

## Arvind Fashions Limited

April 30, 2020

### Ratings

Facilities	Amount (Rs. Crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	20.00	CARE A-; Negative (Single A Minus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Short Term Bank Facilities	150.00	CARE A2+ (A Two Plus)	Reaffirmed
Long term/ Short term Bank Facilities	130.00	CARE A-; Negative/ CARE A2+ (Single A Minus; Outlook: Negative/ A Two Plus)	Reaffirmed and Outlook revised from Stable to Negative
<b>Total Facilities</b>	<b>300.00</b> <b>(Rupees Three Hundred Crore Only)</b>		

Details of facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Arvind Fashions Limited (AFL) continue to derive strength from AFL being part of the Ahmedabad based 'Arvind' group which has a track record of over a decade in the apparel brands and retail business, AFL's strong brand portfolio of various owned and licensed international brands which majorly comprises of brands owned and licensed by its subsidiary i.e. Arvind Lifestyle Brands Limited [ALBL; rated: CARE A- (CE); Negative and CARE A2+ (CE)], its pan-India retail presence across multiple sales channel and diversified revenue mix; albeit concentrated towards men's wear. The ratings also factor in expected improvement in the cash flow position of AFL post discontinuation of some of the loss incurring growth/emerging brands and steps taken by the management to curtail the hitherto high receivables in its wholesale/online channels; majority of which is already achieved during 9MFY20 (UA; FY refers to the period April 01 to March 31) according to the company management. CARE also takes cognizance of various management initiatives for improving its profitability through steps such as adding retail space for Sephora at strategic locations while closing down loss making stores, liquidating the aged inventories and cost management initiatives such as rationalization of lease rentals, headcount and manpower cost to counter the loss of sale arising from imposition of lockdown to control the spread of corona virus. The ratings further derive comfort from AFL's strong net worth base arising from equity infusion in the past, although it has moderated to an extent due to net loss incurred during 9MFY20. CARE also takes cognizance of AFL's plans to raise further equity share capital by way of rights issue of up to Rs.300 crore which shall be mainly utilized towards reduction of its debt; albeit its Board of Directors have decided to defer the rights issue by a few months compared with its earlier plans due to countrywide lockdown imposed by the Government of India to combat the outbreak of Covid-19. CARE also takes note of the company availing the moratorium granted by its lenders as a Covid relief measure (as permitted by the Reserve Bank of India) for a period of three months for its debt obligations, including interest on working capital facilities.

The ratings, however, continue to remain constrained on account of deterioration in AFL's debt coverage and leverage indicators arising from net loss of Rs.191 crore incurred by it on a consolidated level during 9MFY20 which also remained higher than previously envisaged. As articulated by the company management, the profitability was impacted largely due to continued subdued performance of its value retail format, 'Unlimited' apart from weak performance of its 'Arrow' brand within its 'Power Brand' category. The company witnessed a y-o-y de-growth in its total operating income during 9MFY20 on account of ongoing consumption slowdown due to weak consumer sentiment along with company's decision to curtail its primary sales so as to reduce exposure to its long credit period customers which also led to inventory losses. The ratings also continue to remain constrained on account of the losses in its growth/emerging brands, high reliance on external borrowings and creditors to support its working capital requirement and funding of losses as reflected from the almost full utilization of its working capital limits, AFL's presence in a highly competitive fashion retail industry and susceptibility of its operations to downturn in the economic cycle which is likely to be further exacerbated by the prevailing lockdown and expectation of lower demand for discretionary products in the medium-term. Furthermore, weakened profitability and increased debt levels have resulted in moderation in its debt coverage indicators and weak ROCE as compared to many of its established peers.

### Outlook: Negative

The revision in the outlook on the long-term rating of AFL's bank facilities from 'Stable' to 'Negative' reflects CARE's expectation of adverse impact on the credit profile of AFL due to the temporary closure of its retail outlets on account of the outbreak of Covid-19. The measures taken by the Central and various State governments towards containment of the

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

novel corona virus have led to closure of all the stores of AFL in the country which is likely to impact the profitability of the company in the medium term. Further, recovery in consumer demand is likely to be delayed and gradual given the discretionary nature of the apparel products in the backdrop of likely economic downturn and especially if the lockdown is extended for a prolonged period of time. In the light of lower profitability and cash flows, the debt coverage indicators could remain significantly lower than previously envisaged. The outlook may be revised to 'Stable' on sustained improvement in demand along with improvement in its profitability and/ or sizable reduction of its debt level either through the planned rights issue or otherwise leading to better liquidity, leverage and debt coverage indicators.

