Arvind Limited

September 29, 2020

Ratings

Facilities/ Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	1,242.15 (enhanced from Rs.1,217.15 crore)	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	Reaffirmed
Long/Short-term Bank Facilities	1,368.00	**CARE AA-; Negative/ CARE A1+ (Double A Minus; Outlook: Negative/ A One Plus)**	Reaffirmed
Short-term Bank Facilities	811.01 (reduced from Rs.836.01)	**CARE A1+ (A One Plus)**	Reaffirmed
Total Facilities	**3,421.16 (Rupees Three Thousand Four Hundred Twenty One Crore and Sixteen Lakh only)**		
Outstanding Non-convertible debenture	225.00 (enhanced from Rs.200 crore)	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	Reaffirmed
Proposed Non-convertible debenture	125.00 (reduced from Rs.200 crore)	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	Reaffirmed
Total NCD	**350.00 (Rupees Three Hundred Fifty Crore only)**		

Details of facilities/instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings of the bank facilities and instruments of Arvind Limited (Arvind) continue to derive strength from the vast experience of its promoters in textile business coupled with its long-standing operational track record as an integrated textile manufacturer having presence across the textile value chain and gradual diversification of its revenue mix towards technical textile/advanced material and waste water treatment businesses, thereby reducing its dependence on the cyclical denim business to an extent. The ratings also factor its large scale of operations; healthy net worth base, reduction in debt level and outside liabilities along with augmentation of its net working capital through refinancing of shorter tenor debt with long term loans during FY20 (refers to the period from April 01 to March 31) along with plans to further reduce overall debt and augment net working capital in FY21. The ratings also factor gradual improvement in the operational and financial performance of the company on a month-on-month basis post relaxation in lockdown and satisfactory progress on the envisaged cost reduction initiatives so as to shore-up its profitability margins in light of slowdown in demand for textile products due to the outbreak of Covid-19 pandemic. Arvind's management expects the profitability margins to improve from Q2FY21 on the back of by ramp-up in capacity utilisation apart from benefits of low cotton prices and other input cost, and favourable forex rates. Moreover, CARE also factors in company's plans to gradually monetize some of its available free hold land parcel near Ahmedabad towards further debt reduction in Arvind.

The above rating strengths are, however, tempered by lower than envisaged profitability and cash accruals during FY20 due to retrospective withdrawal of Merchandise Export from India Scheme (MEIS) benefits and lower sales volumes in the month of March 2020 owing to postponement of orders from few of its customers and disruption in its operations due to the nationwide lockdown imposed in India to control the spread of Covid-19. The ratings are also constrained due to its low return indicator, ROCE, susceptibility of its profitability to inherent volatility associated with cotton prices and foreign exchange fluctuation, inherent working capital intensive operations, sub-optimal profitability in its garment business segment due to slow ramp-up post large capex, losses in its fabric retail and nascent e-commerce business segments, and its presence in the cyclical denim fabric and competitive textile industry. CARE also takes cognizance of the company availing the moratorium granted by its lenders as a Covid relief measure, as permitted by the Reserve Bank of India, for the period of March-August 2020 on its interest and principal repayment obligation; and weak financial performance during Q1FY21; as expected, on account of the country-wide lockdown.

Outlook: Negative

The 'Negative' outlook on the long-term rating of Arvind reflects CARE's expectation of lower than previously envisaged operating performance and profitability of Arvind in the medium-term due to adverse impact on demand for textile products owing to outbreak of Covid-19 pandemic as well as over-supply in denim sector. The apparel segment is expected to be more vulnerable, given its sensitivity to consumer demand and sentiment. Recovery in consumer demand

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

is likely to be gradual given the discretionary nature of the apparel products in the backdrop of economic slowdown across the globe. There is expectation of a cascading impact on demand for other textile products including cotton yarn and fabric. Consequently, Arvind's profitability, cash accruals and debt coverage indicators are expected to remain lower than previously envisaged in the medium term. This may be partially mitigated by potential cost savings arising from various cost rationalisation measures being undertaken by the company. The outlook may be revised to 'Stable' in case of faster than anticipated recovery in demand resulting in sustained and significant improvement in company's operational and financial risk profile, aided by realisation of envisaged benefits from cost saving measures.

