

# B S R & Co. LLP

Chartered Accountants

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## Independent Auditor's Report

To the Members of **Ethos Limited**

### 1. Report on the Audit of Ind AS financial statements

We have audited the accompanying Ind AS financial statements of Ethos Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Ind AS financial statements").

### 2. 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 state of affairs, profit or loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 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 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.

### 3. 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 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 the 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 the 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 are also responsible to 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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.

#### 4. Opinion

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 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 31 March 2018, and its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

#### 5. Report on Other Legal and Regulatory Requirements

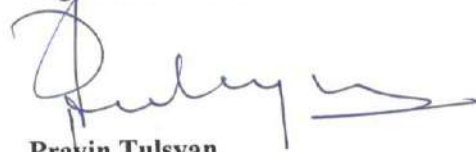
- (i) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143 (11) of the Act, we give in the "Annexure I" a statement on the matters specified in paragraphs 3 and 4 of the Order.
- (ii) As required by Section 143 (3) of the Act, 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, Statement of Changes in Equity and the Cash Flow Statement 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 Indian Accounting Standards prescribed under Section 133 of the Act.
  - (e) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure II".





- (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. Also refer to note 38 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.
  - (iv) The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However, amounts as appearing in the audited financial statements for the year ended 31 March 2017 have been disclosed. Also refer to note 42 to the Ind AS financial statements.

For **BSR & Co. LLP**  
Chartered Accountants  
Registration No.: 101248W/W-100022



**Pravin Tulsyan**  
Partner  
Membership No: 108044

Place: New Delhi  
Date: 23 April 2018

**Annexure 'I' referred to in paragraph 5(i) of the Independent Auditors' Report to the Members of Ethos Limited on the Ind AS financial statements for the year ended 31 March 2018.**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the Company has physically verified its movable fixed assets during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, the discrepancies noticed on such verification were not material and have been properly adjusted in the books of account.
- (c) According to the information and explanations given to us the Company does not have any immovable property. Accordingly, para 3(i)(c) of the order is not applicable.
- (ii) According to the information and explanation given to us, the inventories, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained. As informed to us, the discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly adjusted in the books of account.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, and limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Thus, paragraph 3(iii) of the Order is not applicable.
- (iv) According to information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not provided any loan, guarantee or security as specified under Section 185 of the Act. Further, the Company has complied with the provisions of Section 186 of the Act in relation to investment made.
- (v) In our opinion and according to the information and explanations given to us, the Company has complied with the provision of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under where applicable, the directives issued by the Reserve Bank of India as applicable with regard to deposits accepted from the public. As informed to us, there have been no proceedings before the Company Law Board or National Company Law Tribunal and Reserve Bank of India or any court or any other tribunal in this matter and no order has been passed by any of the aforesaid authorities in this regard.
- (vi) The Central Government of India has not prescribed the maintenance of cost records under sub-section (1) of section 148 of the Act for the activities performed by the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Income-tax, Sales tax, Value added tax, Service tax, duty of Customs, cess, Goods and services tax and other statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income-tax, Sales tax, Value added tax, Service tax, duty of Customs, cess and Goods and services tax and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.





(b) According to the information and explanations given to us, there are no dues of Sales tax, Value added tax, Income tax, service tax, cess, duty of Customs and Goods and services tax which have not been deposited with the appropriate authorities on account of any dispute, except as mentioned below:

Name of the statute	Nature of Dues	Amount disputed* (Rs. in lakhs)	Amount deposited (Rs. in lakhs)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	7.32	7.32	Assessment Year 2012-13	Income tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	31.16	31.16	Assessment Year 2013-14	Commissioner of Income tax (Appeals)
Income Tax Act, 1961	Income Tax	52.02	52.02	Assessment Year 2014-15	Commissioner of Income tax (Appeals)
Finance Act, 1994	CENVAT credit (including penalty)	485.53	170.00*	Financial Year 2008-09 to 2010-11	Customs, Excise and Service Tax Appellate Tribunal

#Amounts as per demand order including interest and penalty, whichever indicated in the order

\* Paid under protest by utilising the balance in CENVAT credit.

- (viii) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to its bankers or to any financial institutions. The Company did not have any loans or borrowings from government and has not issued any debentures during the year.
- (ix) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the term loans taken by the Company has been applied for the purposes for which they were obtained. As informed to us, the Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments).
- (x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit for the year.
- (xi) According to the information and explanations given to us, the Company has not paid or provided any managerial remuneration during the year. Thus paragraph 3 (xi) of the Order is not applicable.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3 (xii) of the Order is not applicable.