### **Rating Sensitivities**

#### **Positive Factors**

- Revival of consumer demand to normalcy levels leading to improvement in its operational performance and profitability margins along with ROCE of more than 14%-15% on a sustained basis
- Reduction in debt level by more than the envisaged level of Rs.300 crore through the upcoming rights issue, thereby leading to significant improvement in its leverage and debt coverage indicators
- Curtailment of its working capital cycle

#### **Negative Factors**

- Further adverse impact on the liquidity of the company owing to extended closure of its stores
- Any further delay in the envisaged cash inflow from the rights issue compared with the revised plans articulated by the company's management
- Continued subdued performance arising from its inability to achieve meaningful improvement in its profitability margins

### **Detailed description of the key rating drivers**

#### **Key Rating Strengths**

##### ***Part of Ahmedabad based Arvind Group with experienced and qualified management***

AFL is a part of the Ahmedabad based Arvind group which was founded by Late Mr. Kasturbhai Lalbhai in 1931. The group is a diversified conglomerate having presence in textile, apparel retailing, engineering, assembling and installation of water treatment plants and real estate business. Arvind Limited (*Arvind; rated CARE AA-; Stable/ CARE A1+*), the flagship company of the group, is one of India's leading vertically integrated textile companies having presence of more than eight decades in the industry. Post its demerger from Arvind Limited; AFL got separately listed on the stock exchanges on March 08, 2019. The Lalbhai family of Arvind is the largest shareholder in AFL. Multiples Private Equity fund managed by Ms. Renuka Ramnath; ex-MD & CEO of ICICI Ventures Ltd., also holds more than 10% equity stake in the company.

Mr. Sanjay Lalbhai is the Chairman of AFL while his sons, Mr. Punit Lalbhai and Mr. Kulin Lalbhai, are non-Executive Directors on the Board of AFL. Mr. Jayesh Shah (Director and CFO of Arvind) is also a non-Executive Director on the Board of AFL. The management team of AFL includes Mr. Suresh Jayaraman (Managing Director and Chief Executive Officer (CEO)) and Mr. Pramod Gupta (Chief Financial Officer). Mr. Pramod Gupta is a seasoned business leader with over 30 years of experience in Finance & Supply Chain domains across diverse industries. Further, the board of AFL comprises of eminent industry experts such as Mr. Nilesh Shah, Mr. Vallabh Bhanshali and Ms. Nithya Easwaran.

##### ***Strong brand portfolio of own and licensed international apparel brands***

AFL has a strong portfolio of own and licensed international apparel brands. The licenses are long term/perpetual in nature. The brand portfolio of AFL is broadly categorized as below:

<b>Brand Category</b>	<b>Apparel Brands/Description</b>
Power Brands	Arrow, Flying Machine, Tommy Hilfiger, U.S. Polo
Growth/Emerging Brands*	Aeropostale, Calvin Klein, Ed-Hardy, Hanes, The Children's Place (TCP)
Specialty Retail	GAP, Sephora, Unlimited (value retail format)

\* Previously it also included apparel brands like Elle, Izod, Gant and Nautica; however, these have been discontinued during FY20

AFL's brand portfolio is positioned across various price points and fashion styles although dominated towards casual wear. It also encompasses various segments like men's wear, women's wear, kids wear, inner wear, footwear, beauty and accessories; albeit it is skewed towards men's wear (~69% of its overall sales in FY19). During Q1FY20, the company decided to discontinue some of its loss incurring growth/emerging brands i.e. Gant, Nautica, Elle and Izod. The process of closure of these brands has been completed in Q3FY20. Going forward, the management of AFL plans to increase its sales in beauty brand, inner wear, footwear and kids wear segment in the medium term so as to improve its demographic presence. This is envisaged to sharpen its brand portfolio with focus on improving profitability.