Rating Sensitivities

Positive Rating Sensitivity Factors:

- Sustained improvement in its PBILDT margin to above 15% along with ROCE of above 15%
- Significant debt reduction leading to improvement in debt coverage with total debt/ PBILDT below 2 times on sustained basis

Negative Rating Sensitivity Factors:

- Significantly lower than envisaged realisation of cost reduction measures and/or significantly lower than envisaged profitability in the medium-term
- Decline in PBILDT margin below 9% on a sustained basis along with moderation in its debt coverage indicators with total debt/PBILDT above 4 times
- Elongation in its operating cycle adversely affecting its cash flow from operations and liquidity
- Availing debt towards development of its real estate project for monetization of its large land parcel in future

Detailed description of the key rating drivers

Key Rating Strengths

Wide experience of the promoters in textile industry along with competent management

Arvind, the flagship company of Ahmedabad based Lalbhai group, is currently led by next generation entrepreneurs of the Lalbhai family under the leadership of Mr Sanjay Lalbhai who is the *Chairman and Managing Director* of Arvind and looks after the overall operations of the company and has total work experience of nearly four decades. Further, his sons, Mr. Punit Sanjay Lalbhai and Mr. Kulin Sanjay Lalbhai, have also been inducted on the Board as Executive Directors. Mr. Jayesh Shah, *Whole-time-Director and CFO*, is a Chartered Accountant with total work experience of nearly three decades and looks after the finance function. Further, Arvind's Board comprises of eminent industry experts and professionals. The management team of Arvind also consists of experienced professionals who have guided the company successfully through various economic cycles.

Vertically integrated operations across the textile value chain along with geographically diversified presence

Arvind has vertically integrated presence across the textile value chain starting from manufacturing of cotton yarn to grey/processed fabric to garments which imparts strong operational flexibility. Within fabric, Arvind mainly manufactures denim fabric and cotton shirting fabric and it is amongst the largest producers of denim fabric and cotton shirting fabric in India. Apart from conventional textile products, Arvind also produces high value technical textiles such as composites, coated fabrics, liquid filtration solutions, etc. under its advanced material division. Arvind, through its subsidiary Arvind Envisol Limited (AEL), is also engaged in assembling and installation of waste water treatment plants. With increasing contribution from shirting fabric, garmenting, advanced material and waste water treatment businesses, Arvind has gradually reduced its dependence on the cyclical denim fabric business. Moreover, revenue stream of Arvind is also geographically diversified with exports constituting nearly 45-50% of its consolidated revenue.
As informed by the management, Arvind is getting lot of business proposals from overseas customers to shift their orders from China to India. A company sourcing denim fabrics from China has signed an MOU in Q1FY21 to source 7 million meters of denim fabric from Arvind in FY21. Similar discussions are underway with other customers which may offset some of the adverse effect of Covid-19.

Improvement in performance of advanced material business which partially off-set the decline in profitability of textile businesses during FY20 and it is expected to continue in FY21

The textile segment of Arvind contributes more than 80% of its overall consolidated revenue hence the moderation in textile margins majorly impacts the overall consolidated PBILDT. The balance is being contributed by non-textile businesses which majorly include advanced material business and waste-water management business. The non-textile business of the company is steadily growing with improved profitability margins. Over last three years ended FY20, the lower operating profitability of textile segment was partially off-set by improvement in profitability of non-textile business thereby restricting major adverse impact on overall profitability of the company.

(Rs. Crore)

Segment	FY18		FY19		FY20	
	Revenue	PBILDT	Revenue	PBILDT	Revenue	PBILDT
Textile	5,946	814	6,143	671	6,320	630
Non-Textile	661	7	966	149	996	109

As informed by the management, Arvind's non-textile businesses are not impacted much due to Covid-19 and are likely to grow in future. Moreover, during July 2020, revenue and PBILDT from advanced material division fully recovered to monthly average of FY20. Further, Arvind has good order book position for products of advanced material division backed by strong market demand. Management expects 10% growth in advanced material division during FY21 on y-o-y basis with largely stable PBILDT margin. Further, revenue from waste water treatment is expected to remain largely stable during FY21 with improvement in PBILDT margin. On an overall basis, company expects its revenue to remain lower by around 30-35% in FY21 on y-o-y basis which includes de-growth of around 35-40% in textile business whereas the non-textile businesses are expected to grow which should restrict the overall decline in consolidated revenue and profitability to some extent.