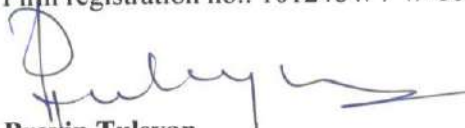


- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us, the Company has duly complied with the requirements of section 42 of the Act, in respect of preferential allotment of shares made during the year. The Company has neither made any private placement of shares nor issued any fully or partly convertible debentures during the year. However, proceeds from issue of equity shares amounting to Rs.1,500 lakhs which has been received during the year, remains unutilized as at 31 March 2018. Also refer to note 18(ii) to the Ind AS financial statements. Further, the amount received during the year have been used for the purposes for which the funds were raised.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with the directors or persons connected with him during the year. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

*For B S R & Co. LLP*

*Chartered Accountants*

Firm registration no.: 101248W / W-100022



**Pravin Tulsyan**

*Partner*

Membership No:108044

Place: New Delhi

Date: 23 April 2018



**Annexure II referred to in paragraph 5 (ii)(f) of the Independent Auditor's Report to the Members of Ethos Limited being 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 with reference to financial statements of Ethos Limited ("the Company") as of 31 March 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 with reference to financial statements 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 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both 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 with reference to 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 system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to 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 Company's internal financial controls system with reference to financial statements.

**Meaning of Internal Financial Controls with reference to Financial Statements**

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

Because of the inherent limitations of internal financial controls with reference to 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 with reference to Financial Statements to future periods are subject to the risk that the internal financial control with reference to 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, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2018, based on the internal control with reference to financial statements 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 B S R & Co. LLP*

*Chartered Accountants*

*Firm registration no.: 101248W/ W-100022*



**Pravin Tulsyan**

*Partner*

Membership No.: 108044

Place: New Delhi

Date: 23 April 2018



**Ethos Limited****Balance Sheet as at 31 March 2018**

(All amounts in ₹ lakhs, except for share data and if otherwise stated)

	Note	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	3	1,646.80	948.93	1,182.17
Capital work-in-progress	3	36.85	22.71	38.70
Other intangible assets	4	27.44	41.05	54.39
Financial assets				
- Investments	5	42.94	-	-
- Loans	6	910.75	702.37	591.45
- Other financial assets	7	215.03	85.86	168.17
Income tax assets (net)	8	123.24	209.86	179.45
Deferred tax assets (net)	9	483.66	525.96	283.03
Other non-current assets	10	519.75	463.28	514.84
<b>Total non-current assets</b>		<b>4,006.46</b>	<b>3,000.02</b>	<b>3,012.20</b>
<b>Current assets</b>				
Inventories	11	17,103.29	16,898.58	16,520.94
Financial assets				
- Trade receivables	12	645.62	161.41	333.20
- Cash and cash equivalents	13	718.91	905.98	466.10
- Other bank balances	14	-	-	17.68
- Loans	6	367.99	357.67	433.23
- Other financial assets	7	9.51	1.43	11.31
Other current assets	15	2,130.40	194.32	216.31
<b>Total current assets</b>		<b>20,975.72</b>	<b>18,519.39</b>	<b>17,998.77</b>
<b>Total Assets</b>		<b>24,982.18</b>	<b>21,519.41</b>	<b>21,010.97</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	16	1,590.86	1,320.39	1,235.68
Other equity	17	7,570.10	5,163.27	4,648.51
<b>Total equity</b>		<b>9,160.96</b>	<b>6,483.66</b>	<b>5,884.19</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Financial liabilities				
- Borrowings	18	1,109.29	1,068.70	1,027.31
Provisions	19	142.24	120.18	77.69
<b>Total non-current liabilities</b>		<b>1,251.53</b>	<b>1,188.88</b>	<b>1,105.00</b>
<b>Current liabilities</b>				
Financial Liabilities				
- Borrowings	18	4,098.84	5,363.27	5,406.10
- Trade payables	20	7,723.17	6,464.29	6,873.22
- Other financial liabilities	21	1,678.34	917.13	1,051.72
Other current liabilities	22	1,003.18	1,099.21	688.53
Provisions	19	2.69	2.97	2.21
Current tax liabilities (net)	23	63.47	-	-
<b>Total current liabilities</b>		<b>14,569.69</b>	<b>13,846.87</b>	<b>14,021.78</b>
<b>Total liabilities</b>		<b>15,821.22</b>	<b>15,035.75</b>	<b>15,126.78</b>
<b>Total Equity and Liabilities</b>		<b>24,982.18</b>	<b>21,519.41</b>	<b>21,010.97</b>

