

INDEPENDENT AUDITOR'S REPORT

To the Members of Tommy Hilfiger Arvind Fashion Private Limited

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Tommy Hilfiger Arvind Fashion Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act., read with the Companies (Indian Accounting Standards) (Amendment) Rules, 2017. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit including other comprehensive income, the changes in equity and its cash flows for the year ended on that date.



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants


Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) (Amendment) Rules, 2017;
 - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – refer note 15 and 35(c) to the Ind AS financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004


per Chandra Kumar Rampuria
Partner

Membership Number: 055729

Place of Signature: Bangalore

Date: May 2, 2018



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

Annexure I referred to in our report to the Members of Tommy Hilfiger Arvind Fashion Private Limited (“the Company”) for the year ended March 31, 2018. We report that:

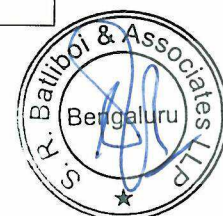
- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) All property, plant and equipment have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, there are no immovable properties, included in property, plant and equipment of the Company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.
- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at the year end and no material discrepancies were noticed in respect of such confirmations.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 (“the Act”). Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Act, for the products/ services of the Company.
- (vii) (a) Undisputed statutory dues including provident fund, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in depositing withholding taxes and professional tax dues in few cases and significant delay in depositing goods and service tax under reverse charge mechanism in one instance. The provisions relating to employees’ state insurance are not applicable to the Company.

According to the information and explanations given to us, no undisputed dues in respect of provident fund, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other material statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable, except for the following:

Statement of arrears of statutory dues outstanding for more than six months:

Name of the Statute	Nature of the dues	Amount (Rs.)	Period to which the amounts relates	Due date	Date of payment
Income Tax Act, 1961	Fringe Benefit Tax	351,212	October 2008 to March 2009	December 15, 2008 and March 15, 2009	Unpaid*
Goods and Service Tax	IGST on RCM basis	4,136,067	July 2017	Aug 25, 2017	April 19, 2018

* In view of the stay order issued by the Honourable High court of Gujarat.



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

(b) According to the records of the Company, the dues of income-tax, duty of custom and value added tax on account of dispute, are as follows:

Name of the Statute	Nature of the dues	Amount (Rs.)	Period to which the amounts relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	63,898	AY 2008-09	Deputy Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	25,480	AY 2010-11	Deputy Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	136,980	AY 2014-15	Deputy Commissioner of Income Tax
Customs Act, 1962	Customs Duty	107,279,401	Jan 2013 to Dec 2017	Directorate of Revenue Intelligence (DRI)
Karnataka VAT Act, 2003	Karnataka VAT	11,494,269	FY 2015-16	Joint Commissioner of Commercial Taxes, Bangalore

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to a financial institution or bank. The Company does not have any borrowing by way of debentures or from government.
- (ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer/ further public offer/ debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Ind AS financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the Company and hence reporting under clause 3(xi) is not applicable and hence not commented upon.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 188 of the Act where applicable and the details have been disclosed in the notes to the Ind AS financial statements, as required by the applicable accounting standards. The provisions of section 177 the Act are not applicable to the Company and accordingly reporting under clause 3(xiii) in so far as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.



S.R. BATLIBOI & ASSOCIATES LLP

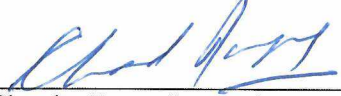
Chartered Accountants

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004



per Chandra Kumar Rampuria
Partner

Membership Number: 055729



Place of Signature: Bangalore

Date: May 2, 2018

S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

Annexure 2 to the Independent Auditor's Report of even date on the Ind AS Financial Statements of Tommy Hilfiger Arvind Fashion Private Limited ("the Company") for the year ended March 31, 2018:

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

We have audited the internal financial controls over financial reporting of Tommy Hilfiger Arvind Fashion Private Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

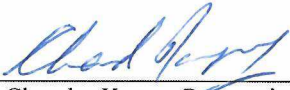
Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/ E300004



per Chandra Kumar Rampuria
Partner

Membership Number: 055729



Place of Signature: Bangalore

Date: May 2, 2018

Tommy Hilfiger Arvind Fashion Private Limited
Balance Sheet as at March 31, 2018

	Notes	March 31, 2018 Rs. million	March 31, 2017 Rs. million
ASSETS			
Non-current assets			
Property, plant and equipment	3	330.90	217.12
Capital work-in-progress	4	3.79	1.29
Intangible assets	5	222.27	249.23
Financial assets			
Loans	6	116.89	82.19
Other financial assets	7	17.52	7.85
Income tax assets (net)		52.30	36.13
Other non-current assets	8	43.23	24.01
Total non-current assets		786.90	617.82
Current assets			
Inventories	9	998.64	984.83
Financial assets			
Trade receivables	10	989.72	859.32
Cash and cash equivalents	11	9.12	2.33
Other bank balances	12	1.10	1.03
Others financial assets	7	17.33	13.31
Other current assets	8	259.57	95.51
Total current assets		2,275.48	1,956.33
Total assets		3,062.38	2,574.15
EQUITY AND LIABILITIES			
Equity			
Equity share capital	13	298.95	229.24
Other equity			
Share premium	14	643.02	362.73
Retained earnings	14	440.16	406.89
Total equity		1,382.13	998.86
Non-current liabilities			
Provisions	15	1.43	-
Deferred tax liabilities (net)	16	14.23	30.45
Total non-current liabilities		15.66	30.45
Current liabilities			
Financial liabilities			
Borrowings	17	996.00	771.17
Trade payables	18	544.39	626.54
Security deposits from customers	19	2.94	6.44
Other financial liabilities	20	34.66	88.70
Provisions	15	25.56	10.50
Current tax liability (net)		9.25	2.50
Other current liabilities	21	51.79	38.99
Total current liabilities		1,664.59	1,544.84
Total liabilities		1,680.25	1,575.29
Total equity and liabilities		3,062.38	2,574.15
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates I LP
Chartered Accountants
ICAI Firm Registration Number: 101049W/ E300004

per Chandra Kumar Kampuria
Partner
Membership No.: 055729



Place: Bangalore
Date: May 2, 2018

For and on behalf of the Board of Directors of
Tommy Hilfiger Arvind Fashion Private Limited

Shailesh Chaturvedi

Shailesh Chaturvedi
Managing Director
DIN: 03023079

Kavi Rao
Kavi Rao
Chief Financial Officer

Soundararajan Kannan
Soundararajan Kannan
Director
DIN: 02528982
Lipi Jha
Lipi Jha
Company Secretary

Place: Bangalore
Date: May 2, 2018



Tommy Hilfiger Arvind Fashion Private Limited
 Statement of Profit and Loss for the year ended March 31, 2018

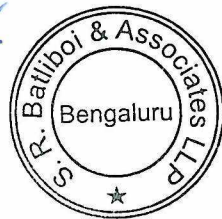
	Notes	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Income			
Revenue from operations (net)	22	3,471.28	3,137.57
Other income	23	8.79	3.85
Finance income	24	9.08	7.94
Total income		3,489.15	3,149.36
Expenses			
Purchase of traded goods	25	1,720.44	2,129.96
Increase in inventories of traded goods	26	(13.81)	(322.02)
Employee benefits expense	27	225.76	188.37
Other expenses	28	1,322.75	978.74
Total expenses		3,255.14	2,975.05
Profit before interest, depreciation/ amortisation and taxes (PBIDT)		234.01	174.31
Depreciation and amortisation expense	29	101.34	70.21
Finance costs	30	80.53	51.85
Profit before tax		52.14	52.25
Income tax expense			
Current tax	16	33.55	15.45
Deferred tax	16	(15.69)	2.51
Total tax expense		17.86	17.96
Profit for the year		34.28	34.29
Other comprehensive income/ (loss) for the year			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/ (loss) on defined benefit plans		(1.54)	1.17
Tax effect on above	16	0.53	(0.41)
Other comprehensive income/ (loss) for the year, net of tax		(1.01)	0.76
Total comprehensive income for the year		33.27	35.05
Earning per equity share [nominal value per share Rs. 10 (March 31, 2017: Rs. 10)]			
Basic & diluted [in Rs. per share]	32	1.28	1.49
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
 Chartered Accountants
 ICAI Firm Registration Number: 101049W/ E300004

per Chandra Kumar Rampuria
 Partner
 Membership No : 055729



Place: Bangalore
 Date: May 2, 2018

For and on behalf of the Board of Directors of
 Tommy Hilfiger Arvind Fashion Private Limited