Reduction in debt level and outside liabilities along with augmentation of net working capital during FY20 as envisaged which is expected to continue in FY21

Despite lower than envisaged profitability and cash accruals during FY20, the company could reduce its debt level and outside liabilities by around Rs.350 crore by end-FY20 compared with end-FY19 which was supported by strong generation of cash flow from operation. The management has taken various steps to rationalise the level of inventory and debtors during FY20 which has resulted into contraction in its gross operating cycle days and in turn resulted in strong cash flow from operation. Consequently, total debt of the company stood at Rs.2,577 crore (excluding lease liability) as on March 31, 2020 as against total debt of Rs.2,963 crore as on March 31, 2019. Going forward, total debt is further expected to reduce in the absence of any major capex plan in the medium term coupled with scheduled repayment of term debt.

During FY20, the company reduced its shorter term debt (including LC backed creditors and commercial papers) of about Rs.570 crore through long term loan of around Rs.340 crore and balance through contraction in its gross current assets, thereby providing cushion to its liquidity. Further, Arvind is planning to avail long term loan in FY21 of which Covid emergency credit limit of Rs.50 crore and NCD of Rs.75 crore are already availed. Further, the company has also received sanctions of long term loans of Rs.400 crore. The company plans to utilise these long term proceeds to shore up its net working capital apart from prepayments of existing term debts to the extent of Rs.190 crore. This should provide significant cushion to liquidity and medium-term debt servicing.

Gradual improvement in performance on month on month basis post relaxation in lockdown

With national lockdown imposed by the government, Arvind had shut down its manufacturing units in the states of Gujarat, Jharkhand and Karnataka. However, there was no significant impact on the operations of its garmenting facilities in Ethiopia. Subsequently, Arvind has gradually resumed its operations starting with manufacturing of Personal Protective Equipment (PPE) kit at 3 plants in April and restarted operations at its remaining plants from May 04, 2020 and May 16, 2020. The sales have started picking-up since May 2020 and company has been reporting positive PBILDT and cash accruals since May 2020 and June 2020 respectively.

(Rs. Crore)

Period - Month	April'20	May'20	June'20	July'20	August'20
Revenue	31	138	266	309	321
PBILDT	(89)	11	36	36	40
Cash Accruals	(108)	(1)	26	24	30

Revenue from textile segment recovered by almost 60-70% since June 2020 with improvement in PBILDT margin which remained higher than average PBILDT margin of FY20 backed by higher proportion of export sales in overall sales mix and favourable exchange rates. Under textile segment, revenue from denim fabric and garmenting during July 2020 reached to around 75% of pre-covid level while revenue from woven shirting fabric during July 2020 reached to around 50% of pre-covid level.

Depreciation of Indian rupee and lower cotton prices is envisaged to provide some cushion to its profitability in the medium-term

During FY20, Arvind earned about USD 450 million from exports. Further, Arvind is expected to earn export revenue of around USD 300-350 million during FY21. With depreciation of Indian rupee, Arvind is expected to receive higher average realization of Indian rupee vis-à-vis USD by at least Rs.2/USD as it has already covered forward contracts for 6 months.

Cotton and cotton yarn are the key raw materials for Arvind. Domestic cotton price which declined by 7-13% during first 6 months of Cotton Season 2019-20 (Oct'19-Mar'20) on y-o-y basis backed by higher output, fall in international prices and weak export demand scenario declined further during Q1FY21 due to slump in demand during lockdown. Although it recovered marginally in August 2020 backed by purchase of cotton by Cotton Corporation of India to support prices and pick up of domestic and export demand, it is expected to remain under pressure due to lower demand in near term. As per the management, the favourable forex movement and lower input cost should support the profitability in near to medium term.