Significant accounting policies

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Notes to the Ind AS financial statements

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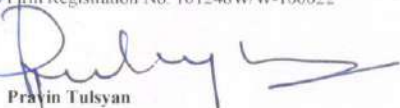
The accompanying notes form an integral part of the Ind AS financial statements

As per our report of even date attached

For BSR &amp; Co. LLP

Chartered Accountants

Firm Registration No. 101248W/W-100022



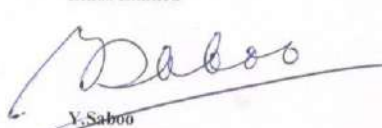
Pravin Tulsyan

Partner

Membership No. : 108044

For and on behalf of the Board of Directors of

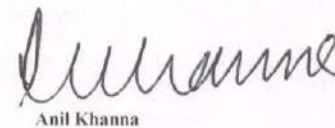
Ethos Limited



Y. Saboo

Managing Director

DIN: 00012158



Anil Khanna

Director

DIN: 00012232



C. Raja Sekhar

Chief Financial Officer



Anil Dhiman

Company Secretary

Place: New Delhi

Date: 23 April 2018

Place: New Delhi

Date: 23 April 2018

**Ethos Limited****Statement of Profit and Loss for the year ended 31 March 2018***(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

Particulars	Note	Year ended 31 March 2018	Year ended 31 March 2017
Revenue from operations	24	35,609.19	32,489.41
Other income	25	175.76	207.62
<b>Total Income</b>		<b>35,784.95</b>	<b>32,697.03</b>
<b>EXPENSES</b>			
Purchase of stock-in-trade	26	27,309.88	25,676.27
Changes in inventory of stock-in-trade	27	(204.71)	(377.64)
Employee benefits expense	28	2,268.99	2,037.04
Finance costs	29	658.27	814.67
Depreciation and amortization expense	30	407.36	379.04
Other expenses	31	4,824.21	5,012.43
<b>Total expenses</b>		<b>35,264.00</b>	<b>33,541.81</b>
<b>Profit/(loss) before tax</b>		<b>520.95</b>	<b>(844.78)</b>
<b>Tax expense</b>	32		
- Current tax charge		81.39	-
- Deferred tax charge/(credit)		39.93	(236.11)
<b>Profit/(loss) for the year</b>		<b>399.63</b>	<b>(608.67)</b>
<b>Other comprehensive income/(expense)</b>			
<i>Items that will not be reclassified to profit or loss</i>			
- Re-measurement of defined benefit plans		6.77	(22.03)
<i>Income tax relating to items that will not be reclassified to profit or loss</i>			
- Re-measurement of defined benefit plans		(2.36)	6.81
<b>Total other comprehensive income/(expense)</b>		<b>4.41</b>	<b>(15.22)</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>404.04</b>	<b>(623.89)</b>
<b>Earnings per equity share</b> [nominal value of Rs. 10 (previous year Rs. 10)]	33		
Basic (Rs.)		1.94	(7.15)
Diluted (Rs.)		1.94	(7.15)

Significant accounting policies

Notes to the Ind AS financial statements

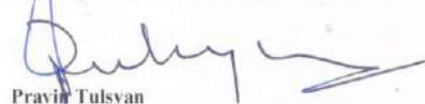
The accompanying notes form an integral part of the Ind AS financial statements

As per our report of even date attached

For BSR &amp; Co. LLP

Chartered Accountants

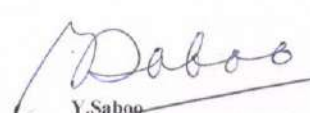
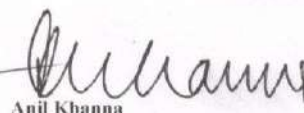
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Pravin Tulsyan