Shailesh Chaturvedi

Shailesh Chaturvedi
 Managing Director
 DIN: 03023079

Ravi Rao
 Ravi Rao
 Chief Financial Officer

Place: Bangalore
 Date: May 2, 2018

Soundararajan Kannan

Soundararajan Kannan
 Director
 DIN: 02528982

Lipi Jha
 Lipi Jha
 Company Secretary



Tommy Hilfiger Arvind Fashion Private Limited
Statement of changes in equity for the year ended March 31, 2018

A. Equity share capital

Equity share of Rs. 10 each issued, subscribed and fully paid:

	No. of shares	Rs. million
As at April 1, 2016	22,923,678	229.24
Issue of equity share capital	-	-
As at March 31, 2017	22,923,678	229.24
Issue of equity share capital (refer note 13)	6,970,640	69.71
As at March 31, 2018	29,894,318	298.95


B. Other equity

	Share premium Note 14	Retained earnings Note 14	Total equity Rs. million
Balance as at April 1, 2016	362.73	371.84	734.57
Profit for the year	-	34.29	34.29
Other comprehensive income for the year, net of tax	-	0.76	0.76
Balance as at March 31, 2017	362.73	406.89	769.62
Change for the year (refer note 13)	280.29	-	280.29
Profit for the year	-	34.28	34.28
Other comprehensive income for the year, net of tax	-	(1.01)	(1.01)
Balance as at March 31, 2018	643.02	440.16	1,083.18

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/ E300004


per Chandra Kumar Rampuria
Partner
Membership No. 055729




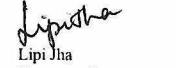
Place: Bangalore
Date: May 2, 2018

For and on behalf of the Board of Directors of
Tommy Hilfiger Arvind Fashion Private Limited


Shailesh Chaturvedi
Managing Director
DIN: 03023079


Ravi Rao
Chief Financial Officer

Place: Bangalore
Date: May 2, 2018


Soundararajan Kannan
Director
DIN: 02528982

Lipi Jha
Company Secretary



Tommy Hilfiger Arvind Fashion Private Limited
Statement of cash flows for the year ended March 31, 2018

	Notes	March 31, 2018 Rs. million	March 31, 2017 Rs. million
A Operating activities			
Profit before tax		52.14	52.25
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	29	74.12	42.67
Amortisation of intangible assets	29	27.22	27.54
Finance income (including fair value changes in financial instrument)	24	(9.08)	(7.94)
Finance costs	30	73.11	46.60
Unrealised foreign exchange difference, net		(0.38)	6.16
Fixed assets written off	28	0.04	0.41
Net gain on disposal of property, plant and equipment	23	(0.88)	(0.13)
Liability no longer required written back	23	(2.15)	(0.61)
Rent		8.61	3.41
Working capital adjustments:			
Increase in inventories		(13.81)	(322.02)
Increase in trade receivable		(130.40)	(253.86)
(Increase)/ decrease in other current bank balances		(0.07)	16.54
Increase in non-current loans		(39.84)	(47.77)
Increase in other non-current financial assets		(9.67)	(0.61)
Increase in other current financial assets		(8.27)	(1.83)
Increase in other non-current assets		(19.97)	3.90
(Increase)/ decrease in other current assets		(158.64)	7.41
(Decrease)/ increase in trade payables		(79.84)	168.99
Decrease in security deposit from customers		(3.50)	(31.00)
(Decrease)/ increase in other current financial liabilities		(41.18)	21.99
Increase in non-current provisions		1.43	-
Increase in current provisions		13.52	2.29
Increase in other current liabilities		12.80	9.94
		<u>(254.69)</u>	<u>(255.67)</u>
Income tax paid		(42.98)	(35.15)
Net cash used in operating activities (A)		<u>(297.67)</u>	<u>(290.82)</u>
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment (including capital work-in-progress)		2.09	2.30
Purchase of property, plant and equipment		(204.97)	(136.16)
Interest received (finance income)	24	5.43	9.79
Net cash flow used in investing activities (B)		<u>(197.45)</u>	<u>(124.07)</u>
Cash flow from financing activities			
Proceeds from borrowings		224.83	436.63
Proceeds from share application		350.00	-
Interest paid		(72.92)	(46.58)
Net cash flow from financing activities (C)		<u>501.91</u>	<u>390.05</u>
Net increase/ (decrease) in cash and cash equivalents [A+B+C]		<u>6.79</u>	<u>(24.84)</u>
Cash and cash equivalent at the beginning of the year	11	2.33	27.17
Cash and cash equivalent at the end of the year	11	<u>9.12</u>	<u>2.33</u>
Cash and cash equivalents comprise of (refer note 11):			
Balances with bank in current accounts		8.79	1.26
Cash on hand		0.33	1.07
Cash and cash equivalents		<u>9.12</u>	<u>2.33</u>

Notes:

- The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standards (Ind AS 7) statement of cash flows.
- Additions to property, plant and equipment include movement of capital work-in-progress, capital advances and capital creditors.

Summary of significant accounting policies

2

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/ E300004

per Chandra Kumar Rampuria
Partner
Membership No.: 055729



Place: Bangalore
Date: May 2, 2018

For and on behalf of the Board of Directors of
Tommy Hilfiger Arvind Fashion Private Limited

Shailesh Chaturvedi

Shailesh Chaturvedi
Managing Director
DIN: 03023079

Soundararajan Kannan
Director
DIN: 02528982

Ravi Rao
Ravi Rao
Chief Financial Officer

Lipi Jha
Lipi Jha
Company Secretary

Place: Bangalore
Date: May 2, 2018



Tommy Hilfiger Arvind Fashion Private Limited
Notes to financial statements for the year ended March 31, 2018

1. Corporate information

Tommy Hilfiger Arvind Fashion Private Limited ("the Company") is a joint venture (JV) between Arvind Brands and Retail Limited (till November 3, 2016), Arvind Fashion Limited (from November 4, 2016) and PVH BV and Tommy Hilfiger Europe BV. The Company has the license to use Tommy Hilfiger trademarks in connection with the manufacture, import, distribution, promotion, advertising and sale of products in India. The Company is engaged in marketing and wholesale trading activity of Tommy Hilfiger brand apparels, accessories and other products in India. Further, the Company has also sublicensed its rights to third parties for sale of other Tommy Hilfiger licensed products.

During the previous year ended March 31, 2017, the Company has received approval from the Department of Industrial Policy and Promotion (DIPP) for Foreign Direct Investment (FDI) up to 50% for single brand retail trading of Tommy Hilfiger branded products. Basis which, the Company has started retail activity of Tommy Hilfiger brand apparels, accessories and other products in India from August 22, 2016.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") as issued under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The financial statements have been prepared on a historical cost basis, except certain financial assets and liabilities (including derivative instruments), which are measured at fair value (refer accounting policy regarding financial instruments).

The financial statements are presented in INR and all values are rounded to the nearest millions (INR 000,000), except when otherwise indicated.

2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its financial statements:

i) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is treated as current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

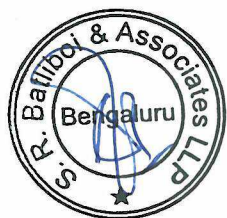
The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The Company has identified twelve months as its operating cycle.

ii) Foreign currencies

The Company's financial statements are presented in Indian rupees (INR), which is also the Company's functional currency.