Plans to significantly reduce fixed overheads to mitigate the adverse impact of Covid-19 pandemic

In order to tide over the impact of Covid-19 pandemic, Arvind's management has articulated their plans to significantly reduce its fixed overheads by 30-35% by end of March 2021 as compared to March 2020 through various steps such as reduction in salary & wages, rationalization of expenses pertaining to IT, foreign travel, consultants fees, advertisement, maintenance, and discontinuation of certain loss making operation, etc. Moreover, management expects structural cost reduction of around Rs.150 crore per annum to sustain in future. Such steps of overhead reduction are expected to help Arvind to safeguard its profitability margins to some extent in light of envisaged lower demand of textile products and its consequent impact on its profitability. However, extent of curtailment in cost and its impact on the operation of the company remains a key rating sensitivity.

Development of real estate project towards monetization of its large land parcel

Arvind owns 5,25,000 square yard land at village: Jethlaj, Taluko: Kalol, Dist: Gandhinagar, near Ahmedabad. The company has decided to monetize the land by developing part of this land. Accordingly, during February 2020, the company launched "Arvind Forreste", a scheme of plotted development of Villa which entails development of around 1,37,000 square yard out of the total available area under Phase - I by developing 117 villas. The company expects the project to be completed by June 2022. Looking at the good response from the customers, Arvind has launched Phase - II of project (development of another 60 villas) in July 2020. Arvind has given the development rights of Phase - I & II of this project to its group entity, Arvind Smart Spaces Limited (ASSL) under Development Management Model.

The total expected sales value of Phase - I and Phase - II of the project is around Rs.174 crore over FY21-FY23. The approximate cost of construction is around Rs.56 crore which is expected to be funded entirely through customer advances with no reliance on external debt as articulated by Arvind's management. Hence, availment of any debt towards its real estate business will be a negative rating sensitivity.

At the time of launch of phase - I and Phase - II, Arvind received very good response from buyers and could book sale worth Rs.169 crore (i.e. more than 95% of the total saleable area) and received the customer advance of around Rs.19 crore as on August 31, 2020 (i.e. 10% of sales proceeds at the time of booking). Arvind plans to utilize proceeds from monetization of land to reduce its debt level. However, timely progress of the project and receipt of customer advances remains key monitorable.

Liquidity: Adequate

The liquidity of Arvind remains adequate marked by steady cash accruals and positive cash flow from operations; albeit the average utilisation of its fund-based working capital limits remained high at above 93% during trailing 12 months ended July 2020. Moreover, operating cycle improved during FY20 backed by measures taken by the management to rationalize inventory level. Further, with slow payment from domestic customers amidst Covid-19, debtors remained high as on March 31, 2020. However, Arvind has started receiving regular payments from its customers subsequently.

During Q1FY21, Arvind has raised Rs.75 crore through NCD under LTRO window. Moreover, Arvind has opted for moratorium on interest and principal repayment for large part of its outstanding term loans and working capital limits for the period of March-August 2020 as part of the Covid relief measures announced by the RBI. Further, Arvind has availed Covid-19 emergency credit line (CECL) of Rs.50 crore from bank. Arvind has also significantly curtailed its capex and has planned to undertake minimal capex of around Rs.50 crore during FY21 to conserve its liquidity. These steps provide cushion to its liquidity in short term.

After reporting negative cash accruals in April 2020 and negligible cash accruals during May 2020, Arvind started to generate positive cash accruals from June 2020 through gradual ramp-up of business post lifting of the lockdown and significant curtailment of various overhead costs. Moreover, Arvind is planning to avail long term loan in FY21 (already received the sanction of Rs.525 crore till September 15, 2020) to shore up its net working capital and partial prepayment of existing long term debt which should provide more cushion to its liquidity going ahead. Reduction in short-term debt through refinancing by longer tenor loans during FY21 is likely to result into improvement in current ratio. Prudent deployment of short-term funds on a continuous basis would remain a key monitorable going forward.