Partner

Membership No. : 108044

For and on behalf of the Board of Directors of  
Ethos Limited



Y. Sahoo

Managing Director

DIN: 00012158

Anil Khanna

Director

DIN: 00012232

C. Raja Sekhar

Chief Financial Officer

Anil Dhiman

Company Secretary

Place: New Delhi

Date: 23 April 2018

Place: New Delhi

Date: 23 April 2018



# Ethos Limited

## Cash Flow Statement for the year ended 31 March 2018

(All amounts in ₹ lakhs, except for share data and if otherwise stated)

	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before tax	520.95	(844.78)
Adjustments for:		
Depreciation and amortization expense	407.36	379.04
Property, plant and equipments written off (net)	34.39	67.51
Share based payments	11.76	23.36
Finance costs	658.27	814.67
Interest income	(93.74)	(83.48)
Provisions no longer required written back	(69.72)	(37.32)
Amortization of premium on forward exchange contracts	7.77	29.31
Amortization of prepaid expense	67.76	79.46
Unrealized foreign exchange loss / (gain)	53.42	(32.71)
Advances / deposits written off	55.84	1.46
<b>Operating cash flow before working capital changes</b>	<b>1,654.06</b>	<b>396.52</b>
Adjustments for:		
(Increase)/ decrease in loans	(140.40)	16.89
(Increase)/decrease in other financial assets	(131.97)	91.90
(Increase)/ decrease in other non-current assets	(35.93)	42.57
(Increase) in inventories	(204.71)	(377.64)
(Increase)/decrease in trade receivables	(484.21)	171.79
(Increase) in other current assets	(1,998.33)	(10.39)
Increase in provisions	28.56	21.22
Increase/ (decrease) in trade payables	1,275.18	(338.90)
(Decrease)/ increase in other financial liabilities	(49.85)	11.54
(Decrease)/ increase in other current liabilities	(96.03)	410.69
<b>Cash (used in) / generated from operating activities</b>	<b>(183.63)</b>	<b>436.19</b>
Income tax paid (net)	68.69	(30.42)
<b>Net cash (used in) / generated from operating activities</b>	<b>(114.94)</b>	<b>405.77</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(1,156.04)	(263.62)
Proceeds from sale of property, plant and equipment	10.03	4.81
Payment for purchase of investments	(42.94)	-
Repayment of loans by employees	4.09	22.85
Bank deposits made	-	17.68
Interest received	6.07	8.67
<b>Net cash used in investing activities</b>	<b>(1,178.79)</b>	<b>(209.61)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity share capital (including premium)	2,225.50	1,200.00
Proceeds from borrowings	1,864.01	813.62
Repayment of borrowings	(2,397.75)	(1,008.24)
Interest paid	(585.10)	(761.65)
<b>Net cash flow from financing activities</b>	<b>1,106.66</b>	<b>243.73</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(187.07)</b>	<b>439.89</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>905.98</b>	<b>466.09</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>718.91</b>	<b>905.98</b>

### Notes:

#### 1. Cash and cash equivalents include:

Balance with banks in current accounts	220.72	713.18
Cheques, drafts on hand	166.39	43.77
Cash on hand	98.13	86.54
Credit cards receivable	233.67	62.49

#### Cash and cash balance at the end of the year

	<b>718.91</b>	<b>905.98</b>
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2. The cash flow statement has been prepared in accordance with "Indirect Method" as set out on Indian Accounting Standard -7 on "Statement on Cash Flows".

3. Refer note no 2 for significant accounting policies.

4. Reconciliation of movements of liabilities to cash flows arising from financing activities

	As at 31 March 2018	As at 31 March 2017
Borrowings at the beginning of the year (current and non current)	6,864.02	7,058.64
Proceeds from borrowings	1,864.01	813.62
Repayment of borrowings	(2,397.75)	(1,008.24)
Borrowings at the end of the year (current and non current)	6,330.28	6,864.02

As per our report of even date attached

For BSR & Co LLP

Chartered Accountants

Firm registration no: 101248W/W-100022

Pravin Talsyan

Partner

Membership no: 108044

For and on behalf of the Board of Directors of

Ethos Limited

Y. Sahoo

Managing Director

DIN No 00012158

Anil Khanna

Director

DIN No 00012232

C. Raju Sekhar

Chief Financial Officer

Anil Dhimar

Company Secretary

Place: New Delhi  
Date: 23 April 2018

Place: New Delhi  
Date: 23 April 2018

# **Ethos Limited**

## **Statement of Changes in Equity for the year ended 31 March 2018**

(All amounts in ₹ lakhs, except for share data and if otherwise stated)

a. Equity share capital	Note	Total
Balance as at 1 April 2016	16	1,235.68
Changes in equity share capital during 2016-2017		84.71
Balance as at 31 March 2017	16	1,320.39
Changes in equity share capital during 2017-2018		270.47
Balance as at 31 March 2018		1,590.86

