Arvind Limited

May 25, 2020

Ratings

Facilities/ Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	1,217.15 (reduced from Rs.1,270.03 crore)	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	Reaffirmed; Outlook revised from Stable to Negative
Long/ Short-term Bank Facilities	1,368.00	**CARE AA-; Negative/ CARE A1+ (Double A Minus; Outlook: Negative/ A One Plus)**	Reaffirmed; Outlook revised from Stable to Negative
Short-term Bank Facilities	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	**200.00 (Rupees Two Hundred Crore only)**	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	Reaffirmed; Outlook revised from Stable to Negative
Proposed Non-convertible debenture	**200.00 (Rupees Two Hundred Crore only)**	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	Assigned

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 as envisaged 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). The ratings also factor the company management's articulation to significantly reduce various fixed overheads mostly by the end of Q1FY21 so as to shore-up its profitability margins going forward in light of envisaged slowdown in demand for textile products due to the outbreak of Covid-19 pandemic. 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 expectation of lower profitability and cash accruals for Arvind during FY20 compared with what was previously envisaged 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-May 2020 on its interest and principal repayment obligation; and the likely adverse impact on its profitability during Q1FY21 on account of the country-wide lockdown; albeit the operations at most of its manufacturing units have resumed post gradual relaxation in the lockdown.

Outlook: Negative

The revision in the outlook on the long-term rating of Arvind from 'Stable' to 'Negative' 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. The apparel segment is expected to be more vulnerable, given its sensitivity to consumer demand and sentiment. Recovery in consumer demand 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

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

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. Mr Sanjay Lalbhai 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 wherein its PBILDT margins have remained relatively better during last two years. Arvind, through its subsidiary Arvind Envisol Limited [AEL], is also engaged in assembling and installation of waste water treatment plants wherein it earned healthy PBILDT margin during FY19. 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 recently signed an MOU 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.

Reduction in debt level and outside liabilities along with augmentation of net working capital during FY20 as envisaged

Despite lower than envisaged profitability and cash accruals during FY20, the company could reduce its debt level and outside liabilities by around Rs.400 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. Moreover, total debt of the company stood at around Rs.2,500 crore (excluding lease liability) as on March 31, 2020 as against total debt of around Rs.2,950 crore as on March 31, 2019. With reduction of debt during FY20, the overall gearing ratio is expected to improve as on March 31, 2020. 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.600 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.

Resumption of operations at most of its manufacturing units post lockdown with commencement of manufacturing of Personal Protective Equipment (PPE) kits at few garmenting facilities

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 PPE at 3 plants in April and restarted operations at its remaining plants from May 04, 2020 and May 16, 2020. Presently, the company has capacity to produce around 10,000 pieces of PPE per day which the company plans to increase to 15,000 pieces of PPE per day by end of May 2020. During FY21, the company expects to earn revenue of around Rs.150 crore from PPE sales.

The capacity utilization at its manufacturing plants presently remain lower than normal level with average attendance of around 55% primarily to ensure adherence to lockdown conditions laid down by the Central and State Governments in terms of maintaining social distancing. However, management expects the capacity utilisation to improve gradually.

Depreciation of Indian rupee and lower cotton prices; along with expectation of steady performance of non-textile business is envisaged to provide some cushion to its profitability in the medium-term

During FY20, Arvind earned about USD 400 million from exports. Further, Arvind is expected to earn export revenue of around USD 300 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 has 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. As articulated by the management, decline in price of cotton is likely to benefit the company for a period of 3 to 4 months due to lag effect in passing the benefits to the customer. As per the management, the favourable forex movement and lower input cost should support the profitability in near to medium term.

Apart from textile business, Arvind's non-textile businesses also contribute to revenue and profitability. 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. On an overall basis, company expects its revenue to remain lower by around 20-25% in FY21 on y-o-y basis which includes de-growth of around 30-35% 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.

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 around Rs.440 crore during FY21 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.

Out of targeted reduction in fixed overheads by Rs.440 crore in FY21, the company has already implemented the decision to reduce overheads of Rs.75 crore by May 15, 2020. Such steps 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. Arvind has given the development rights of this project to its group entity, Arvind Smart Spaces Limited (ASSL) under Development Management Model.