Key Rating Weaknesses

Lower than previously envisaged profitability and cash accruals during FY20 and FY21 along with low ROCE

The Government of India vide its notification dated January 14, 2020 had retrospectively withdrawn the benefit of Merchandise Exports from India Scheme (MEIS) provided to readymade garment and made ups w.e.f. March 07, 2019

resulting into reversal of income of Rs.33.64 crore during FY20 which had adversely impacted the profitability of garmenting business. Moreover, sales volumes during March 2020 were affected owing to postponement of orders from key customers and the nationwide lockdown imposed in India. Due to combined effect of the above factors, Arvind's profitability and cash accruals in FY20 remained lower compared to previously envisaged. Losses in its fabric retail and nascent e-commerce business segments added to its woes; albeit they have small share in overall operations of the company. Further, due to reorganization of its B2C fabric retailing business, Arvind could reduce its operating loss in fabric retailing to Rs.10 crore during FY20 from loss of Rs.47 crore during FY19. PBILDT margin of its denim segment continue to remain under pressure due to pricing pressure arising from over-supply scenario in the industry. Furthermore, moderation in profitability and high capital employed adversely impacted ROCE (return on capital employed) of the company in FY20. ROCE is expected to remain low in near to medium term till the time company is able to generate adequate return on the recently commissioned garmenting facilities apart from improvement in profitability of textile segment.
Also, Arvind has almost doubled its garmenting facilities over the past two years ended FY20. Recently commissioned garmenting facilities were incurring high pre-operating expenses; thereby impacting its profitability. With gradual ramp up of production, it was expected that PBILDT from garmenting segment would improve from January 2020 onwards. However, expected drop in apparel demand due to Covid-19 pandemic coupled with labour intensive nature of operations, the capacity utilization of its garmenting division is expected to remain sub optimal in near term in order to ensure the social distancing norms and thereby continue to have adverse impact on its profitability and debt coverage indicators. However, management expects it to recover in Q2FY21 largely on account of expected benefit of significant cost reduction steps along with gradual ramp-up of operations and favourable input cost and forex rates. On an overall basis, the profitability and cash accruals during FY21 are expected to remain lower than FY19 and FY20. However, management has articulated that despite expected lower profitability during FY21 on y-o-y basis; Arvind expects to generate higher free cash flow during the year backed by lower outflow for capex.

Vulnerability of operating margin to volatility in cotton prices and foreign exchange fluctuation
The key raw materials of the company are cotton and cotton yarn, the prices of which have remained volatile in the past. Moreover, Arvind also earns nearly 40-50% of its revenue from the export market whereas import on the other side is very low. Hence, Arvind is a net exporter and is exposed to adverse fluctuation in foreign currency exchange rates. The company manages its currency risk by hedging a considerable amount of its net exposure which insulates it from volatile forex rates to a certain extent; however any sudden and sharp appreciation of the INR against the USD can affect its profitability.

Adverse impact of Covid-19 pandemic on textile sector
The closure of retail stores and malls on account of lockdown situation across the nation has impacted the demand for textile industry. On the international front, spread of Covid-19 in top export destinations such as Europe and US (together accounting for about 60% of the total apparel exports) has resulted in closure of retail stores and malls there. Even after the lockdown has lifted, demand recovery is gradual and delayed in consumer demand given the relatively discretionary nature of the apparel products in the backdrop of likely economic slowdown. This has also impacted the demand of other textile products including cotton yarn and fabric. Demand from domestic market has recovery only to the tune of 30% to 40% across various textile products largely in the rural and semi-urban areas while demand from urban area is yet to resume apparel consumption in a substantial manner which is major customer for branded apparel. Further, the labour intensive nature of operations of the textile sector could impact its profitability due to sub optimal capacity utilization in near term for ensuring adherence to norms of social distancing.
The strength of the recovery will be contingent on the duration and extent of the Covid-19 pandemic, where a prolonged downturn in apparel demand will constrain revenues and earnings of the sector. Further, in medium to long term, some demand from US and EU market is expected to shift gradually from China to other major garmenting manufacturers including India to reduce dependence on China.