**Wide distribution network with presence across multiple sales channels**

AFL has a strong distribution network with 1,309 exclusive brand outlets (EBOs) and 3,805 departmental stores having total retail space of 21.60 lakh square feet (LSF) as on December 31, 2019. Revenue per square feet per day has remained steady during FY17-FY19 in the range of Rs.53-55/ per sq. ft. per day. AFL's brands are sold through multiple sales channels such as its retail store network, through wholesale to Multi Brand Outlets (MBO) and large departmental stores as well as through online retailers like Flipkart, Myntra, and Amazon. Sales through online channel registered y-o-y growth of 47% during FY19 thus increasing the reach of the brand portfolio of AFL and increasing its contribution to its total sales. Sales mix through wholesale and retail was relatively evenly distributed during FY19.

**Performance of 'power brands' offsets the operating losses of 'growth/emerging brands', 'specialty retail' and 'Unlimited'**

Power brands are the mature brands in the portfolio of AFL and continue to be the major revenue driver for the company. Further, higher growth momentum of some of the power brands especially U.S. Polo and Tommy Hilfiger has led to healthy PBILDT margin from these brands thus driving the overall profitability of AFL. However, during FY19, power brands registered marginal y-o-y sales growth of 9% and contributed 60% of TOI. Like-to-like store sales growth of power brand was -2.60% during FY19 on account of low consumption demand and more growth of online channel. The company has also faced challenges in the performance of its 'Arrow' brand which de-grew by almost 30% during 9MFY20 leading to overall de-growth of around 7% in power brand sales over 9MFY19. However, the management has taken steps to revive the sales of 'Arrow' through renewed marketing campaign, change in its offering and redesigning the retail outlets to drive its future growth and profitability. Further, the performance of other power brands like Tommy Hilfiger, Flying Machine and US Polo continue to remain profitable.

Growth brands are the emerging brands in AFL's portfolio with growth rate of 5-10%; albeit incurring losses at PBILDT level. Specialty retail too continued to incur losses; albeit with curtailment of losses at PBILDT level during FY19, on account of growth in sale of 'GAP' and 'Sephora' which was however offset by higher than envisaged losses from 'Unlimited'. These three segments together contributed ~40% of TOI of AFL during FY19 with net sales of Rs.1,847 crore (FY18: Rs.1,646 crore). Going forward, sustained turnaround of Growth brands, Specialty retail and Unlimited within envisaged time frame will be crucial for improving the overall profitability of AFL.

**Historically strong growth in total operating income; except 9MFY20**

TOI of AFL has increased steadily registering healthy CAGR of 22% over the past five years ended FY19 backed by sustained growth momentum in power brands and addition of new brands in growth brand portfolio and specialty retail. During FY19, TOI of AFL grew by 10% to Rs.4,646 crore, largely driven by the increase in sales through online channel of brands like U.S. Polo, Tommy Hilfiger, Gap and Sephora. However, during 9MFY20, the company reported de-growth of 9% to Rs.3,174 crore as against Rs.3,479 crore during 9MFY19 on account of discontinuation of some non-strategic emerging brands, curtailing its sales in the wholesale channel and overall consumption slow-down in the economy.

**Healthy net worth base, expected improvement in cash flow post discontinuation of few loss- incurring brands and envisaged proceeds of right issue**

Financial flexibility of AFL has improved post listing of its equity shares on March 08, 2019. The tangible net worth base of AFL stood at Rs.1,157 crore as on March 31, 2019 as against Rs.984 crore as on March 31, 2018 backed by accretion of share/security premium following issue of additional shares at premium. The overall gearing continued to remain moderate at 0.81 times as on March 31, 2019. Moreover, AFL also has flexibility for fund raising through monetization of its right in own brands/licensed brands in light of strong portfolio of brands.