Tommy Hilfiger Arvind Fashion Private Limited
Notes to financial statements for the year ended March 31, 2018

Transactions and balances:

Transactions in foreign currencies are initially recorded by the Company's at the functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the group uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or on translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income [OCI] or profit or loss are also recognised in OCI or profit or loss, respectively).

iii) Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

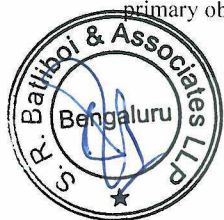
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value for measurement and/or disclosure purpose in these financial information is determined on such a basis, except for leasing transaction that are within the scope of Ind AS 17 and measurement that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

iv) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.



Tommy Hilfiger Arvind Fashion Private Limited
Notes to financial statements for the year ended March 31, 2018

Sales tax/ Value Added Tax (VAT)/Goods and Service Tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly it is excluded from revenue.

The specific recognition criteria described below should also be met before revenue is recognized.

a) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and the titles have passed, at the time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and reward of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefit associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

b) Interest

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in finance income in the Statement of Profit and Loss.

c) License fee/ Commission

Revenue from license fee and commission is recognized as per contractual terms, on an accrual basis.

v) Income tax

a) Current Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In assessing the probability the Company considers whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.



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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or in equity in correlation to the underlying transaction

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

vi) Property, plant and equipment

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost includes the purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Capital work-in-progress are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Cost includes borrowing costs for long term construction projects if the recognition criteria is met.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gains or losses arising from derecognition of property, plant and equipments are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

The Company identifies and determines cost of asset significant to the total cost of the asset having useful life that is materially different from that of the remaining life.

Depreciation on property, plant and equipment

Depreciation on property, plant and equipment is calculated on a straight line basis using the rates arrived at based on the useful lives estimated by the management. The identified components are depreciated over their useful lives; the remaining assets are depreciated over the life of the principal asset. The Company has used the following rates to provide depreciation on its tangible fixed assets:

Assets Description	Useful lives estimated by management (in years)	Useful life as per Schedule II (in years)
Plant and equipment	15	15
Computers and servers		
-Computers	3	3
-Servers	6	6
Vehicle	4	8
Office equipment	3	5
Furniture and fixtures	8	10

Leasehold improvements are depreciated over the useful life of 5 – 8 years, being the period of the lease.

Prorated depreciation is provided on all assets purchased or sold during the year.

Where the estimated useful lives are different from lives prescribed under Schedule II, management has estimated these useful lives after taking into consideration technical assessment, prior asset usage experience and the risk of technology obsolescence. The management believes that the estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

The residual values, useful lives and methods of depreciation of property, plant and equipments are reviewed at each financial year end and adjusted prospectively, if appropriate.

vii) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible



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assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Statement of Profit and Loss in the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit and Loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

The intangible asset comprising Trademark license fee is amortised over a term of 15 years and software licenses are amortised over the term of 3 - 5 years.

viii) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. Transaction costs are included in the initial recognition amount of financial liability and charged to profit or loss using the effective interest method.

ix) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as lessee:

A lease is classified at the inception date as a finance lease or operating lease. Leases where significant portion of risk and reward of ownership are retained by the Lessor are classified as Operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss in the period in which they are incurred.

x) Inventories

Inventories are valued at lower of cost and net realisable value. Cost of goods is ascertained under actual landed cost and is determined by specific identification of the individual cost of inventory.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

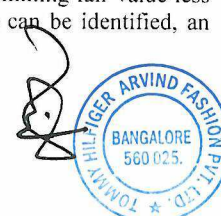
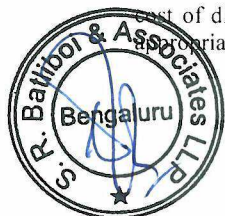
Cost includes cost of purchase and other costs in bringing the inventories to their present location and condition. Cost is determined on weighted average cost basis.

Obsolete and defective inventory are duly provided on the basis of management estimates.

xi) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU) fair value less cost of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.



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Notes to financial statements for the year ended March 31, 2018

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally covers a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/ forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the Statement of Profit and Loss, except for previously revalued property, plant and equipment, with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

xii) Provisions

Provisions are recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the Statement of Profit and Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

xiii) Retirement and other employee benefits

a) Defined contribution plan

Retirement benefits in the form of provident fund is a defined contribution scheme in respect of which the Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

b) Defined benefit plan

The Company operates a defined benefit gratuity plan. The Company contributes to a gratuity fund maintained by an independent insurance company.

Gratuity liability is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs



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Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the consolidated Statement of Profit and Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

c) Leave encashment/ compensated absence

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred. The Company presents the entire leave as a current liability in the balance sheet, as it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

xiv) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement:

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement:

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

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost:

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables. For more information on receivables, refer to note 10.

Debt instrument at FVTOCI:

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.



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Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL:

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

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

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

Derecognition:

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets:

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

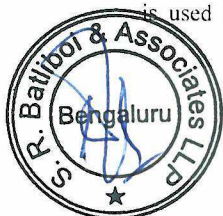
- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- Financial assets that are debt instruments and are measured as at FVTOCI
- Lease receivables under Ind AS 17
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18
- Loan commitments which are not measured as at FVTPL
- Financial guarantee contracts which are not measured as at FVTPL

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in a



Tommy Hilfiger Arvind Fashion Private Limited
Notes to financial statements for the year ended March 31, 2018

subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument;
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Statement of Profit and Loss (P&L). This amount is reflected under the head 'other expenses' in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount;
- Loan commitments and financial guarantee contracts: ECL is presented as a provision in the balance sheet, i.e. as a liability;
- Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the Company prepares financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

Financial liabilities

Initial recognition and measurement:

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement:

The measurement of financial liabilities depends on their classification, as described below:

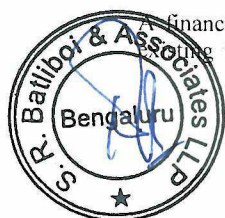
Loans and borrowings:

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss. This category generally applies to borrowings. For more information refer note 17.

Derecognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an



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Notes to financial statements for the year ended March 31, 2018

existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

xv) Derivative financial instruments

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

xvi) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

xvii) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

xviii) Measurement of profit before interest, depreciation/ amortization and tax (PBIDT)

As per Ind AS 1 "Presentation of financial statements", the Company has elected to present PBIDT as a separate line item on the face of the Statement of Profit and Loss. The Company measures PBDIT on the basis of profit/loss from continuing operations. In its measurement, the Company does not include depreciation/amortisation expenses, finance costs and tax expenses.

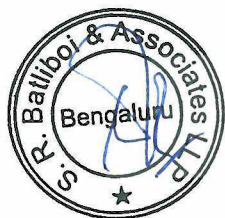
xix) Recent accounting pronouncements

Ind AS 115 Revenue from Contracts with Customers:

Ind AS 115 was issued in February 2016 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supercede all current revenue recognition requirements under Ind AS.

Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard permits two possible methods of transition:

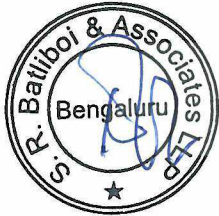
- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors.
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)



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Notes to financial statements for the year ended March 31, 2018

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018. The Company will adopt the standard on April 1, 2018 by using the cumulative catch-up transition method and accordingly comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted.

The Company continues to evaluate various areas such as gross versus net revenue presentation for certain contracts, identification and treatment of performance obligations associated with certain contracts etc. A reliable estimate of the quantitative impact of Ind AS 115 on the financial statements will only be possible once the implementation project has been completed.