The total expected sales value of Phase-I of the project is around Rs.112 crore. The approximate cost of construction is around Rs.34 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 the scheme, Arvind received very good response from buyers and could book sale of 105 villas till March 31, 2020 (i.e. 90% of the total saleable area). Arvind has also received customer advances of around Rs.10 crore till March 31, 2020 (i.e. 10% of sales proceeds at the time of booking). Arvind is expected to receive cash flow of around Rs.35 crore till March 31, 2021. Arvind plans to utilize proceeds from monetization of land to reduce 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 90%. 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.
Arvind had about Rs.100 crore of undrawn working capital limits as on April 30, 2020 which further increased to around Rs.120-130 crore as on May 18, 2020 and the same is envisaged to provide some cushion for meeting its operational and debt servicing requirements in the short-term. Arvind has also opted for three months moratorium on interest and principal repayment for all its outstanding term loans and has also availed moratorium on interest payment on working capital limits as part of the Covid relief measures announced by the RBI. Moreover, Arvind has availed Covid-19 emergency credit line (CECL) of Rs.50 crore from SBI.
Arvind has significantly curtailed its capex and has planned to undertake very minimal capex of around Rs.30 crore annually over the next two years so as to conserve its liquidity. Arvind also had undrawn term debt limit for capex to the extent of Rs.75 crore as on March 31, 2020. The company plans to draw it to the extent of Rs.25 crore only during FY21 towards the capex.
Cash accruals envisaged to be generated through gradual ramp-up of business post lifting of the lockdown and significant curtailment of various costs apart from availability of additional credit lines are likely to support its liquidity. Arvind is planning to raise Rs.200 crore through NCD under LTRO window and the company largely plans to utilize the NCD proceeds towards repayment of its 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 FY20 may 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

Expectation of lower than previously envisaged profitability and cash accruals during FY20 and FY21 due to over-supply in denim sector and sub-optimal utilisation of its garmenting manufacturing facilities which is further accentuated by Covid-19; along with its 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) w.e.f. March 07, 2019 resulting into reversal of income of Rs.33.64 crore during 9MFY20. 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, CARE expects Arvind's profitability and cash accruals in FY20 to remain lower compared to previously envisage. Losses in its fabric retail and nascent e-commerce business segments add to its woes; albeit they have small share in overall operations of the company. Profitability margins of its denim segment continue to remain under pressure due to pricing pressure arising from over-supply scenario in the industry. Further, expected moderation in profitability and high capital employed would adversely impact ROCE (return on capital employed) of the company in FY20.
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, if the company is able to ramp-up its production faster than envisaged, it may lead to improvement in overall profitability and ROCE. Further, various policy initiatives by Central Government such as 15%-25% capital subsidy and by State Government such as payroll assistance of up to 50% for employees, capital subsidy, interest subsidy, special concession in power tariff, refund of State Goods and Service Tax (SGST) etc. may provide cushion to profitability of garmenting division. Although, its profitability in Q1FY21 is expected to be adversely impacted by the disruptions caused by Covid-19, Arvind's management expects it to recover from Q2FY21 largely on account of expected benefit of significant cost reduction steps along with gradual ramp-up of operations. Its actual performance vis-à-vis envisaged levels in Q1FY21 and Q2FY21 would remain a key rating sensitivity.

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 45-50% 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 will affect textile industry's sales. 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 is

lifted, gradual and delayed recovery is likely in consumer demand given the relatively discretionary nature of the apparel products in the backdrop of likely economic slowdown. There may be a cascading impact on demand of other textile products including cotton yarn and fabric.
Moreover, Indian denim fabric industry is already witnessing an over-supply situation which would be further impacted by slowdown in demand due to Coivd-19 pandemic. 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. Denim fabric industry has also been adversely affected by demonetization and implementation of GST in the recent past. 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.