However, net loss incurred by the company during 9MFY20 and one time impact of adoption of IND-AS 116 for accounting of operating lease has resulted in reduction in its net worth as on December 31, 2019. As per the requirement of IND-AS 116, the company has recognized large size lease repayment obligation to the extent of Rs.1,120 crore along with recognition of corresponding assets of Rs.902 crore with effect from April 1, 2019. The difference between right to use asset and the lease liability of Rs.218 crore is adjusted against the reserves thereby eroding its net worth to that extent. However, despite expectation of weak profitability during FY20, management expects the cash flow from operations to remain healthy due to its plans to reduce its costs and capex, liquidate inventories and realize elongated debtors. The cash flow from operations has largely taken care of AFL's debt repayment obligations during FY20. Moreover, the company had planned a rights issue of up to Rs.300 crore which was scheduled to open on March 30, 2020 and close on April 16, 2020. However, AFL's Board of Directors decided to temporarily defer the same due to the countrywide lockdown imposed by the Government of India to combat the outbreak of Covid-19 as the rights issue opening and closing dates largely coincided with the period of lockdown. As articulated by the company's management, its Board took this decision after consultation with the stock exchanges and regulators. Nonetheless, the company management has reiterated that they are in discussion with the various regulatory authorities for alternate dates to open the rights issue and they expect the same to now materialize around June 2020. Post the infusion of rights issue, the net worth base of the company is expected to strengthen further. The management has articulated that the proceeds from the rights issue would be largely utilized towards reduction in the company's debt level. Further, the promoters have

articulated their strong commitment to support the operations of AFL which is also reflected from their recent infusion of interest-bearing unsecured loan of Rs.50 crore (against the future right issue proceeds) in the company in March 2020.

#### **Key Rating Weaknesses**

##### ***Significant deterioration in profitability during 9MFY20 resulting in higher than envisaged net loss and weakening of debt coverage indicators***

During 9MFY20, on a consolidated basis, AFL incurred a net loss of Rs.191 crore as against net profit of Rs.0.17 crore during 9MFY19. The subdued profitability during 9MFY20 was on account of poor operating performance amidst broader consumption slow-down in the economy. Further, the company is facing challenges in its key brand, Arrow, where there was major de-growth in revenue and in turn impacted profitability of power brands. Moreover, operational loss of Rs.68 crore (provided in Q1FY20) towards inventory write-downs, loss arising from store closure and royalty settlements with principals impacted the overall profitability of AFL during 9MFY20. Furthermore, PBILDT of its hitherto highly profitable 'power' brands also registered significant reduction on account of the management's decision to reduce exposure to long credit period customers in its wholesale channel wherein the company sells through its multi-brand outlets. Also, its 'Unlimited' segment continued to incur higher losses than envisaged impacting the overall profitability of the company. Post net loss of Rs.95 crore incurred by AFL in Q1FY20, the company had envisaged gradual improvement in its performance for the remaining part of FY20. While the losses have been curtailed sequentially in Q2FY20 and Q3FY20, it continues to remain substantial with net loss of Rs.191 crore incurred by the company during 9MFY20 due to continued subdued performance of its value retail format, 'Unlimited' apart from weak performance of its 'Arrow' brand. Moreover, due to net and cash loss incurred by the company during 9MFY20, the debt coverage indicators and RoCE deteriorated significantly during the same period.

##### ***Continuous requirement of cash outlay for expanding its retail presence***

Being in the retail business, AFL has to continuously invest in order to revamp its existing stores as well as for opening of new stores. However, management has adopted a cautious approach towards opening/closing of stores which has been reflected from moderate level of capex incurred during past five years. Also, most of the store expansion going forward is planned to be done through franchisee stores, further reducing capex requirements. Going forward, realization of envisaged benefits from completed capex along with lower gestation period of newly opened stores will also be crucial for the overall performance of the company.

##### ***Highly competitive branded apparel retail industry which puts pressure on profitability margins; albeit strong brand portfolio of AFL alleviates competition to a certain extent***

Apparel retail sector in India is highly competitive with presence of many domestic and international brands as well as foray of large corporates like TATA group, Reliance group and Aditya Birla group into apparel retail segment. AFL faces tough competition from the established and seasoned retail players like Shoppers Stop Limited, Lifestyle International Private Limited, Aditya Birla Fashion and Retail Limited, Future Lifestyle Fashions Limited, etc. However, large expansion by retailers lead to pressure on their PBILDT margin as earnings from existing stores do not adequately offset gestation losses from high proportion of new stores added. A strong brand portfolio, coupled with growing online sales could help AFL in dealing with the increasing competition.

