

INDEPENDENT AUDITOR'S REPORT

To the Members of Aditya Birla Fashion and Retail Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of Aditya Birla Fashion and Retail Limited ("the Company"), which comprise the Balance sheet as at March 31, 2019, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("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, 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Goodwill: Impairment Evaluation (as described in Note 4 of the Ind AS financial statements)	
As disclosed in Note 4, goodwill amounts to ₹ 1,859.60 Crore as at March 31, 2019 and represents goodwill acquired through various business combinations and allocated to cash generating units of the Company. A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when	Our audit procedures in respect of impairment evaluation of goodwill included the following: <ul style="list-style-type: none"> Obtained an understanding of the process followed by the management to determine the recoverable amounts of cash generating units to which the goodwill has been allocated.

Key audit matters	How our audit addressed the key audit matter
<p>there is an indication that the unit may be impaired. As disclosed in Note 4, impairment of goodwill is determined by assessing the recoverable amount of each cash generating unit to which the goodwill relates.</p> <p>The recoverable amount of the cash generating unit as at March 31, 2019 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Management of the Company has used an external specialist in assessing the recoverable amount of the cash generating unit based on value in use computation.</p> <p>We focused this area because of the judgmental factors involved in impairment assessment and the significant carrying value of the goodwill.</p>	<ul style="list-style-type: none"> • Evaluated the objectivity and independence of the specialist engaged by the Company and reviewed the valuation reports issued by such specialist. • Evaluated the model used in determining the value in use of the cash generating units. • Evaluated the consistency of data used in the recoverable amount calculation with the financial budgets approved by senior management of the Company. • Tested the arithmetical accuracy of the computation of recoverable amounts of cash generating units. • Analysed the level of performance regards the business plan approved in the previous year, discussed with the management reasons for deviation as compared to such plan to and have assessed the assumptions used in the financial budgets for computation of value in use as at March 31, 2019. • Involved valuation expert to assist in evaluating the assumptions around the key drivers of the cash flow projections including discount rates, expected growth rates and terminal growth rates used. • Assessed the sensitivity analysis performed by the Company and the resultant change in the recoverable amount upon changes in assumptions. • We also assessed the disclosures provided by the Company in relation to its annual impairment test in Note 4 to the financial statements.
Provision on inventories (as described in Note 11 and 38 of the Ind AS financial statements)	
<p>As at March 31, 2019, the Company held inventories of ₹ 1,921.28 Crore (net of provision of ₹ 270.91 Crore). Inventories are carried at lower of cost and net realisable value in accordance with the accounting policy of the Company.</p> <p>The Company makes provision for inventory based on policy, past experience, current trend and future expectations of these materials depending upon the category of goods.</p> <p>Significant judgement is required in assessing the appropriate level of the provision for slow moving and/ or obsolete inventory. Accordingly, we have considered provision on inventories to be a key audit matter.</p>	<p>Our audit procedures to test the provision on inventories, included the following:</p> <ul style="list-style-type: none"> • We obtained an understanding, evaluated the design and tested the operating effectiveness of controls that the Company has in relation to inventory provision. • We compared the methodology used to calculate the inventory provision and its consistency with prior periods and obtained an understanding of management justification for changes. • We obtained inventory provision calculation from the Company and re-performed the calculation of the inventory provision as per the policy of the Company. • For specific provisions made, on a sample basis we assessed the basis of such provision and also tested it with management approvals. • For inventory on hand at the end of the period, we assessed on a sample basis, whether such inventory was recorded at the lower of cost and net realisable value by testing the cost for such sample inventory items to the most recent retail price.

