

Arvind Fashions Limited

September 20, 2019

Ratings

Sr. No.	Facilities*	Amount (Rs. Crore)	Ratings ¹	Rating Action
(i)	Long-term/ Short-term Bank Facilities @	-	-	Revised from CARE AA (CE); Stable/ CARE A1+ (CE) to CARE AA- (CE); Stable/ CARE A1+ (CE) and simultaneously withdrawn
(ii)	Long-term Bank Facilities #	-	-	Withdrawn
(iii)	Short-term Bank Facilities #	-	-	Withdrawn
	Total Facilities	-		

*Details of facilities in Annexure-1

@ These ratings were based on the unconditional and irrevocable corporate guarantee of Arvind Limited (Arvind).

These ratings were provisional and were based on the proposed unconditional and irrevocable corporate guarantee to be extended by Arvind.

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

For the bank facilities of Arvind Fashions Limited (AFL) at (i) above, CARE has revised the ratings from 'CARE AA (CE); Stable/ CARE A1+ (CE) [Double A (Credit Enhancement); Outlook: Stable/ A One Plus (Credit Enhancement)] to CARE AA- (CE); Stable/ CARE A1+ (CE) [Double A Minus (Credit Enhancement); Outlook: Stable/ A One Plus (Credit Enhancement)] in line with revision in the ratings of its guarantor Arvind and simultaneously withdrawn it with immediate effect based on No-Objection Certificate (NOC) provided by the lender/substantial change in characteristics of the facilities following release of the corporate guarantee of Arvind for these bank facilities. Further, for the bank facilities at (ii) and (iii) above, CARE has withdrawn the provisional ratings assigned to the proposed bank facilities of AFL with immediate effect on receipt of confirmation from the company that the rating awarded by CARE has not been used for mobilizing funds and as such no amount is outstanding against these facilities. The above rating withdrawals are also based on the request of AFL.

For brief rating rationale of Arvind, please click [here](#) or visit to www.careratings.com

Analytical Approach: Not Applicable

Applicable Criteria:

[Policy on Withdrawal of ratings](#)

About the company (AFL)

AFL was incorporated in January 2016, as Arvind J&M Limited and its name was changed to AFL in October 2016. It is a part of Ahmedabad based Lalbhai group and earlier used to be a 90% subsidiary of Arvind with the balance stake being held by Multiples Private Equity Fund. Post business restructuring undertaken within Arvind group, AFL got demerged and was separately listed company on the stock exchange on March 08, 2019. Shareholders of Arvind became shareholders of AFL post demerger. AFL, through its two wholly owned subsidiaries and two joint ventures (JV), is engaged in the wholesaling and retailing of several owned and licensed branded apparels in India.

Brief details of business conducted by AFL and its subsidiaries/JVs:

Company Name	Business activities
AFL	Wholesale of licensed brands - (i.e. Arrow), and own brand (i.e. Flying Machine)
Arvind Lifestyle Brands Limited (ALBL) - 100% subsidiary of AFL	Wholesale and retailing of various international licensed brands. Retailing of Arrow and Flying Machine and Value retail format stores - 'Unlimited'
Arvind Beauty Brands Retail Private Limited (ABBRPL) - 100% subsidiary of AFL	Retailing of beauty products under 'Sephora'
Tommy Hilfiger Arvind Fashion Private Limited (THAFPL; rated CARE A+; Stable)* - 50% JV between AFL and PVH Corp, USA	Wholesale and retailing of 'Tommy Hilfiger' branded apparels, accessories
Calvin Klein Arvind Fashion Private Limited (CKAFPL)* - 50% JV between AFL & PVH Corp, USA	Wholesale and retailing of 'Calvin Klein' branded apparels, accessories

*With amendment in the terms of the JV agreement, both these companies are now consolidated under AFL starting FY18.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

(Rs. Crore)

Brief Financials of AFL (Consolidated)	FY18 (A) @	FY19 (A)
Total Operating Income	4,229	4,646
PBILDT	252	296
PAT	13	21
Overall Gearing (times)	0.78	0.81
TOL/TNW (times)	2.04	2.17
Interest Coverage (times)	2.62	2.25

A: Audited; @ Restated wherever necessary

Latest Quarterly Results:

Particulars		Q1FY19	Q1FY20	Q1FY20	
		Excluding IND AS 116 impact		Including IND AS 116 impact	
Continuing Brands	Revenue	958	912	-	
	PBILDT	47	7		
Brands to be Discontinued	Revenue	49	-11		
	PBILDT	-7	-68		
Total	Revenue	1007	901		901
	PBILDT	40	-61 @		21

About the Guarantor (Arvind)

Arvind, the flagship company of the Ahmedabad-based Lalbhai group which was founded by the Late Mr Kasturbhai Lalbhai in 1931, is a diversified conglomerate having presence in textiles, apparel retailing, engineering, waste water treatment plants and real estate businesses amongst others at a group level. Arvind is one of India's leading vertically integrated textile companies with presence of more than eight decades in the industry. Arvind is amongst the largest denim and woven fabric manufacturers, with an installed capacity of 108 million meters per annum (MMPA) and 132 MMPA respectively as on March 31, 2019. Arvind also manufactures a range of cotton shirting, knits, bottom weights (Khakis) and technical textiles/advanced material. Arvind, through its subsidiary Arvind Envisol Limited (AEL), is engaged in assembling and installation of waste water treatment plants.