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Note 3: Property, plant and equipment

							(Rs. million)
	Plant and equipment	Data processing equipment	Office equipment	Furniture and fixture	Leasehold improvements	Vehicles	Total
Cost							
As at April 1, 2016	0.35	6.19	6.08	2.98	113.60	8.23	137.43
Additions	-	3.05	0.53	1.05	126.56	2.70	133.89
Disposals/ deletions	-	0.30	-	-	0.65	3.31	4.26
As at March 31, 2017	0.35	8.94	6.61	4.03	239.51	7.62	267.06
Additions	-	4.79	2.98	0.25	181.13	-	189.15
Disposals/ deletions	-	1.25	0.19	-	9.29	5.10	15.83
As at March 31, 2018	0.35	12.48	9.40	4.28	411.35	2.52	440.38
Accumulated depreciation							
As at April 1, 2016	0.03	1.83	0.62	0.60	2.32	3.56	8.96
Depreciation for the year	0.03	2.94	2.21	0.66	34.85	1.98	42.67
Disposals/ deletions	-	0.30	-	-	0.24	1.15	1.69
As at March 31, 2017	0.06	4.47	2.83	1.26	36.93	4.39	49.94
Depreciation for the year	0.03	3.19	2.83	0.64	66.15	1.28	74.12
Disposals/ deletions	-	1.21	0.19	-	8.08	5.10	14.58
As at March 31, 2018	0.09	6.45	5.47	1.90	95.00	0.57	109.48
Net book value							
As at March 31, 2017	0.29	4.47	3.78	2.77	202.58	3.23	217.12
As at March 31, 2018	0.26	6.03	3.93	2.38	316.35	1.95	330.90

Note: Also refer to note 35 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

Note 4: Capital work-in-progress

	(Rs. million)
As at March 31, 2017	1.29
As at March 31, 2018	3.79

Note: Capital work-in-progress mainly comprises of pending capitalisation of leasehold improvements for office premises and stores under construction.

Note 5: Intangible assets

	Trademark license fee	Computer Software	(Rs. million)
			Total
Cost			
As at April 1, 2016	297.55	5.31	302.86
Additions	-	1.66	1.66
Disposals/ deletions	-	-	-
As at March 31, 2017	297.55	6.97	304.52
Additions	-	0.26	0.26
Disposals/ deletions	-	-	-
As at March 31, 2018	297.55	7.23	304.78
Accumulated depreciation			
As at April 1, 2016	26.10	1.65	27.75
Amortisation for the year	26.02	1.52	27.54
Disposals/ deletions	-	-	-
As at March 31, 2017	52.12	3.17	55.29
Amortisation for the year	26.02	1.20	27.22
Disposals/ deletions	-	-	-
As at March 31, 2018	78.14	4.37	82.51
Net book value			
As at March 31, 2017	245.43	3.80	249.23
As at March 31, 2018	219.41	2.86	222.27

Notes:

On September 7, 2011, the Company has entered into a License Agreement with Tommy Hilfiger Europe BV and obtained an exclusive and assignable license to use the Trademark Tommy Hilfiger, in connection with the manufacture, import, distribution, promotion, advertising and sale of Tommy Hilfiger products in India for a consideration of Rs. 377.98 million (USD 7.5 million), which has been capitalised as an intangible asset, in accordance with Ind AS 38, "Intangible Assets". The ownership of aforesaid Trademark rests with Tommy Hilfiger Europe BV.

Under the aforesaid agreement, the Company must achieve certain minimum sales level with respect to the licensed products and pay royalty on higher of the actual and minimum sales value of license products. As at March 31, 2018: Rs. 614.55 million (March 31, 2017: Rs. 711.5 million) is the total minimum royalty to be paid under this agreement over the balance period of the term. The Company is required to spend 1% of net sales on advertising the license products and trademarks on an annual basis. As per the agreements entered by the Company with sub-franchisees, certain minimum sales level with respect to the licensed products must be achieved by the sub-franchisees and royalty is earned on the higher of the actual and minimum sales value of the licensed products.

The initial term of license is for a period of 10 years. However, the same can be renewed for a further period of 5 years without any additional consideration, subject to compliance with certain terms and conditions under the aforesaid agreement. Management has determined that it is virtually certain that the Company would renew the license agreement for a further period of 5 years. Accordingly, the Company has amortised the trademark over a period of 15 years.



Tommy Hilfiger Arvind Fashion Private Limited
Notes to the financial statements for the year ended March 31, 2018

Note 6: Loans

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Unsecured, considered good		
Security deposits	116.89	82.19
	<u>116.89</u>	<u>82.19</u>

Note 7: Other financial assets (unsecured, considered good)

	Non-current		Current	
	March 31, 2018 Rs. million	March 31, 2017 Rs. million	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Carried at amortised cost:				
Other bank balance	17.52	7.55	-	-
Accrued interest on bank deposits	-	-	0.87	1.35
Interest receivables	-	-	-	4.00
Employee advances	-	0.30	5.22	2.52
Unbilled revenue	-	-	4.81	5.44
Other receivable from related party (refer note 36)	-	-	6.20	-
	<u>17.52</u>	<u>7.85</u>	<u>17.10</u>	<u>13.31</u>
Carried at fair value:				
Derivative instruments	-	-	0.23	-
	<u>17.52</u>	<u>7.85</u>	<u>17.33</u>	<u>13.31</u>

Note 8: Other assets

	Non-current		Current	
	March 31, 2018 Rs. million	March 31, 2017 Rs. million	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Unsecured, considered good				
Capital advances	6.92	4.81	-	-
Prepaid expenses	16.46	17.40	11.73	10.94
Advances to suppliers	-	-	32.73	32.22
Balances with statutory/ government authorities	7.15	1.80	203.76	31.00
Other advances	-	-	11.35	21.35
	<u>30.53</u>	<u>24.01</u>	<u>259.57</u>	<u>95.51</u>
Unsecured, considered doubtful				
Capital advances	2.48	2.48	-	-
Balances with statutory/ government authorities	12.70	-	-	-
	<u>45.71</u>	<u>26.49</u>	<u>259.57</u>	<u>95.51</u>
Provision for doubtful advances	(2.48)	(2.48)	-	-
	<u>43.23</u>	<u>24.01</u>	<u>259.57</u>	<u>95.51</u>

Note 9: Inventories (valued at lower of cost and net realisable value)

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Traded goods including stock-in-transit Rs. 76.44 million (March 31, 2017: Rs. 103.05 million)	998.64	984.83
	<u>998.64</u>	<u>984.83</u>

Note: During the year ended March 31, 2018: Rs. 21.08 million (March 31, 2017: Rs. 15.38 million) was recognised as an expense for inventories carried at net realisable value.

Note 10: Trade receivables

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Trade receivables	989.72	855.72
Trade receivables from related parties (refer note 36)	-	3.60
	<u>989.72</u>	<u>859.32</u>

Break-up for security details:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Unsecured, considered good	989.72	859.32
Unsecured, considered doubtful	5.00	5.00
	<u>994.72</u>	<u>864.32</u>
Allowance for doubtful trade receivables	(5.00)	(5.00)
	<u>989.72</u>	<u>859.32</u>

Notes:

- No trade or other receivables are due from directors or other officers of the Company either severally or jointly with any other person.
- For related party disclosures, refer note 36.
- Trade receivables are non-interest bearing and are generally on payment/ credit tenure of 30 to 90 days.



Tommy Hilfiger Arvind Fashion Private Limited
Notes to the financial statements for the year ended March 31, 2018

Note 11: Cash and cash equivalents

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Balances with bank - current accounts	8.79	1.26
Cash on hand	0.33	1.07
	<u>9.12</u>	<u>2.33</u>

Note 12: Other bank balances

	Non-current		Current	
	March 31, 2018 Rs. million	March 31, 2017 Rs. million	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Deposits with maturity of more than 12 months	-	-	1.10	1.03
Margin money deposit [refer note (a) below]	6.50	5.42	-	-
Other deposits [refer note (b) below:]	11.02	2.13	-	-
	<u>17.52</u>	<u>7.55</u>	1.10	1.03
Amount disclosed under "Other financial assets" (refer note 7)	<u>(17.52)</u>	<u>(7.55)</u>	-	-
	-	-	<u>1.10</u>	<u>1.03</u>

Notes:

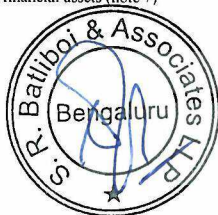
- a. Deposits are placed as bank guarantee to the sales tax department of various states.
- b. Other deposits includes deposits placed as bank guarantee to sales tax department of various states.

