inventories	14,538.29	3,008.06	17,546.35
Trade Receivables	4,226.79	9,436.80	13,663.59
Other assets	4,375.12	2,088.63	6,463.75
Deferred Tax Assets	405.29	73.32	478.61
Right of use assets	3,792.72	-	3,792.72
Total assets	27,918.00	14,953.65	42,871.65
Trade payables	2,542.38	6,286.52	8,828.90
Other Liabilities	5,476.34	3,467.32	8,943.66
Lease liabilities	4,200.47	-	4,200.47
Total Liabilities	12,219.19	9,753.84	21,973.03
Net assets over liabilities taken over	15,698.81	5,199.81	20,898.62
Less: adjusted against receivables for issue of equity shares and CCPS (refer note 11 A and 11 B)	12,701.74	4,463.26	17,165.00
Net Consideration payable *	2,997.07	736.55	3,733.62

* In accordance with Share Purchase agreement entered with AFL and ALBL, balance consideration of Rs 3,733.62 lacs has been converted into inter corporate borrowings, which has been paid in cash consideration during the period.



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Notes to the Financial Statements for the period February 27, 2020 to March 31, 2021

- C Financial Statement for the period ended March 31, 2021 includes effect of financial operations of Retail and Wholesale Business Undertaking of the Transferor Companies for the period from February 27, 2020 to June 30, 2020 of the Retail and Wholesale Business Undertaking of the Transferor Companies as compiled by the management. The Financial Information of the Retail and Wholesale Business Undertaking of the Transferor Companies for the period from February 27, 2020 to June 30, 2020 are as follows:

Particulars	Amount in Rs. Lacs		
	February 27-June 30, 2020	For the period July 01, 2020 - March 31, 2021	February 27, 2020 - March 31, 2021
Income			
Revenue from operations			
Sale of Products	2,051.55	24,345.15	26,396.70
Operating Income	-	0.50	0.50
Revenue from operations	2,051.55	24,345.65	26,397.20
Other income	-	892.71	892.71
Total income (I)	2,051.55	25,238.36	27,289.91
Expenses			
Cost of trims and accessories consumed	-	25.84	25.84
Purchase of stock-in-trade	-	14,983.85	14,983.85
Changes in inventories (Increase) / Decrease	1,531.52	920.17	2,451.69
Employee benefits expense	813.07	730.27	1,543.34
Finance costs	890.88	815.51	1,706.39
Depreciation and amortisation expense	675.86	1,087.51	1,763.37
Other expenses	2,060.80	7,044.59	9,105.39
Total expenses (II)	5,972.13	25,607.74	31,579.87
Profit/(loss) before tax (I-II)	(3,920.58)	(369.38)	(4,289.96)
Tax expense			
Current tax	-	-	-
Deferred tax charge / (credit)	-	102.38	102.38
Total tax expense	-	102.38	102.38
Profit/(loss) for the period (III-IV)	(3,920.58)	(471.76)	(4,392.34)

Note 38 : Share based payments

Arvind Fashions Limited, the holding company (AFL) has instituted Employee Stock Option Scheme 2016 ("ESOP 2016") and Employee Stock Option Scheme 2018 ("ESOP 2018"), pursuant to the approval of the shareholders of the Company at their General Meeting held on October 15, 2016 and on May 12, 2018 respectively. Up to March 31, 2021, the holding Company has granted 32,48,049 options under ESOP 2016 and issued 3,15,200 options under ESOP 2018 in lieu of demerger under the Scheme and convertible into equal number of Equity Shares of face value of Rs. 4 each.

Expense arising from share- based payment transactions

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

Particulars	Amount in Rs. Lacs
	2020-21
Employee option plan	0.21
Total employee share based payment expense	0.21

Note 39 : Impact of Covid

Due to Covid 19 pandemic, there has been a significant impact on the Company's business operations and financial performance for the period ended March 31, 2021. The Company has assessed the impact of this pandemic on its business operations and has considered all relevant internal and external information available up to the date of approval of these financial results, in determination of the recoverability and carrying value of financial assets and non-financial assets. The impact of the Covid 19 pandemic, which is prevalent since March 2020, on the overall economic environment is still uncertain and may affect the underlying assumptions and estimates used to prepare the Company's financial statements, whereby the actual outcome may differ from these assumptions and estimates considered as at the date of approval of these financial statements. The Company will continue to closely monitor any material changes to future economic conditions having impact on Company's business operations.




Arvind Youth Brands Private Limited

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Notes to the Financial Statements for the period February 27,2020 to March 31,2021

Note 40 : Previous year comparatives

The Company has prepared its first set of financial statements for the period from February 27,2020 to March 31,2021. Accordingly there are no corresponding previous year reporting figures.

In terms of our report attached

For **S R B C & CO LLP**

Chartered Accountants

Firm Registration No. 324982E/E300003


per Santosh Agarwal
Partner
Membership No. 93669



Place : Ahmedabad
Date : July 19,2021

For and on behalf of the board of directors of
Arvind Youth Brands Private Limited


Pramod Kumar Gupta
Director
(DIN:00064041)


Vinda Maddurappa
Company Secretary

Place : Bengaluru
Date : July 19,2021


Nishit Garg
Director
(DIN:07222466)