## **b. Other Equity**

	Reserves and surplus					Other comprehensive income	Total
	Compulsory convertible preference shares	Deemed capital contribution	Share options outstanding account	Capital reserve	Securities premium	Retained earnings	Remeasurement of defined benefit liability
<b>Balance as at 1 April 2016</b>	1,960.01	14.51	51.05	1.67	3,079.90	(458.63)	-
-Loss for the year	-	-	-	-	-	(608.67)	-
-Other comprehensive income (net of tax)	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(608.67)	-
-Employee stock option expense	-	-	23.36	-	-	-	-
-Issue of equity shares for cash	-	-	-	-	1,115.29	-	-
<b>As at 31 March 2017</b>	<b>1,960.01</b>	<b>14.51</b>	<b>74.41</b>	<b>1.67</b>	<b>4,195.19</b>	<b>(1,067.30)</b>	<b>(15.22)</b>
-Profit for the year	-	-	-	-	-	399.63	-
-Other comprehensive income (net of tax)	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-	-	399.63	-
-Issue of equity shares for cash	-	-	-	-	2,065.03	-	-
-Issue of equity shares on account of conversion of compulsory convertible cumulative preference shares	(1,210.01)	-	-	-	-	-	-
-Share options exercised	-	-	-	-	1,100.01	-	-
-Preference dividend on redeemable preference shares no longer payable	-	-	(7.55)	-	7.55	-	-
-Employee stock option expense	-	36.00	-	-	-	-	-
<b>As at 31 March 2018</b>	<b>750.00</b>	<b>50.51</b>	<b>78.62</b>	<b>1.67</b>	<b>7,367.78</b>	<b>(667.67)</b>	<b>(10.81)</b>
							<b>7,570.10</b>

Significant accounting policies

Notes to the Ind AS financial statements

The accompanying notes form an integral part of the Ind AS financial statements

As per our report of even date attached

**For BSR & Co. LLP**  
Chartered Accountants

**Pravin Tulsyan**  
Partner  
Membership No. : 108044

Place: New Delhi  
Date: 23 April 2018

**For and on behalf of the Board of Directors of Ethos Limited**  
**Y. Saboo**  
Managing Director  
DIN : 00012158  
**Anil Khanna**  
Director  
DIN : 00012232  
**C. Raja Sekhar**  
Chief Financial Officer  
Place: New Delhi  
Date: 23 April 2018



## Ethos Limited

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

### 1. Reporting entity

Ethos Limited ('Ethos' or 'the Company'), a subsidiary of KDDL Limited, is a limited liability company and was incorporated on 5 November 2007. The Company's business consists of trading of watches, accessories and luxury items and rendering of related after sale services.

### 2. Significant accounting policies

#### a) Basis of preparation

##### i) Statement of compliance

These Ind AS financial statements ("financial statements") have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 and the Companies (India Accounting Standards) Amendment Rules, 2016 notified under section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The Company's financial statements upto and for the year ended 31 March 2017 were prepared in accordance with the Companies (Accounting Standards) Rules, 2006, notified under section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

As these are Company's first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First time adoption of Indian Accounting Standards has been applied. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flow of the Company is provided in Note 31.

The financial statements were authorized for issue by the Company's Board of Directors on 23 April 2018.

##### ii) Functional and presentation currency

The functional currency of the Company is the Indian rupee. These financial statements are presented in Indian rupees. All amounts have been rounded-off to the nearest lakhs, up to two places of decimal, unless otherwise indicated.

##### iii) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial assets and liabilities (including derivative instruments)	Fair value
Net defined benefits (assets)/liability	Fair value of the plan assets less present value of defined benefits obligations

##### iv) Use of estimates and judgments

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.