Break-up of financial assets carried at amortised cost:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Loans (note 6)	116.89	82.19
Others financial assets (note 7)	34.62	21.16
Trade receivables (note 10)	989.72	859.32
Cash and cash equivalents (note 11)	9.12	2.33
Other bank balances (note 12)	1.10	1.03
	<u>1,151.45</u>	<u>966.03</u>

Break-up of financial assets carried at fair value:

Others financial assets (note 7)	0.23	-
	<u>0.23</u>	<u>-</u>



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Tommy Hilfiger Arvind Fashion Private Limited
Notes to the financial statements for the year ended March 31, 2018

Note 13: Equity share capital

	March 31, 2018		March 31, 2017	
	No. of shares	Rs. million	No. of shares	Rs. million
Authorised share capital				
Equity shares of Rs.10 each	30,000,000	300.00	25,000,000	250.00
	<u>30,000,000</u>	<u>300.00</u>	<u>25,000,000</u>	<u>250.00</u>

During the year ended March 31, 2018 the authorised share capital was increased by Rs. 50 million i.e. 5 million equity shares of Rs.10 each.

Issued, subscribed and paid-up share capital

Equity shares of Rs 10 each	22,923,678	229.24	22,923,678	229.24
Shares issued during the year	6,970,640	69.71	-	-
	<u>29,894,318</u>	<u>298.95</u>	<u>22,923,678</u>	<u>229.24</u>

Shares issued during the year (on right basis)

a) On July 12, 2017 the Company issued 3,448,274 equity shares of Rs.10 each at a premium of Rs. 33.50 per share on right basis in the ratio of one share per every 6.65 share held by the existing shareholders.

*Among the above shares 1,724,137 shares are issued under FDI scheme to the existing non-resident shareholders.

b) On November 20, 2017 the Company issued 3,522,366 equity shares of Rs. 10 each at a premium of Rs. 46.78 per share to all the existing shareholders on right basis in the ratio of one share per every 7.49 share held to the existing shareholders.

*Among the above shares 1,761,183 shares are issued under FDI scheme to the existing non-resident shareholders.

13.1. Terms/ rights attached to the equity shares

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

13.2. Reconciliation of shares outstanding at the beginning and at the end of the reporting period

	March 31, 2018		March 31, 2017	
	No. of shares	Rs. million	No. of shares	Rs. million
At the beginning of the period	22,923,678	229.24	22,923,678	229.24
Add: Issue of shares during the year	6,970,640	69.71	-	-
Outstanding at the end of the period	<u>29,894,318</u>	<u>298.95</u>	<u>22,923,678</u>	<u>229.24</u>

13.3. Details of shareholders holding more than 5% shares in the Company:

	March 31, 2018		March 31, 2017	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Arvind Fashion Limited (Joint venture partner from November 4, 2016)	14,947,159	50%	11,461,839	50%
PVH BV (Joint venture partner)	12,256,670	41%	9,398,708	41%
Tommy Hilfiger Europa BV (Joint venture partner)	2,690,489	9%	2,063,131	9%

Note 14: Other equity

	March 31, 2018	March 31, 2017
	Rs. million	Rs. million
Share premium:		
Balance as per last financial statements	362.73	362.73
Changes during the year	280.29	-
Balance at the end of the year	<u>643.02</u>	<u>362.73</u>

Note: Share premium is used to record the premium on issue of shares. This reserve is utilised in accordance with the provisions of the Act.

Retained earnings:

Balance as per last financial statements	406.89	371.84
Add: Profit for the year	34.28	34.29
Less: Other comprehensive income/ (loss) for the year, net of tax	(1.01)	0.76
Balance at the end of the year	<u>440.16</u>	<u>406.89</u>



Note 15: Provisions

	Non-current		Current	
	March 31, 2018 Rs. million	March 31, 2017 Rs. million	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Provision for employee benefits (refer note 34)				
Provision for leave encashment	-	-	8.31	9.02
Provision for gratuity	1.43	-	2.25	1.48
Provision for litigation/ dispute (refer note below)				
	-	-	15.00	-
	1.43	-	25.56	10.50

Note: Provisions for litigation/ dispute represents provisions made in respect of claims against the Company for ongoing tax disputes.

Movement in provisions for litigation/ dispute

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Provision recognised during the year	15.00	-
Amount utilised/ reversed during the year	-	-
Balance as at end of the period	15.00	-

Note 16: Income tax

A. The major component of income tax expense for the years ended March 31, 2018 and March 31, 2017 are:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Statement of Profit and Loss		
a) Current income tax:		
Current income tax charge	33.55	15.45
b) Deferred tax:		
Relating to origination and reversal of temporary differences	(15.69)	2.51
Income tax expense reported in the Statement of Profit and Loss	17.86	17.96
c) OCI section		
Tax related to items recognised in OCI during the year:		
Net loss/ (gain) on remeasurement of defined benefit plans	0.53	(0.41)
Income tax charged to OCI	0.53	(0.41)

B. Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate for the year ended March 31, 2018 and March 31, 2017:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Accounting profit before tax	52.14	52.25
At India's statutory income tax rate of 33.063% (March 31, 2017: 33.063%)	17.24	17.27
Tax effect of the amounts which are not deductible/ (taxable) in calculating taxable income:		
Depreciation (net of books and tax)	(0.28)	(0.35)
Allowance/ (disallowance) u/s 40(a)	0.10	(0.06)
Disallowance/ (allowance) u/s 43B	(0.39)	0.45
Other disallowances	0.89	0.06
Non-deductible expenses for tax purposes:		
Corporate social responsibility	0.31	0.59
Ind AS adjustment	(0.01)	-
At the effective income tax rate of 34.23% (March 31, 2017: 34.39%)	17.86	17.96

C. Deferred tax relates to the following:

	Balance Sheet		Statement of Profit and Loss	
	March 31, 2018 Rs. million	March 31, 2017 Rs. million	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Accelerated depreciation for tax purposes	(27.59)	(40.15)	(12.56)	(5.73)
Provision for doubtful debt	1.73	1.73	-	-
Expenditure allowable on payment basis	11.00	5.24	(5.23)	9.59
Expenses disallowed u/s 40a	0.63	2.73	2.10	(1.35)
Deferred tax expense/ (income)			(15.69)	2.51
Net deferred tax liabilities	(14.23)	(30.45)		

D. Reconciliation of deferred tax assets/ (liabilities), net:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Opening balance as of April 1	(30.45)	(27.53)
Tax income/ (expense) during the period recognised in profit or loss	15.69	(2.51)
Tax income/ (expense) during the period recognised in OCI	0.53	(0.41)
Closing balance as at March 31	(14.23)	(30.45)



Tommy Hilfiger Arvind Fashion Private Limited
Notes to the financial statements for the year ended March 31, 2018

Financial liabilities

Note 17: Borrowings

	Effective interest rate (%)	Maturity	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Short-term borrowings (secured)				
Working capital demand loans (refer note below)				
The Hongkong and Shanghai Banking Corporation Limited (HSBC)	8.15%	23-Apr-18	75.00	-
The Hongkong and Shanghai Banking Corporation Limited (HSBC)	8.25%	2-Apr-18	265.00	-
The Hongkong and Shanghai Banking Corporation Limited (HSBC)	8.15%	30-Apr-18	100.00	-
HDFC Bank Limited (HDFC)	7.90%	2-Apr-18	140.00	150.00
HDFC Bank Limited (HDFC)	8.50%	18-Apr-18	200.00	75.00
HDFC Bank Limited (HDFC)	8.50%	14-Apr-18	100.00	100.00
			880.00	325.00
Cash credits (refer note below)				
The Hongkong and Shanghai Banking Corporation Limited (HSBC)	8.50%	On Demand	95.41	400.99
HDFC Bank Limited (HDFC)	9.05%	On Demand	20.59	45.18
			116.00	446.17
			996.00	771.17

Notes:

- Working capital demand loans availed by the Company are sub-limit of cash credits, which carries interest rate of 7.90% to 8.50% (March 31, 2017: 9.35%). The loans generally have a tenure of 45 days (March 31, 2017: 45 days) from the date of availment.
- Cash credits are Indian Rupee loans from banks. The loans are repayable on demand along with interest outstanding.
- Refer note 41(c) for liquidity risk.