Arvind received approval from National Company Law Tribunal (NCLT) on October 26, 2018 to de-merge the business undertakings of its erstwhile subsidiaries, The Anup Engineering Limited (TAEL) and AFL from itself. AFL is engaged in wholesaling and retailing of various well-known owned and licensed apparel brands in India. TAEL is an engineering company engaged in the business of designing and fabrication of process equipment. Both TAEL and AFL are now separately listed on the Stock Exchanges.

(Rs. Crore)

Brief Financials of Arvind (Post-Demerger Consolidated)	FY18 (A)	FY19 (A)
Total Operating Income	6,846	7,254
PBILDT	744	798
PAT	261*	239*
Overall Gearing (times)	1.01	1.10
Interest Coverage (times)	3.89	3.36

*From Continuing Operations

As per provisional consolidated results for its continuing business, Arvind earned a PAT of Rs.24 crore on a total operating income (TOI) of Rs.1917 crore during Q1FY20 as against a PAT of Rs.75 crore on a TOI of Rs.1825 crore during Q1FY19.

Status of non-cooperation with previous CRA: Not Applicable**Any other information:** Not Applicable**Rating History (Last three years):** Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
LT/ST Fund-based/Non-fund-based	-	-	-	0.00	Revised from CARE AA (CE); Stable/ CARE A1+ (CE) to CARE AA- (CE); Stable/ CARE A1+ (CE) and simultaneously withdrawn
Fund-based - LT-Working Capital Limits	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	-	Withdrawn	CARE AA- (CE); Stable / CARE A1+ (CE) (20-Sep-19)	1)CARE AA (SO); Stable / CARE A1+ (SO) (03-Dec-18)	1)CARE AA (SO); Stable / CARE A1+ (SO) (16-Nov-17) 2)CARE AA (SO); Stable / CARE A1+ (SO) (04-Oct-17)	1)CARE AA (SO); Stable / CARE A1+ (SO) (20-Mar-17)
2.	Fund-based - LT-Working Capital Limits	LT	-	Withdrawn	-	1)Provisional CARE AA (SO); Stable (03-Dec-18)	1)Provisional CARE AA (SO); Stable (16-Nov-17) 2)Provisional CARE AA (SO); Stable (04-Oct-17)	1)Provisional CARE AA (SO); Stable (20-Mar-17)
3.	Non-fund-based - ST-Letter of credit	ST	-	Withdrawn	-	1)Provisional CARE A1+ (SO) (03-Dec-18)	1)Provisional CARE A1+ (SO) (16-Nov-17) 2)Provisional CARE A1+ (SO) (04-Oct-17)	1)Provisional CARE A1+ (SO) (20-Mar-17)
4.	Fund-based-LT/ST	LT/ST	200.00	CARE A; Negative / CARE A1	CARE A; Negative / CARE A1 (20-Sep-19)	1)CARE A+; Stable / CARE A1+ (02-Aug-18)	-	-
5.	Commercial Paper	ST	-	-	1)Withdrawn (21-Aug-19)	1)Provisional CARE A1+ (SO) (03-Dec-18)	1)Provisional CARE A1+ (SO) (16-Nov-17) 2)Provisional CARE A1+ (SO) (04-Oct-17) 3)Provisional CARE A1+ (SO) (01-Aug-17)	-

Annexure-3: List of Subsidiaries/JVs of AFL

Name of the Company	% holding of AFL as on March 31, 2019	Consolidation
Arvind Lifestyle Brands Limited	100%	Fully Consolidated
Arvind Beauty Brands Retail Private Limited	100%	Fully Consolidated
Tommy Hilfiger Arvind Fashion Private Limited	50%	Fully Consolidated
Calvin Klein Arvind Fashion Private Limited	50%	Fully Consolidated

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact Us**Media Contact**

Mr. Mradul Mishra
 Contact No.: +91-22-6837 4424
 Email ID – mradul.mishra@careratings.com

Analyst Contact

Mr. Krunal Modi
 Contact No.: 079-40265614/+91-8511190084
 Email ID – krunal.modi@careratings.com

Relationship Contact

Mr. Deepak Prajapati
 Contact No.: +91-79-4026 5656
 Email ID – deepak.prajapati@careratings.com

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