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.
Earlier, CARE had also factored in the corporate guarantees (to the extent not withdrawn at the time of review) extended by Arvind for the bank facilities/instruments raised by Arvind Fashions Limited (AFL; rated: CARE A-; Negative/ CARE A2+) and Arvind Lifestyle Brands Limited [ALBL; rated: CARE A- (CE); Negative/ CARE A2+ (CE)] aggregating to Rs.75 crore. However, post withdrawal of these corporate guarantees extended by Arvind for the bank facilities/instruments raised by AFL and ALBL, CARE no longer factors these in its analytical assessment of Arvind.
*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
Financial ratios – Non-Financial Sector
Rating Methodology: Consolidation and Factoring Linkages in Ratings
Liquidity Analysis of Non-Financial Sector Entities
CARE's methodology for manufacturing companies

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.
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; rated: CARE A+; Stable/ CARE A1+) 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. Promoters' shareholding in Arvind has gradually increased from 43.08% as on June 30, 2019 to 44.75% as on March 31, 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 March 31, 2020.

Brief Financials (Rs. Crore)	FY18 (A)	FY19 (A)
	Post-Demerger (Consolidated)	
Total operating income (TOI)	6,846	7,254
PBILDT	744	798
PAT *(Continuing Operations)*	261	239
Overall Gearing (times)	1.01	1.10
Interest coverage (times)	3.89	3.36

A: Audited

As per provisional consolidated results, Arvind earned a PAT (from continuing operation) of Rs.109 crore on a total operating income (TOI) of Rs.5,774 crore during 9MFY20 as against a PAT of Rs.172 crore on a TOI of Rs.5,347 crore during 9MFY19.

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

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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
Term Loan-Long Term	-	-	March 2027	1217.15	CARE AA-; Negative
Fund-based - ST-PC/Bill Discounting	-	-	-	125.00	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)	August 16, 2017	8.00% #	September 08, 2021	100.00	CARE AA-; Negative
Debentures-Non Convertible Debentures (INE034A08040 and INE034A08057)	September 22, 2017	7.79% #	September 29, 2022	100.00	CARE AA-; Negative
Debentures-Non Convertible Debentures- **Proposed***	-	-	- ^	200.00	CARE AA-; Negative

**ISIN No., date of issuance, coupon and maturity date is not applicable as this NCD is presently proposed*
 # At the time of issuance; ^ Bullet repayment after a period of three 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	1217.15	CARE AA-; Negative	-	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	125.00	CARE A1+	-	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+ (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-; 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	100.00	CARE AA-; Negative	-	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-; 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 Debentures	LT	200.00	CARE AA-; Negative	-	-	-	-
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, 2019
1	Arvind Polser Engineered Composites Panels Private Limited	Wholly owned subsidiary	100%
2	Syntel Telecom Limited	Wholly owned subsidiary	100%
3	Arvind Envisol Limited	Wholly owned subsidiary	100%
4	Arvind Internet Limited	Wholly owned subsidiary	100%
5	Arvind Ruf & Tuf Private Limited	Wholly owned subsidiary	100%
6	Arvind Smart Textiles Limited	Wholly owned subsidiary	100%
7	Arvind Transformational Solutions Private Limited	Wholly owned subsidiary	100%
8	Arvind Worldwide Inc.	Wholly owned subsidiary	100%
9	Brillaries Inc., Canada	Wholly owned subsidiary	100%
10	Arvind Textile Mills Limited	Wholly owned subsidiary	100%
11	Arvind Lifestyle Apparel Manufacturing PLC	Wholly owned subsidiary	100%
12	Arvind Envisol PLC, Ethiopia	Wholly owned subsidiary	100%
13	Arvind Enterprises (FZE)	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 PD Composites Private Limited	Subsidiary	51%
18	Arvind Goodhill Suit Manufacturing Private Limited	Subsidiary	51%
19	Arvind Premium Retail Limited	Subsidiary	51%
20	Westech Advance Materials Limited	Subsidiary	51%
21	Arya Omnitalk Wireless Solutions Private Limited	Subsidiary	50.06%
22	Maruti Ornet and Infrabuild LLP	Limited Liability Partnership (LLP)	Not Available
23	Enkay Converged Technologies LLP	LLP	Not Available
24	Arya Omnitalk Radio Trunking Services Private Limited	Joint Venture	50%
25	Arudrama Developments Private Limited	Joint Venture	50%
26	Arvind and Smart Value Homes LLP	Joint Venture	50%
27	Arvind Norm CBRN Systems Private Limited	Joint Venture	50%
28	Adient Arvind Automotive Fabrics India Private Limited	Joint Venture	50%

Annexure-4: Key covenants of outstanding rated NCDs

<table>
<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>
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<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

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</table>

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.*

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