Note 18: Trade payables

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Trade payables	462.39	533.99
Trade payables to related parties (refer note 36)	82.00	92.55
	544.39	626.54

Notes:

- Trade payables are non-interest bearing and are normally settled on 45 days term (March 31, 2017: 45 to 135 days term).
- For terms and conditions with related parties, refer note 36.
- The disclosures with regard to Micro, Small and Medium Enterprises Development Act is based on the information collected by the management based on enquires made with the creditors which have been relied upon by the auditors. As at March 31, 2018 and March 31, 2017 there were no parties registered under the said Act.

Note 19: Security deposits from customers

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Security deposits from customers	2.94	6.44
	2.94	6.44

Note 20: Other financial liabilities

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Carried at amortised cost:		
Payable for capital supplies/ services	5.40	18.45
Payable to employees	26.83	65.25
Interest accrued but not due on borrowings	2.43	2.24
	34.66	85.94
Carried at fair value:		
Derivative instrument	-	2.76
	34.66	88.70

Break-up of financial liabilities carried at amortised cost:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Borrowings (note 17)	996.00	771.17
Trade payables (note 18)	544.39	626.54
Security deposits from customers (note 19)	2.94	6.44
Other financial liabilities (note 20)	34.66	85.94
	1,577.99	1,490.09

Break-up of financial liabilities carried at fair value:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Other financial liabilities (note 20)	-	2.76
	-	2.76



Tommy Hilfiger Arvind Fashion Private Limited
Notes to the financial statements for the year ended March 31, 2018

Note 21: Other current liabilities

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Advances from customers	7.68	-
Statutory dues (refer note below)	44.11	38.99
	<u>51.79</u>	<u>38.99</u>

Note: Undisputed statutory dues are settled in next month. Statutory dues include provident fund, professional tax, bonus, withholding taxes, customs duty and goods and service tax payable.

Note 22: Revenue from operations (net)

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Sale of products	3,304.23	2,972.61
Sale of services:		
Trademark sublicensing fees	166.58	164.71
Other operating income:		
Commission from franchisee	0.47	0.25
	<u>3,471.28</u>	<u>3,137.57</u>

Note 23: Other income

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Liability no longer required written back	2.15	0.61
Other non-operating income:		
Net gain on disposal of property, plant and equipment	0.88	0.13
Sale of scrap	0.36	0.29
Miscellaneous income	5.40	2.82
	<u>8.79</u>	<u>3.85</u>

Note 24: Finance income

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Interest on deposit with banks	0.79	0.80
Interest income - others	8.29	7.14
	<u>9.08</u>	<u>7.94</u>

Note 25: Purchases of traded goods

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Purchases of traded goods	1,720.44	2,129.96
	<u>1,720.44</u>	<u>2,129.96</u>

Note 26: Increase in inventories of traded goods

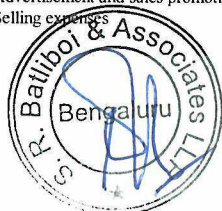
	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Inventories at the beginning of the year	984.83	662.81
Less: Inventories at the end of the year	998.64	984.83
Increase in inventories	<u>(13.81)</u>	<u>(322.02)</u>

Note 27: Employee benefits expense

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Salaries, wages and bonus	190.83	162.67
Contribution to provident and other funds	6.39	5.77
Gratuity expense	2.15	2.24
Staff welfare expense	26.39	17.69
	<u>225.76</u>	<u>188.37</u>

Note 28: Other expenses

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Packing material consumed	35.88	36.61
Power and fuel	19.64	7.37
Rent (refer note 35)	245.35	118.53
Repairs and maintenance		
-Building	83.54	26.38
-Plant and machinery	5.80	3.30
-Others	1.27	0.66
Insurance	5.41	4.60
Rates and taxes	23.92	24.63
Travelling and conveyance	61.18	44.53
Legal and professional charges	51.98	25.28
Payments to auditors (refer below for details)	3.78	4.28
Communication expenses	12.96	11.31
Freight	39.35	42.94
Royalty expenses	245.75	251.04
Advertisement and sales promotion expenses	125.07	110.38
Selling expenses	15.67	10.98



Tommy Hilfiger Arvind Fashion Private Limited
Notes to the financial statements for the year ended March 31, 2018

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Fixed assets written off	0.04	0.41
Warehousing charges	52.19	50.21
Foreign exchange fluctuations, net	6.40	10.57
Fair value loss on financial instruments at fair value through profit or loss	-	1.54
Outsourced services	249.85	174.65
Corporate social responsibility (refer note 31)	2.39	3.13
Miscellaneous expenses	35.33	15.41
	1,322.75	978.74

Payment to auditors:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Payment to auditors as:		
Statutory audit fees	3.20	3.25
Tax audit fees	0.40	0.35
Other services (certification fees)	0.05	0.08
Reimbursement of expenses (including service tax)	0.13	0.60
	3.78	4.28

Note 29: Depreciation and amortisation expense

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Depreciation of tangible assets (note 3)	74.12	42.67
Amortisation of intangible assets (note 5)	27.22	27.54
	101.34	70.21

Note 30: Finance costs

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Interest on borrowings	72.04	45.87
Interest on Income tax	1.07	0.73
Bank charges	7.42	5.25
	80.53	51.85

Note 31: Disclosure in respect of CSR expenditure u/s 135 of the Companies Act, 2013 and rules thereon:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
a) Gross amount required to be spent by the Company during the year	2.39	3.13
b) Amount spend during the year (in cash)		
i) Construction/ acquisition of any asset	-	-
ii) on purposes other than (i) above	2.39	3.13
c) Amount unspent during the year	-	-

Note 32: Earnings per share

Weighted average number of shares used in calculating basic and diluted earning per share is 26,682,167 (March 31, 2017: 22,923,678).

Note 33: Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

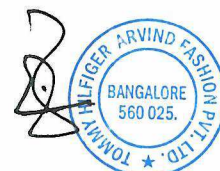
Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to intangibles with definite useful lives recognised by the Company.

Defined benefits plans (gratuity benefits)

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality tables for India. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. Further details about gratuity obligations are given in note 34.



Provision on inventory

The provision on inventory is based on policy, past experience, current trend and future expectations of these materials depending on the category of goods.

Provision on receivables

The Company has defined policy for provision of receivables which is based on ageing of receivables. The Company reviews the policy at regular intervals to ensure the applicability of the same in the changing scenario.

Provision for discounts and sales returns

The Company provides for discount and sales return based on the trend of previous years. The Company reviews the trend at regular intervals to ensure the applicability of the same in the changing scenario.

Note 34: Gratuity and other post employment benefit plans

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

The Company contributes to the fund based on the latest actuarial valuation report. The Company has contributed to the Insurer Managed Fund (managed by Life Insurance Corporation of India), details of which is available in the table of investment pattern of plan assets. Hence, the Company is not exposed to any market risk.