Presence in cyclical denim fabric and competitive textile industry
The Indian denim fabric industry is cyclical in nature and has witnessed major slowdown at least twice over the past two decades leading to piling up of excess inventory on the back of significant capacity addition by denim fabric manufacturers and consequent pricing pressure on sales realization. Indian denim fabric manufacturing sector has more than 1.5 billion meter per year capacity. Due to continuous capacity addition, the industry is witnessing an over-supply situation leading to high competition and pricing pressure which together impacts the profitability of the industry players. Slowdown in denim fabric industry has put pressure on margins of the industry players. Although Arvind has not added any capacity in denim fabric over past 10 years and it is mainly engaged in high value denim fabric with 50% of sales to the export market thereby being less vulnerable as compared to many industry peers, still it is not completely insulated from industry-wide downturns as already reflected from the moderation in the margins of its demin segment over last three years ended FY20.

Analytical Approach: Consolidated. CARE has considered the consolidated financials of Arvind for its analytical purpose, which includes the financials of its subsidiaries/JVs, whereby it has operational linkages with most of them and they are engaged in the same textile value chain. *The list of entities whose financials have been consolidated in Arvind is mentioned 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
Rating Methodology: Consolidation and Factoring Linkages in Ratings
Financial ratios – Non-Financial Sector
CARE's methodology for manufacturing companies
CARE's methodology for Cotton Textile companies
Liquidity Analysis of Non-Financial Sector Entities

About the Company
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, 2020. Arvind also manufactures a range of cotton shirting, knits, bottom weights (Khakis) and technical textiles/advanced material. Arvind, through its subsidiary, AEL, is engaged in assembling and installation of waste water treatment plants.
Promoters' shareholding in Arvind has gradually increased from 43.08% as on June 30, 2019 to 44.75% as on June 30, 2020; while the percentage of pledged shares of total promoters' holding has reduced from 9.87% as on June 30, 2019 to 0.39% as on June 30, 2020.

Brief consolidated Financials (Rs. Crore)	FY19 (A)	FY20 (A) #
Total operating income (TOI)	7,254	7,403
PBILDT	798	745
PAT (Continuing operation)	239	92
Overall Gearing (times)	1.10	1.04
PBIDLT Interest coverage (times)	3.36	2.92

A: Audited; # After implementation of IND-AS 116 with respect to operating lease accounting

As per un-audited (UA) consolidated results for Q1FY21, Arvind reported a net loss of Rs.97 crore on a total operating income (TOI) of Rs.603 crore as against a net profit of Rs.24 crore on a TOI of Rs.1,917 crore during Q1FY20 (UA).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument/facility: Detailed explanation of covenants of rated instruments is given in Annexure-4

Complexity level of various instruments rated for this company: Please refer Annexure-5

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
Term Loan-Long Term	-	-	March 2027	1242.15	CARE AA-; Negative
Fund-based - ST-PC/Bill Discounting	-	-	-	100.00	CARE A1+
Non-fund-based - ST-BG/LC	-	-	-	711.01	CARE A1+
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	1368.00	CARE AA-; Negative / CARE A1+
Debentures-Non Convertible Debentures (INE034A08032)	September 08, 2017	8.25% #	September 08, 2021	50.00	CARE AA-; Negative
Debentures-Non Convertible Debentures (INE034A08040 and INE034A08057)	September 29, 2017	8.04% #	September 29, 2022	100.00	CARE AA-; Negative
Debentures-Non Convertible Debentures (INE034A07059)	June 03, 2020	8.50%	June 02, 2023	75.00	CARE AA-; Negative
Debentures-Non Convertible Debentures- **Proposed***	-	-	- ^	125.00	CARE AA-; Negative

**ISIN No., date of issuance, coupon and maturity date is not applicable as this NCD is presently proposed*
 # revised upward subsequent to placement; ^ proposed to be repaid in three unequal annual trenches after a period of two years from the date of placement