Key audit matters	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> We assessed the Company's disclosures concerning this in Note 38 on significant accounting judgements, estimates and assumptions and Note 11 Inventories to financial statements.
Provision for discount and sales returns (as described in Note 38 of the Ind AS financial statements)	
<p>Revenue from contracts with customer is recognized upon transfer of control of promised goods and is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates, based on contractually defined terms.</p> <p>In some cases, discounts estimated will be determined on sale of goods by the customers. Also, in certain cases the Company has contracts with customers which entitles them to right of return.</p> <p>At year end, amount of returns, and discounts that have been incurred and not yet settled with the customer are estimated and accrued.</p> <p>Estimating the amount of accrual at year-end is considered a key audit matter due to the judgements required to be made by management.</p>	<p>Our audit procedures to test the provision for discount and sales returns included the following:</p> <ul style="list-style-type: none"> Read and understood the Company's accounting policy for recognition and measurement of net sales revenue, including the policy for recording returns, and discounts by assessing compliance with Ind AS 115 'Revenue from Contracts with Customers'. Tested the estimate of returns and discounts related accruals with underlying documentation such as management approved norms, customer agreements, sales data and customer reconciliations, as applicable. Tested design and operating effectiveness of key controls for calculating, reviewing and approving returns and discounts. Analysed returns and discounts and held discussions with management to understand changes in provisioning norms/additional provisions made based on management's assessment of market conditions. We assessed the Company's disclosures concerning this in Note 38 on significant accounting judgments, estimates and assumptions.
Recognition of Deferred tax assets, including Minimum Alternate Tax (MAT) credit entitlement (as described in Note 9 and 36 of the Ind AS financial statements)	
<p>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.</p> <p>The Company's ability to recognise previously un-recognised deferred tax assets is assessed by the management at the end of each reporting period, taking into account forecasts of future taxable profits and the applicable tax laws.</p> <p>As at March 31, 2019 the Company has recognised total deferred tax assets of ₹ 194.56 Crore (including ₹ 21.84 Crore of Minimum Alternate Tax credit entitlement). The recognition of deferred tax asset is a key audit matter as its recoverability within the allowed time frame involves significant estimate of the financial projections, availability of sufficient taxable income in the future and significant judgements in the interpretation of tax regulations and tax positions adopted by the Company.</p>	<p>Our audit procedures to test the recognition of deferred tax assets (including MAT credit entitlement) included the following:</p> <ul style="list-style-type: none"> Read and understood the Company's accounting policies with respect to recognition of deferred taxes and for assessing compliance with Ind AS 12 "Income Taxes". Involved tax specialists who evaluated the Company's tax positions by assessing the prevalent tax laws and compared the current position with prior years, past precedents. Assessed the consistency of data used in the deferred tax assets amount calculation with the financial budgets approved by senior management of the Company. We compared the projections with past trends and enquired for the significant variations. We assessed the disclosures in Note 9 and 36 of the Ind AS financial statements in accordance with the requirements of Ind AS 12 "Income Taxes".

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report with respect to following sections but does not include the Ind AS financial statements and our auditor's report thereon.

- Letter to Shareholders from Chairman
- Report of the Board of Directors (includes Management Discussion and Analysis) only with respect to the following sections
 - o Business Overview
 - o Business Strategy
 - o Financial Performance and Analysis
 - o Risk Management
 - o Internal Control Systems and their Adequacy
 - o Share Capital
 - o Disclosure in terms of the provisions of the Act and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
 - o Corporate Governance Report

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of 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 the 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) Rules, 2015, as amended. 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 controls, 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.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 purposes 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, the 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) Rules, 2015, as amended;
 - (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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) In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
 - (h) 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, as amended 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 45 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;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per **Vijay Maniar**

Partner

Membership Number: 36738

Place: Mumbai

Date: May 15, 2019

Annexure 1 to the Independent Auditor's Report of even date on the Ind AS Financial Statements of Aditya Birla Fashion and Retail Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, plant and equipment.
- (i) (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.
- (i) (c) According to information and explanations given by the management, the title deeds of immovable properties, included in Property, plant and equipment are held in the name of the Company except for the following immovable properties other than self-constructed buildings aggregating to ₹ 6.05 crore which are held in the name of the demerged companies and is in the process of being transferred to the Company:

Total number of cases	Asset category	Amount as at March 31, 2019 (₹ in Crores)	Remarks
12	Freehold Land	5.92	Title deeds are in names of the companies whose divisions got merged with the Company and are pending to be transferred in the name of the Company.
1	Building (Flat)	0.13	

- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification. There was no inventory lying with third parties.
- (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 section 148(1) of the Act, for the products/ services of the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, sales-tax, customs duty, excise duty, value added tax, goods and service tax, cess and other statutory dues as applicable, have generally been regularly deposited with the appropriate authorities.
- (vii) (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, customs duty, excise duty, value added tax, goods and service tax, cess and other statutory dues were outstanding as applicable, at the year end, for a period of more than six months from the date they became payable.

