

August 31, 2010

**CARE ASSIGNS 'CARE BB+ (SO)' RATING TO THE BANK FACILITIES OF
ARVIND LIFESTYLE BRANDS LIMITED**

Rating Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	60.0	CARE BB+(SO) [Double B plus (Structured Obligation)]	Assigned
Total facilities	60.0		

The above rating is based on the strength of unconditional and irrevocable corporate guarantee provided by Arvind Ltd. (Arvind) (holding company rated CARE BB+/PR4) vide guarantee deed dated Oct.31, 2009.

Rating Rationale

The ratings of Arvind reflect its exposure to risks relating to volatility in cotton prices, interest rate and forex fluctuation risk, weak financial risk profile, high competition in the industry and depressed textile scenario. The ratings are also constrained by the corporate guarantees given to its group companies/subsidiaries and possible future fund requirement to support the group companies which are being de-merged. The ratings also factor in the post demerger revenue concentration in denim which is likely to increase. These weaknesses are, however, partially offset by the vast experience of promoters, Arvind's status as one of the world's largest denim players, clean track record post re-phasing of loans, expected improvement in operational and financial performance in near future on account of comfortable hedging level of export receivables (which mitigates forex fluctuation risk in the short to medium term) and expected improvement in cash flow post demerger. The company also has a valuable land bank which it is planning to sell in near future.

The timely servicing of debt obligations as per the revised schedule, impact of demerger and realisation of cash after sale of surplus land and its end use remain the key rating sensitivities.

Company Profile

Arvind Lifestyle Brands Ltd. (ALBL) was originally incorporated in February, 1995 under the name of Arvind Telecom Ltd. by Ahmedabad based Lalbhai group. ALBL is a wholly owned subsidiary of Arvind Ltd. (Arvind), the flagship company of Lalbhai group.

Pursuant to a scheme of arrangement between Arvind and ALBL, with effect from Apr.1, 2009, the branded apparel business division of Arvind has been demerged and transferred to ALBL.

The company is engaged in the business of retailing apparels with 136 stores as on June 30, 2010 panning the length and breadth of the country.

FY10 was the first year of operations of the company. ARL achieved PAT of Rs.2.1 crore on net sales of Rs.252.0 crore in FY10. Overall gearing as on March 31, 2010 at 1.02 times was comfortable despite high working capital borrowings.

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

About Arvind

Arvind was incorporated in the year 1931 and is engaged in manufacturing of textiles. It is among the largest denim manufacturers in the world. It also manufactures a range of cotton shirting, denim, knits and bottom weights (Khakis) fabrics.

During FY09, the company reported a net loss of Rs.49 crore on total operating income of Rs.2290.05 crore as against net profit of Rs.28 crore on total operating income of Rs.2321.89 crore during FY08.

Analyst Contact

Name: Sharmila Jain

Tel: 080-22117141

Mobile: 09886024430

Email: sharmila.jain@careratings.com

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

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p>