*Judgments*

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 2(b) and 3 – Assessment of useful life of Property, plant and equipment
- Note 2(b) and 4 – Assessment of useful life of Intangible assets
- Note 2(f), 19 and 38 – Provisions and contingent liabilities
- Note 2(m) and 8 – Income taxes

*Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2018 is included in the following notes:

- Note 37 – Measurement of defined benefit obligations: key actuarial assumptions;
- Note 19 and 38 – Recognition and measurement of provision and contingencies, key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 2(p)(ii) – Impairment test of non-financial assets: key assumptions underlying recoverable amounts;
- Note 2(p)(i) – Impairment of financial assets
- Note 9- Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 2(v) – Fair value measurement
- Note 37- Shared based payments

*v) Measurement of fair values*

A number of the Company's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to measurement of fair values. This includes the top management division which is responsible for overseeing all significant fair value measurements, including Level 3 fair values. The top management division regularly reviews significant unobservable inputs and valuation adjustments. If third party information, is used to measure fair values, then the top management division assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirement of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

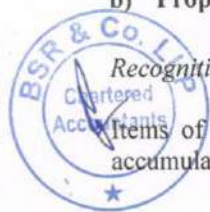
When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the changes have occurred.

Further information about the assumptions made in measuring fair values used in preparing these financial statements is included in the respective notes

**b) Property, plant and equipment ('PPE')***Recognition and measurement*

Items of PPE are measured at cost of acquisition or construction which includes capitalised finance costs less accumulated depreciation and/or accumulated impairment loss, if any.





Cost of an item of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Capital work Capital work-in-progress comprises the cost of fixed assets that are not ready for their intended use at the reporting date.

Advances paid towards acquisition of PPE outstanding at each Balance sheet date, are shown under other non-current assets.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the statement of profit or loss.

#### *Transition to Ind AS*

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment as at 1 April 2016, measured as per the IGAAP and use that carrying value as the deemed cost of the property, plant and equipment as on 1 April 2016.

#### *Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

#### *Depreciation*

Depreciation is calculated on cost of items of PPE less their estimated residual values over their estimated useful lives using the straight-line method and is recognised in the statement of profit and loss.

Depreciation on items of PPE is provided as per rates corresponding to the useful life specified in Schedule II to the Companies Act, 2013 read with the notification dated 29 August 2014 of the Ministry of Corporate Affairs except for office equipments being mobile phones which are depreciated over the estimated life of two years from the date of capitalization on the basis of internal evaluation by the management basis which the management believes that this useful life best represents the period over which these asset will be used.

Leasehold improvements are depreciated under the straight line over the period of lease.

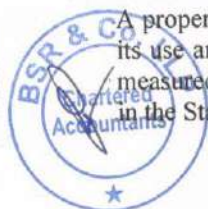
Leasehold land is amortized on a straight line basis over the period of the lease. In view of the management, these rates are indicative of the estimated economic useful lives of the fixed assets.

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Depreciation on additions (disposal) is provided on a pro-rata basis i.e from (upto) the date on which asset is ready for use (disposed of).

#### *Derecognition*

A property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Losses arising from retirement and gains or losses arising from disposal of a tangible 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.



**c) Other intangible assets***Acquired Intangible*

Intangible assets that are acquired by the Company are measured initially at cost. Cost of an item of Intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in statement of profit or loss as incurred.

*Transition to Ind AS*

On transition to Ind AS, the Company has elected to continue with the carrying value of its intangible assets recognised as at 1 April 2016, measured as per the IGAAP, and use that carrying value as the deemed cost of such intangible assets.

*Amortisation*

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives using the straight-line method, and is included in depreciation and amortisation expense in statement of profit and loss. The estimated useful life of Computer Software (ERP) is 6 years.

Amortisation method, useful life and residual values are reviewed at the end of each financial year and adjusted if appropriate.

*Derecognition*

Intangible assets is derecognised on disposal or when no future economic benefits are expected from its use and disposal.

**d) Inventories**

Inventories which comprises traded goods which are valued at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost method, and includes expenditure incurring in acquiring the inventories, and other costs incurred in bringing them to their present location and condition.

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

**e) Employee benefits***Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., salaries and wages, short term compensated absences and bonus etc., if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.





*Share-based payment transactions*

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

The Company has elected to apply Ind AS 102 Share based payment to equity instruments that vested after the date of transition to Ind AS pursuant to the exemption under Ind AS 101.

*Post-employment benefits*-Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. The Company makes specified monthly contributions towards employee provident fund and employee state insurance scheme ('ESI') to Government administered scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

-Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Gratuity is a defined benefit plan. The administration of the gratuity scheme has been entrusted to the Life Insurance Corporation of India ('LIC'). The Company's net obligation in respect of gratuity is calculated separately by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability i.e. Gratuity, which comprise actuarial gains and losses are recognised in Other Comprehensive Income (OCI). The Company determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then- net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit or Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in the statement of profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*Other long term employee benefits*Compensated absences

The Company's net obligation in respect of long-term employee benefits other than post-employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. Such obligation such as those related to compensated absences is measured on the basis of an annual independent actuarial valuation using the projected unit cost credit method. Remeasurements gains or losses are recognised in profit or loss in the period in which they arise.