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.	Term Loan-Long Term	LT	1242.15	CARE AA-; Negative	1)CARE AA-; Negative (25-May-20)	1)CARE AA-; Stable (20-Sep-19)	1)CARE AA; Stable (03-Dec-18)	1)CARE AA; Stable (15-Nov-17) 2)CARE AA; Stable (28-Sep-17)
2.	Fund-based - ST-PC/Bill Discounting	ST	100.00	CARE A1+	1)CARE A1+ (25-May-20)	1)CARE A1+ (20-Sep-19)	1)CARE A1+ (03-Dec-18)	1)CARE A1+ (15-Nov-17) 2)CARE A1+ (28-Sep-17)
3.	Non-fund-based - ST-BG/LC	ST	711.01	CARE A1+	1)CARE A1+ (25-May-20)	1)CARE A1+ (20-Sep-19)	1)CARE A1+ (03-Dec-18)	1)CARE A1+ (15-Nov-17) 2)CARE A1+ (28-Sep-17)
4.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ ST	1368.00	CARE AA-; Negative/ CARE A1+	1)CARE AA-; Negative/ CARE A1+ (25-May-20)	1)CARE AA-; Stable / CARE A1+ (20-Sep-19)	1)CARE AA; Stable/ CARE A1+ (03-Dec-18)	1)CARE AA; Stable / CARE A1+ (15-Nov-17) 2)CARE AA; Stable / CARE A1+ (28-Sep-17)
5.	Debentures-Non Convertible Debentures	LT	50.00	CARE AA-; Negative	1)CARE AA-; Negative (25-May-20)	1)CARE AA-; Stable (20-Sep-19)	1)CARE AA; Stable (03-Dec-18)	1)CARE AA; Stable (15-Nov-17) 2)CARE AA; Stable (28-Sep-17) 3)CARE AA; Stable (01-Aug-17)
6.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA-; Negative	1)CARE AA-; Negative (25-May-20)	1)CARE AA-; Stable (20-Sep-19)	1)CARE AA; Stable (03-Dec-18)	1)CARE AA; Stable (15-Nov-17) 2)CARE AA; Stable (28-Sep-17)
7.	Debentures-Non Convertible	LT	200.00	CARE AA-; Negative	1)CARE AA-; Negative	-	-	-

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
	Debentures				(25-May-20)			
8.	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	1)Withdrawn (15-May-20)	1)CARE A1+ (20-Sep-19)	1)CARE A1+ (03-Dec-18) 2)CARE A1+ (03-Jul-18)	1)CARE A1+ (15-Nov-17) 2)CARE A1+ (28-Sep-17)
9.	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	-	1)Withdrawn (20-Sep-19)	1)CARE A1+ (03-Dec-18) 2)CARE A1+ (03-Jul-18)	1)CARE A1+ (15-Nov-17) 2)CARE A1+ (28-Sep-17)

Annexure – 3: List of subsidiaries and associates of Arvind getting 'consolidated'

Sr. No	Name of the company	Relationship with Arvind	% shareholding of Arvind as on March 31, 2020
1	Arvind Envisol Limited	Wholly owned subsidiary	100%
2	Arvind Internet Limited	Wholly owned subsidiary	100%
3	Arvind Ruf & Tuf Private Limited	Wholly owned subsidiary	100%
4	Arvind Smart Textiles Limited	Wholly owned subsidiary	100%
5	Arvind BKP Berolina Private Limited *(erstwhile Arvind Transformational Solutions Private Limited*	Wholly owned subsidiary	100%
6	Arvind Worldwide Inc.	Wholly owned subsidiary	100%
7	Brillaries Inc., Canada	Wholly owned subsidiary	100%
8	Arvind Textile Mills Limited	Wholly owned subsidiary	100%
9	Arvind Lifestyle Apparel Manufacturing PLC	Wholly owned subsidiary	100%
10	Arvind Envisol PLC, Ethiopia	Wholly owned subsidiary	100%
11	Arvind Enterprises (FZE)	Wholly owned subsidiary	100%
12	Syntel Telecom Limited	Wholly owned subsidiary	100%
13	Westech Advance Materials Limited	Wholly owned subsidiary	100%
14	Arvind True Blue Limited	Subsidiary	87.50%
15	Arvind OG Nonwovens Private Limited	Subsidiary	74%
16	Arvind Niloy Exports Private Limited	Subsidiary	70%
17	Arvind Polser Engineered Composites Panels Private Limited	Subsidiary	60%
18	AJ Environmental Solutions Company	Subsidiary	60%
19	Arvind PD Composites Private Limited	Subsidiary	51%
20	Arvind Goodhill Suit Manufacturing Private Limited	Subsidiary	51%
21	Arvind Premium Retail Limited	Subsidiary	51%
22	Arya Omnitalk Wireless Solutions Private Limited	Subsidiary	50.06%
23	Maruti Ornet and Infrabuild LLP	Limited Liability Partnership	Not Available
24	Enkay Converged Technologies LLP	Limited Liability Partnership	Not Available
25	Arya Omnitalk Radio Trunking Services Private Limited	Joint Venture	50%
26	Arudrama Developments Private Limited	Joint Venture	50%
27	Arvind and Smart Value Homes LLP	Joint Venture	50%
28	Arvind Norm CBRN Systems Private Limited	Joint Venture	50%
29	Adient Arvind Automotive Fabrics India Private Limited	Joint Venture	50%
30	PVH Arvind Manufacturing PLC	Joint Venture	25%