The following tables summarise the components of net benefit expense recognised in the Statement of Profit and Loss and the funded status and amounts recognised in the balance sheet for the respective plans:

Funded defined benefit plan

a. Net benefit expense recognised through Statement of Profit and Loss:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Amounts recognised in Employee benefits expense in the Statement of Profit and Loss in respect of gratuity:		
Current service cost	2.10	2.09
Interest cost on benefit obligation (net)	0.05	0.15
Net gratuity cost	<u>2.15</u>	<u>2.24</u>

b. Changes in the present value of DBO and fair value of plan assets:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Changes in present value of the obligation:		
Opening DBO	10.73	9.33
Current service cost	2.10	2.09
Interest on DBOs	0.76	0.71
Actuarial (gain)/ loss recognised in OCI	1.48	(1.20)
Benefits paid	(0.57)	(0.20)
Closing DBO	<u>14.50</u>	<u>10.73</u>

c. Change in fair value of plan assets:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Change in fair value of plan assets:		
Opening fair value of the plan assets	9.25	7.42
Contributions by the employer	1.50	1.50
Interest on plan assets	0.71	0.56
Actuarial (loss)/ gain recognised in OCI	(0.07)	(0.03)
Benefits paid	(0.57)	(0.20)
Closing fair value of the plan assets	<u>10.82</u>	<u>9.25</u>

d. Amounts recognised in the Balance Sheet:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Present value of the DBO at the end of the year:	14.50	10.73
Fair value of plan assets	(10.82)	(9.25)
Net liability	<u>3.68</u>	<u>1.48</u>

e. Net liability is bifurcated as follows:

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Current	2.25	1.48
Non-current	1.43	-
	<u>3.68</u>	<u>1.48</u>

f. The principal assumptions used in determining gratuity (funded) DBOs for the Company are shown below:

	March 31, 2018	March 31, 2017
Discount rate	7.31%	6.67%
Salary escalation rate	12.00%	11.30%

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

The overall expected rate of return on plan assets is determined based on the market prices prevailing as on that date, applicable to the period over which the obligation is expected to be settled.



g. A quantitative sensitivity analysis for significant assumption as at March 31, 2018 is as follows:

Sensitivity level:	March 31, 2018		March 31, 2017	
	Rs. million		Rs. million	
Discount rate	1% increase	1% decrease	1% increase	1% decrease
Impact on DBO	(0.75)	0.83	(0.63)	0.66
Salary escalation rate	1% increase	1% decrease	1% increase	1% decrease
Impact on DBO	0.53	(0.51)	0.33	(0.37)
Employees turnover	1% increase	1% decrease	1% increase	1% decrease
Impact on DBO	(0.14)	0.15	(0.10)	0.06

The sensitivity analyses above have been determined based on a method that extrapolates the impact on DBO as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous period.

h. The following payments are expected contributions to the defined benefit plan in future years:

	March 31, 2018	March 31, 2017
	Rs. million	Rs. million
Within the next 12 months (next annual reporting period)	2.25	1.28
From 2 to 5 years	7.29	3.68
Beyond 5 years	16.11	2.83
Total expected payments	25.65	7.79

The average duration of the defined benefit plan obligation at the end of the reporting period is 5.29 years (March 31, 2017: 6 years).

i. Defined benefit and contribution plans:

Amount recognised as an expense and included in note 27 as "Contribution to provident and other funds":

	March 31, 2018	March 31, 2017
	Rs. million	Rs. million
Contribution to government provident fund	6.39	5.77
	6.39	5.77

Note 35: Commitments

a. Leases

Operating lease commitments as lessee

Rent expenses include lease rental payments towards warehouse and stores. Such leases are generally for a period of 1 to 9 years with options of renewal against increased rent and premature termination of agreement through notice period of 1 to 3 months. The particulars of these leases are as below:

Lease expenses debited to the statement of profit and loss is Rs. 245.35 million (March 31, 2017: Rs. 118.53 million).

Lease expenses recognised in the Statement of Profit and Loss:

	March 31, 2018	March 31, 2017
	Rs. million	Rs. million
Minimum lease payments	229.54	101.69
Contingent rent*	15.81	16.84
	245.35	118.53

* The contingent rent varies basis the net sales value (NSV).

Future minimum rentals payable under non-cancellable operating leases are as follows:

	March 31, 2018	March 31, 2017
	Rs. million	Rs. million
Within one year	220.33	172.27
After one year but not more than five years	519.46	448.43
More than five years	64.46	117.74
	804.25	738.44

The initial non-cancellable period of the lease agreement is up to 1 year, beyond which there is an option for the lessee to continue the lease, which the Company expects to continue for a period after the initial non-cancellable period, accordingly the total tenure of the leases has been considered as non-cancellable for the purpose of above disclosure

b. Capital and other commitments

	March 31, 2018	March 31, 2017
	Rs. million	Rs. million
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances):	9.88	9.89



c. Contingent liabilities not provided for

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Claims against the Company not acknowledged as liability:		
Litigation - direct tax matters	0.23	0.68
Litigation - indirect tax matters	11.49	-
Bank guarantees	8.50	0.30
Matters relating to customs duty under dispute [refer note (d) below]	92.28	-
	112.50	0.98

The contingent liabilities, if materialised, shall entirely be borne by the Company, as there is no likely reimbursement from any other party.

- a) The Company's pending litigations comprise of claims against the Company primarily for income tax and indirect tax matters.
- b) The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financials statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results. Refer
- c) The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law or accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.
- d) The Company has received demand cum show cause notice under section 28(4) read with section 124 of the Customs Act, 1962 from the Directorate of Revenue Intelligence ('DRI'), for short payment of duty due to non-inclusion of certain payments to vendors for determining assessable value for payment of Custom Duty. Company is confident that it's position will likely be upheld in the appellate process against the above demand. However, the Company has deposited Rs. 12.7 million under protest, refer note 8.

Note 36: Related party disclosure

a. Name of related parties and nature of relationship:

i. Joint venture partners

Arvind Fashion Limited (from November 4, 2016 onwards)
Arvind Limited
PVH Corp.
PVH B.V.
Tommy Hilfiger Europe B.V.

ii. Owned/ controlled by the joint ventures partners

Arvind Internet Limited
Aura Securities Private Limited
Calvin Klein Arvind Fashion Private Limited
Tommy Hilfiger (HK) Limited
Tommy Hilfiger Licensing LLC
PVH Hongkong Services Limited

iii. CEO & Managing Director

Mr. Shailesh Chaturvedi

b. Disclosure in respect of related party transactions:

Nature of transactions	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Sales of goods and materials (net of returns)		
Aura Securities Private Limited	(0.70)	32.95
Arvind Limited	1.01	2.22
Arvind Internet Limited	(4.97)	5.68
Share capital subscription		
Arvind Fashion Limited	34.85	-
PVH BV	28.58	-
Tommy Hilfiger Europe B.V.	6.27	-
Share premium		
Arvind Fashion Limited	140.15	-
PVH BV	114.92	-
Tommy Hilfiger Europe B.V.	25.22	-
Cross charge of expenses by Company		
Aura Securities Private Limited	-	33.97
Tommy Hilfiger (HK) Limited	-	3.20
Calvin Klein Arvind Fashion Private Limited	25.68	-
Purchase of traded goods		
Tommy Hilfiger Europe B.V.	4.65	0.35
Aura Securities Private Limited	0.52	-
Purchase of fixed assets		
Aura Securities Private Limited	-	41.18

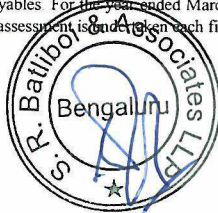


Tommy Hilfiger Arvind Fashion Private Limited
Notes to the financial statements for the year ended March 31, 2018

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Buying office commission		
Tommy Hilfiger (HK) Limited	43.97	107.21
Tommy Hilfiger Europe B.V.	20.81	10.29
Tommy Hilfiger Licensing LLC	0.26	0.52
PVH Corp	2.17	2.61
PVH Hongkong Services Limited	6.86	-
Royalty expenses		
Tommy Hilfiger Europe B.V.	245.75	251.04
Management commission		
Aura Securities Private Limited	9.08	2.09
Miscellaneous expenses		
Tommy Hilfiger Europe B.V.	5.67	3.30
Tommy Hilfiger (HK) Limited	-	2.70
Tommy Hilfiger Licensing LLC	0.26	-
PVH Corp	0.79	2.03
Reimbursement of expenses		
Aura Securities Private Limited	-	0.75
Salaries, bonus and contribution to provident fund		
Key management personnel	63.12	40.10
c. Outstanding balances payable/ receivable from related parties		
Nature of transactions	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Trade payables		
Tommy Hilfiger Europe B.V.	69.82	66.16
Tommy Hilfiger (HK) Limited	5.03	26.03
Tommy Hilfiger Licensing LLC	0.29	0.36
PVH Hongkong Services Limited	6.86	-
Other payables		
Aura Securities Private Limited	2.11	-
Arvind Limited	2.84	-
Key management personnel	7.80	40.98
Payable for capital supplies/ services		
Aura Securities Private Limited	-	17.00
Trade receivables		
Arvind Limited	-	3.05
Arvind Internet Limited	-	0.55
Other receivable		
Calvin Klein Arvind Fashion Private Limited	6.20	-

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and normally interest free except in case of overdue payments and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2018 and March 31, 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.



