

October 18, 2010

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

Rating Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	35.0	CARE BBB-(SO) [Triple B Minus (Structured Obligation)]	Revised from CARE BB+ (SO) [Double B Plus (Structured Obligation)]
Total facilities	35.0		

The rating revision follows the revision in the ratings of the guarantor of ARL's above mentioned facility viz Arvind Ltd. (rating upgraded from CARE BB+/PR to CARE BBB-/PR3). Arvind Ltd. (Arvind) has provided an unconditional and irrevocable corporate guarantee to above mentioned bank facility of ARL 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.

Company Profile

Arvind Retail Ltd. (ARL) was originally incorporated in March 2007 under the name of Aakar Foundation Ltd. by the Ahmedabad-based Lalbhai group. The name of the company was changed to ARL in June 2008. ARL is a wholly-owned subsidiary of Arvind Ltd. (Arvind), the flagship company of the Lalbhai group. Arvind demerged its retail business

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

and the branded apparel business into two wholly-owned subsidiaries (ARL and Arvind Lifestyle Brands Ltd respectively) with effect from April 1, 2009. Pursuant to demerger, the retail division of Arvind which was running apparel retailing chain under the umbrella brand of Megamart came under the fold of ARL.

ARL is engaged in the business of retailing apparels and various accessories through Megamart stores present all over India.

ARL achieved PAT of Rs.2.0 crore on net sales of Rs.272.0 crore in FY10, the first year of operations.

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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