Annexure-4: Key covenants of outstanding rated NCDs

<table>
<tr><th colspan="2">For NCD Issuance - INE034A08032, INE034A08040 and INE034A08057</th></tr>
<tr><td>A. Financial covenants</td><td>
Arvind to maintain followings:
<table>
<tr><th>Covenant</th><th>Threshold</th></tr>
<tr><td>Debt/PBILDT</td><td>< 3.00</td></tr>
<tr><td>DSCR</td><td>> 2.00x</td></tr>
<tr><td>TOL/TNW</td><td>< 1.25x</td></tr>
</table>
</td></tr>
<tr><td>B. Non-financial covenants</td><td>

In the event of a credit rating downgrade of the debentures issued by the company by any rating agency including new assignment for existing and / or additional borrowings, coupon rate will be immediately revised upward by 0.25% p.a. for each notch downgrade from the date of such downgrade. Provided that if at any time after the increase in coupon rate as set out hereinabove, the credit rating assigned to debentures is revised upwards, the coupon rate shall reduce by 0.25% p.a. for each notch upgrade, subject to same not reducing below the original coupon rate.
No Put/Call options
In case of event of default (as enumerated in the term sheet of NCDs), debenture holders/ debenture trustee may:

Accelerate the redemption of NCDs and/or
Enforce any security created pursuant to the security documents in accordance with the terms thereof; and/or
Appoint a nominee director for the debenture holders; and/or
Initiate recovery proceedings / exercise rights available to recover the outstanding amounts

</td></tr>
</table>

<table>
<tr><th colspan="2">For NCD Issuance - INE034A07059</th></tr>
<tr><td>A. Financial covenants</td><td>
Arvind to maintain Fixed Asset Coverage Ratio (FACR) of at least 1.25 times of the entire redemption amount throughout the tenure of NCD. Non maintenance of coverage will attract penal interest of 2% p.a. over the coupon rate for the period of non-compliance.
</td></tr>
<tr><td>B. Non-financial covenants</td><td>

No Put/Call options
In case of event of default or breach of any covenants (as enumerated in the term sheet of NCDs), the NCD shall become forthwith payable
In addition to the above, upon the occurrence of an event of default, the debenture trustee shall have the right to:

Enforce any security created pursuant to the security documents in accordance with the terms thereof; and/or
Appoint a nominee director on behalf of all lenders of the Company; and/or
Exercise such other rights and remedies as may be available to the debenture trustee under applicable law and/or the financing documents

</td></tr>
</table>

Annexure 5: Complexity level of various instruments rated for this Company

Name of the Instrument	Complexity Level
Term Loan-Long Term	Simple
Fund-based - ST-PC/Bill Discounting	Simple
Non-fund-based - ST-BG/LC	Simple
Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
Debentures-Non Convertible Debentures (INE034A08032)	Complex
Debentures-Non Convertible Debentures (INE034A08040 and INE034A08057)	Complex
Debentures-Non Convertible Debentures (INE034A07059)	Complex
Debentures-Non Convertible Debentures (Proposed)	Complex

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

Analyst Contact 1
Mr. Krunal Modi
Contact No. – +91-79-40265614
Email ID – krunal.modi@careratings.com

Analyst Contact 2
Mr. Ranjan Sharma
Contact No. – +91-79-40265617
Email ID – ranjan.sharma@careratings.com

Relationship Contact
Deepak Prajapati
Contact no. – +91-79-4026 5656
Email ID – deepak.prajapati@careratings.com

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