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Note 37: Segment reporting

Business segments

The Company is primarily engaged in a single business segment viz., trading and retailing of ready-made garments, accessories and licensing of other Tommy Hilfiger branded products, which is governed by similar set of risks and returns. Accordingly no separate segment disclosures are required

Geographical segments

The Company's geographical areas of operations comprises of a) India and b) outside India. The operations outside India for the year are not falling within the criteria of reportable segment hence geographical segment reporting is not applicable for the year

Note 38: Hedging activities

Derivative not designated as hedging instruments

The Company uses foreign exchange forward contracts to manage some of its foreign currency transaction exposure. The foreign exchange forward contracts are not designated as cash flow hedges

Note 39: Fair values

The carrying amounts of trade receivables, trade payables, capital creditors, and cash and cash equivalents are considered to be same as their fair values, due to their short-term nature.

The carrying values of loans and security deposits are considered to be reasonably same as their fair values. These are classified as level 2 fair values in the fair value hierarchy due to inclusion of unobservable inputs including counterparty credit risk.

Note 40: Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2018:

Company's assets and liabilities which are measured at amortised cost for which fair value are disclosed at March 31, 2017

	Carrying amount as at March 31, 2017	Fair value		
		Level I	Level II	Level III
Financial assets at amortised cost:				
Loans (refer note 6)	82.19	-	-	82.19
	<u>82.19</u>	<u>-</u>	<u>-</u>	<u>82.19</u>

Company's assets and liabilities which are measured at amortised cost for which fair value are disclosed at March 31, 2018.

	Carrying amount as at March 31, 2018	Fair value		
		Level I	Level II	Level III
Financial assets at amortised cost:				
Loans (refer note 6)	116.89	-	-	116.89
	<u>116.89</u>	<u>-</u>	<u>-</u>	<u>116.89</u>

Note 41: Financial risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to support the Company's operations. The Company's principal financial assets include trade and other receivables and cash and cash equivalents that derive directly from its operations

The Company's activities is exposed to market risk, credit risk and liquidity risk. In order to minimize any adverse effects on the financial performance of the Company, foreign exchange forward contract, are entered to hedge foreign currency exposures. Derivatives are used exclusively for hedging purpose and not as trading/ speculative instruments. The board of directors reviews and agrees policies for managing each of these risks, which are summarized below:

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as at March 31, 2018 and March 31, 2017.

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations; provisions.

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2018 and March 31, 2017.



i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes

Interest rate sensitivity

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

	March 31, 2018		March 31, 2017	
	Rs. million		Rs. million	
Basis points	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Effect on profit before tax	(4.32)	4.32	(2.45)	2.45

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities denominated in foreign currency.

The Company manages its foreign currency risk by hedging its foreign currency exposure using foreign currency forward contracts. As at March 31, 2018, the Company has hedged 91% (March 31, 2017: 94%) of its payables in foreign currency.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	March 31, 2018		March 31, 2017	
	Rs. million		Rs. million	
Change in USD	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Effect on profit before tax	(1.44)	1.44	(1.70)	1.70
Change in EUR	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Effect on profit before tax	(0.11)	0.11	(0.11)	0.11

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables).

Trade receivable

Customer credit risk is managed as per the Company's established policy, procedures and control relating to customer credit risk management. Credit limit are established for all customer based on internal rating criteria. Outstanding customer receivables are regularly monitored. The Company has no concentration of credit risk as the customer base is widely distributed.

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At March 31, 2018, the Company had 18 customers (March 31, 2017: 17 customers) that owed the Company more than Rs. 10 million each and accounted for approximately 92% (March 31, 2017: 95%) of all the receivables outstanding. There were 6 customers (March 31, 2017: 4 customers) with balances greater than Rs. 50 million accounting for just over 62% (March 31, 2017: 61%) of the total amounts receivable.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on exchange losses historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 10. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in different geographical regions and operate in largely independent markets.

c) Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligation without incurring unacceptable losses. The Company's objective is to, at all times maintain optimum level of liquidity to meet its cash and collateral requirements.

The Company monitors its risk of shortage of funds. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts/ bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be moderate. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

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

	(Rs. million)			
	Less than 1 year	1 year to 5 years	More than 5 years	Total
As at March 31, 2018				
Borrowings (note 17)	996.00	-	-	996.00
Trade payables (note 18)	544.39	-	-	544.39
Security deposits from customers (note 19)	2.94	-	-	2.94
Other financial liabilities (note 20)	34.66	-	-	34.66
As at March 31, 2017				
Borrowings (note 17)	771.17	-	-	771.17
Trade payables (note 18)	626.54	-	-	626.54
Security deposits from customers (note 19)	6.44	-	-	6.44
Other financial liabilities (note 20)	88.70	-	-	88.70



Tommy Hilfiger Arvind Fashion Private Limited
Notes to the financial statements for the year ended March 31, 2018

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is leader in apparels in the country and has a diversified portfolio of brands.

Note 42: Capital management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains an efficient capital structure and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions or its business requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings less cash and short-term deposits (including other bank balance).

	March 31, 2018 Rs. million	March 31, 2017 Rs. million
Borrowings (note 17)	996.00	771.17
Net debt	996.00	771.17
Equity share capital (note 13)	298.95	229.24
Other equity (note 14)	1,083.17	769.62
Total capital	1,382.12	998.86
Capital and net debt	2,378.12	1,770.03
Gearing ratio	42%	44%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2018 and March 31, 2017.

Note 43:

Previous year figures have been regrouped/ reclassified, where necessary, to confirm to this year's classification.

Note 44: Specified bank notes

Details of Specified Bank Notes ('SBN') held and transacted during the period November 8, 2016 to December 30, 2016 are provided in the following table:

	SBNs	Other denomination notes	Total
Closing cash-in-hand as on November 8, 2016	1.94	0.17	2.11
Add: Permitted receipts	-	17.70	17.70
Less: Permitted payments	-	(0.58)	(0.58)
Less: Amounts deposited in banks	(1.94)	(12.58)	(14.52)
Closing cash-in-hand as on December 30, 2016	1.94	4.71	4.71

Specified Bank Notes means the bank notes of denominations of the existing series of the value of five hundred rupees and one thousand rupees as defined under the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs no. S.O. 3407(E), dated November 8, 2016.

This is one time disclosure during the previous year and no such disclosure requirement is required to be mentioned for the current year

As per our report of even date

For S.R. Batliboi & Associates LLP
 Chartered Accountants
 ICAI Firm Registration Number: 121049W/E300004

per Chandra Kumar Rampuria,
 Partner
 Membership No.: 055729



Place: Bangalore
 Date: May 2, 2018

For and on behalf of the board of directors of
 Tommy Hilfiger Arvind Fashion Private Limited

Shailesh Chaturvedi

Shailesh Chaturvedi
 Managing Director
 DIN: 03023079

Soundararajan Kannan
 Director
 DIN: 02528982

Ravi Rao
 Ravi Rao
 Chief Financial Officer

Lipi Jha
 Lipi Jha
 Company Secretary

Place: Bangalore
 Date: May 2, 2018