##### ***Medium-term consumption slow-down in the economy accentuated by the outbreak of Covid-19 crisis; albeit good long-term growth prospects of branded apparel business***

According to the data released by Central Statistical Organization (CSO), growth rate in Q2FY20 dropped to a six-year low of 4.5% and private consumption expenditure decelerated to a 19-quarter low in the September quarter. Moreover, the nationwide lockdown imposed by the government from end-March 2020 for controlling the outbreak of Covid-19 is expected to have adverse impact on the retail industry as the non-essential establishments are to remain closed which almost stops the business operation of the retail industry. The cash inflow of the industry has come to a standstill, while the fixed operating costs remain intact. Hence, The Retailers Association of India (RAI) on April 22, 2020 submitted a list of challenges it faces to the government. The association recommended a way forward to support the industry and economy to help overcome the challenges brought on by the COVID-19 pandemic which is likely to result in medium-term headwinds for retailers. Furthermore, business remains vulnerable to fashion trends, consumer spending habits and economic slowdown owing to discretionary nature of demand.

However, the trend of increasing urbanization and expectation of better disposable income post the economic slowdown induced by measures to control the outbreak of the corona virus is likely to augur well for the branded apparel segment's long-term growth prospects in India. In any market globally, there co-exist three main fashion brands. The rationale of customers choosing these brands include: Uniqlo for better quality, Zara for better designs and H&M for better prices. This is expected to benefit players like AFL which has license of more than 15 global brands particularly Gap, US Polo, Tommy Hilfiger, etc.

**Impact of Covid-19**

The Covid-19 pandemic is leading the country towards a major slowdown. Consumer spending has taken a backseat owing to the ongoing lockdown which restricts their movement along-with fear gripped amongst the consumer of contracting the virus. The retail sector is one of the most adversely affected sectors due to this outbreak as all the malls which house various retailers and non-essential stores, have been shut following the lockdown imposed by the Government. Fashion and lifestyle segment of retail industry may suffer the most due to the outbreak of Covid-19 as all the malls as well as retail stores selling these goods have been shut due to the lockdown and consumer spending on these items takes a back-seat especially during such times. Even after the lockdown ends, it is likely that the spending on clothing and other accessories would not be much and the retailers would have to offer heavy discounts or extend the sale periods to clear the piled up stock.

In view of the lowering of the discretionary spending by the consumers in these times of economic downturn, the outlook for the Indian players in retail sector is 'Negative' in the short to medium term. The impact on demand, which is expected to remain, muted at least for the next three or four quarters, will be more in case of players with presence in non-essential items and luxury segments. However, the expected support from the government in terms of financial stimulus packages and wage support subsidy as well as rental waivers from the mall-owners which could help the retailers to bring down their fixed costs, will reduce the impact on their credit profile to an extent. While, most of the government's measures are applicable till May 03, 2020, prolonged closures can significantly weaken credit profiles of companies in this sector. On the other hand, a faster reversal to normalcy may contain the extent of likely deterioration.

AFL's management has articulated the various proactive steps taken by the company to reduce its cost and augment liquidity. Lease is a major fixed cost for AFL, and it has invoked the force majeure clause for lease agreements with mall developers. AFL is also looking to conserve cash by reducing workforce, salary cuts, and other establishment costs apart from cutting marketing and deferring capital expenditure (capex) outlay. AFL has also availed/ applied for moratorium towards interest and installment repayment obligation from its lenders, an option permitted by the RBI as a Covid relief measure. Its liquidity is also expected to be supported by additional working capital lines and expected right issue proceeds. Timely and effective materialization of these measures could help mitigate the impact of Covid-19 on the credit profile of the company to an extent.

**Liquidity: Adequate**

Operations of AFL are highly working capital intensive due to requirement of large inventory holding in its retail business and significant build-up of receivables in its wholesale/online channels. Working capital borrowing of AFL increased during FY19 mainly on account of increase in its receivables from Rs.785 crore as on March 31, 2018 to Rs.879 crore as on March 31, 2019 and further to Rs.967 crore as on December 31, 2019. Credit cycle increased due to increase in online sales and increased receivables from the wholesale players on account of lower off-take from the retail market as a result of consumption slow-down and liquidity crunch in the wholesale channel due to GST and demonetization thereby further increasing the working capital intensity of AFL during 9MFY20. Liquidity of the company is characterized by low cash accruals and high average utilization of fund based working capital limits at around 90-95% for the past 12 months ended March 2020.

