

October 18, 2010

**CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF
ARVIND LIFESTYLE BRANDS LTD.**

Rating Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	60.0	CARE BBB-(SO) [Triple B Minus (Structured Obligation)]	Revised from CARE BB+ (SO) [Double B Plus (Structured Obligation)]
Total facilities	60.0		

The rating revision follows the revision in the ratings of the guarantor of ALBL's above mentioned facility viz Arvind Ltd. (rating upgraded from CARE BB+/PR4 to CARE BBB-/PR3). Arvind Ltd. (Arvind) has provided an unconditional and irrevocable corporate guarantee to the above mentioned bank facility of ALBL vide guarantee deed dated October 31, 2009.

Rating Rationale

The revision in the ratings of Arvind takes into account the improvement in the financial profile of Arvind during FY10 & Q1FY11 marked by sharp improvement in profitability and debt protection indicators, post losses incurred by it in FY09. The ratings further take into account the vast experience of the promoters and its well-established operations with one of the world's largest denim facilities. The ratings, however, continue to be constrained by its relatively high debt level along with its propensity to support the subsidiaries whose debt is guaranteed by Arvind. The ratings are also constrained by exposure to cotton prices which have seen a high degree of fluctuation, working capital intensive nature of the business, susceptibility of its export realisation to foreign exchange fluctuation risk and cyclical & fragmented nature of the textile industry. The sustainability and further improvement in its profit margins and cash flow generation especially in the backdrop of large instalments due in the later years would remain the key rating sensitivity.

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

Company Profile

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

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

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

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

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 FY10 (Consolidated), Arvind reported a total operating income of Rs.3,302 crore (Rs.2,776 crore in FY09) and a PAT of Rs.53 crore (loss of Rs.111 crore in FY09).

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

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