(vii) (c) According to the records of the Company, the dues of income-tax, service tax, sales-tax, custom duty, excise duty, value added tax and cess on account of any dispute, are as follows:

Statute	Nature of dues	Unpaid Amount involved (₹ in Crores)*	Period to which the amount relates	Forum Where dispute is pending
Central Excise Act	Excise duty	1.86	May, 2001 to April, 2003	Customs, Excise and Service Tax Appellate Tribunal, Bengaluru
Central Sales Tax Act	Central sales tax	0.01	2006-07	The Appellate Deputy Commissioner (CT), Secunderabad
Customs Act	Custom duty	2.04	1998-99	Supreme Court
Customs Act	Custom duty	0.50	2010	Commissioner - Appeal, Chennai
Gujarat Commercial Tax Act	Sales tax	2.26	2011-12	Joint Commissioner - JCCT(A), Ahmedabad
Central Excise Act	Excise duty	24.10	June – July, 2013	Commissioner of Central Tax, Bengaluru
Karnataka Sales Tax Act	Sales tax	0.01	2005-07	Joint Commissioner of Commercial Taxes - Appeal, Bengaluru
Karnataka Sales Tax Act	Sales tax	6.78	2012-13 to 2014-15	Joint Commissioner of Commercial Taxes - Appeal, Bengaluru
Karnataka Tax on Entry of Goods Act	Entry tax	0.02	2002-03 to 2004-05	Joint Commissioner of Commercial Taxes - Appeal- 1, Bengaluru
Kerala Commercial Tax Act	Surcharge	2.44	April, 2008 to June, 2017	Kerala High Court, Ernakulum
Kerala General Sales Tax Act	Kerala sales Tax	0.01	2004-05	Kerala Sales Tax Appellate Tribunal, Ernakulum
Kerala Commercial Tax Act	Goods and service tax	0.59	2017-18	Assistant Commissioner (Appeals) of State Goods and Service Tax Department, Kozhikode
Odisha Sales tax Act	Sales tax	0.74	2014-15	Joint Commissioner of Commercial Tax, Bhubaneshwar
Odisha Sales tax Act	Sales tax	0.005	2002-03	Assistant Commissioner of Commercial Taxes, Bhubaneshwar
Odisha Entry tax	Entry tax	0.001	2002-03	Assistant Commissioner of Commercial Taxes, Bhubaneshwar
Textile Committee Act	Textile cess	0.59	1999-2005	Hon'ble High Court – Karnataka
Uttar Pradesh Commercial Tax	Value added tax	2.15	2009-10 to 2010-11	Deputy Commissioner of Commercial Taxes, Lucknow
Uttar Pradesh Commercial Tax	Value added tax	5.07	2011-12 to 2012-13	Additional Commissioner – Appeal, Lucknow
Uttarakhand Commercial Tax	Value added tax	0.92	2012-13 to 2014-15	Deputy Commissioner of Commercial Taxes, Dehradun
West Bengal Commercial Tax	Sales tax	0.05	2005-06 & 2013-14	Joint Commissioner Appeal - JCCT (A), Kolkata
West Bengal Commercial Tax	Sales tax	0.20	2011-12	Appellate and Revisional Board, Kolkata
West Bengal Commercial Tax	Sales tax	0.28	2015-16	Sr. Joint Commissioner, Kolkata
Madhya Pradesh Commercial Tax	Sales tax	0.24	2013-14 & 2015-16	Deputy Commissioner of Commercial Taxes, Indore
Income tax Act, 1961	Withholding tax	0.24	2011-12	Commissioner of Income Tax (Appeals), Mumbai

* The unpaid amount mentioned above is net of ₹ 45.74 Crore paid under protest.

- (viii) In our opinion and according to information and explanations given by the management, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders. The Company does not have any borrowing from the government during the year.
- (ix) In our opinion and according to the information and explanations given by the management, monies raised by way of term loans and debt instruments were applied for the purposes for which those were raised. The Company has not raised any money way of initial public offer/ further public offer.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the 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 managerial remuneration has been paid/ provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (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 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (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) of the Order 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.
- (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 B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per **Vijay Maniar**

Partner

Membership Number: 36738

Place: Mumbai

Date: May 15, 2019

Annexure 2 to the Independent Auditor's Report of even date on the Ind AS Financial Statements of Aditya Birla Fashion and Retail Limited**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 Aditya Birla Fashion and Retail Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone 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 Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these Ind AS financial statements 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 Act, to the extent applicable to an audit of internal financial controls and, 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 with reference to these Ind AS financial statements 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 over financial reporting with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Ind AS financial statements, 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 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 over financial reporting with reference to these Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting with reference to these Ind AS financial statements

A company's internal financial control over financial reporting with reference to these Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these Ind AS financial statements 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 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 financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting with reference to these Ind AS financial statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Ind AS financial statements, 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 with reference to these Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these Ind AS financial statements and such internal financial controls over financial reporting with reference to these Ind AS financial statements were operating effectively as at March 31, 2019, 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 B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per **Vijay Maniar**

Partner

Membership Number: 36738

Place: Mumbai

Date: May 15, 2019