Despite closure of stores resulting in significant weakening of cash flows amidst lockdown, liquidity of the company at a consolidated level is expected to remain adequate in light of the moratorium availed by AFL on its debt obligations, as a Covid relief measure. The company, at a consolidated level, has liquidity buffer available of around Rs.80-100 crore in the form of undrawn working capital limits which is augmented by the infusion of interest-bearing unsecured loan of Rs.50 crore by its promoters (against the future right issue proceeds) and the access to Covid-19 emergency credit limits of Rs.40-45 crore sanctioned by its bankers in April 2020. Further, the company is in the process to further enhance its bank lines by around Rs.40 crore in the near term. Furthermore, the company has relatively moderate term debt repayment obligation of around Rs.41 crore due in FY21 (nearly Rs.10 crore per quarter). Cash accruals envisaged to be generated through gradual ramp-up of business post lifting of the lockdown along with additional credit lines are likely to enable it to meet the fixed operating expenses and debt obligations of the company. CARE also factors in the promoters' strong commitment to provide need-based support to the company in case of any exigency. Moreover, proceeds from the envisaged rights issue in the near term are also likely to augment its liquidity cushion.

**Analytical Approach: Consolidated.** CARE has considered the consolidated financials of AFL for its analytical purpose, which includes the financials of its subsidiaries/JVs.

The list of subsidiaries/JVs consolidated in AFL is placed in **Annexure 3**.

**Applicable Criteria:**

[Criteria on assigning outlook and credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's Methodology for Organized Retail Companies](#)

CARE's Methodology for Consolidation and Factoring Linkages in Ratings
**About the company**

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. However, its wholly-owned subsidiary, ALBL, has major contribution to AFL's consolidated revenue, profitability and debt profile.

**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 - 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+; Negative)* - 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 terms of the JV agreement, both these companies are now consolidated under AFL starting FY18.

(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 Published Results (AFL):**

(Rs. Crore)

Particulars		9MFY19 (UA)	9MFY20 (UA)
		Excluding IND AS 116 impact	
Continuing Brands	Revenue	3,324	3,150
	PBILDT	216	43
Brands to be discontinued @	Revenue	152	7
	PBILDT	-13	-68
<b>Total</b>	<b>Revenue</b>	<b>3,476</b>	<b>3,157</b>
	<b>PBILDT</b>	<b>203</b>	<b>-25</b>

@ Discontinued brands include Elle, Izod, Gant and Nautica

Including impact of IND-AS 116, as per published results for 9MFY20, AFL incurred a net loss of Rs.191 crore and loss at PBT level of Rs.292 crore on a TOI of Rs.3,174 crore.

**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
Fund-based - LT-Term Loan	-	-	March 2025	20.00	CARE A-; Negative
Fund-based-LT/ST	-	-	-	130.00	CARE A-; Negative / CARE A2+
Non-fund-based - ST-Letter of credit	-	-	-	150.00	CARE A2+

## 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based-LT/ST	LT/ST	130.00	CARE A-; Negative / CARE A2+	-	1)CARE A-; Stable / CARE A2+ (20-Feb-20) 2)CARE A; Negative / CARE A1 (15-Oct-19) 3)CARE A; Negative / CARE A1 (20-Sep-19)	1)CARE A+; Stable / CARE A1+ (02-Aug-18)	-
2.	Fund-based - LT-Term Loan	LT	20.00	CARE A-; Negative	-	1)CARE A-; Stable (20-Feb-20) 2)CARE A; Negative (15-Oct-19)	-	-
3.	Non-fund-based - ST-Letter of credit	ST	150.00	CARE A2+	-	1)CARE A2+ (20-Feb-20) 2)CARE A1 (15-Oct-19)	-	-
4.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	-	-	-	1)CARE AA-(CE); Stable / CARE A1+ (CE) (20-Sep-19) 2)Withdrawn (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)
5.	Fund-based - LT-Working Capital Limits	LT	-	-	-	1)Withdrawn (20-Sep-19)	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)
6.	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)Withdrawn (20-Sep-19)	1)Provisional CARE A1+ (SO) (03-Dec-18)	1)Provisional CARE A1+ (SO) (16-Nov-17) 2)Provisional CARE A1+ (SO)

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
								(04-Oct-17)
7.	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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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