**Termination benefits**

Termination benefits are recognised as an expense when, as a result of past event, the Company has a present obligation that can be estimated reliably, and it is probable that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**f) Provisions (other than for employee benefits)**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future losses are not provided for.

**g) Financial guarantee contracts**

Financial guarantee contracts are recognised as a deemed equity contribution if no premium was paid when guarantee is received. Deemed equity contribution is initially measured at fair value.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

**h) Contingent liabilities and contingent assets**

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are recognized when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

A contingent asset is disclosed where an inflow of economic benefits is probable.

**i) Commitments**

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting date.

**j) Revenue*****Sale of goods***

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, exclusive of taxes as applicable such as sales tax, value added taxes (VAT) service tax and goods and service tax, and is net of returns, trade discounts, quantity discounts and cash discounts. This inter alia involves discounting of the consideration due to the present value if payment extends beyond normal credit terms. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably.

The timing of transfers of risk and rewards varies depending on the individual terms of sale. For sales of watches, such transfer occurs when the product is handed over to the customer at the retail stores. Generally for such products, the buyer has no right of return.





*Customer loyalty programmes*

For customer loyalty programmes, the fair value of the consideration received or receivable in respect of initial sale is allocated between the award credits and the other components of the sale. The amount allocated to award credits is deferred and is recognised as revenue when the award credits are redeemed and the Company has fulfilled its obligations to supply the discounted products under the terms of the programme or when it is no longer probable that the award credits will be redeemed.

*Sale of services*

Revenue from services rendered is recognised in profit or loss when the services are rendered and the related costs are incurred.

**k) Recognition of interest income or expense**

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to :

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**l) Borrowing Costs**

Borrowing costs are interest and other costs (including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as a part of cost of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**m) Income taxes**

Income tax comprises current and deferred tax. It is recognised in statement of profit or loss except to the extent that it relates to a business combination or an item recognised directly in equity or in other comprehensive income.

*Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.



*Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised / reduced to the extent that it is probable / no longer probable respectively that the related tax benefits will be realized.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authorities.

**n) Leases**

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease based on the substance of the lease arrangement.

*Finance leases*

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. A finance lease is recognised as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

*Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease unless the payment are structure to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**o) Financial instruments***i. Recognition and initial measurement*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.





*ii. Classification and subsequent measurement*

Financial assets

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI) – debt investment;
- fair value through other comprehensive income (FVOCI) – equity investment;
- fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On the recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by- investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial assets: Subsequent measurement and gains and losses*

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Any gain or loss on de-recognition is recognised in statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Other net gains and losses are recognised in OCI. On de- recognition, gains and losses accumulated in OCI are reclassified to statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to statement of profit or loss.



Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL, if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

*iii. De-recognition*

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

*iv. Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

*v. Derivative financial instruments*

The Company holds derivative financial instruments to hedge its foreign currency risk exposures. 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 liability when the fair value is negative

**p) Impairment**

*i. Impairment of financial asset*

The Company recognises loss allowances for expected credit loss on financial assets measured at amortised cost. At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.





Evidence that the financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the breach of contract such as a default or being past due for 90 days or more;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organisation; or
- the disappearance of active market for a security because of financial difficulties.

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

#### *Measurement of expected credit losses*

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. difference between the cash flow due to the Company in accordance with the contract and the cash flow that the Company expects to receive).

#### *Presentation of allowance for expected credit losses in the balance sheet*

Loss allowance for financial assets measured at the amortised cost is deducted from the gross carrying amount of the assets.

#### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtors do not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedure for recovery of amounts due.

## *ii) Impairment of non-financial assets*

The Company's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine if there is indication of any impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets that do not generate independent cash flows are grouped together into cash generating units (CGUs). Each CGU represents the smallest group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the CGU (or the asset).





The Company's corporate assets (e.g., central office building for providing support to various CGUs) do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in statement of profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

**q) Foreign currency transactions**

*Initial recognition*

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

*Measurement at the reporting date*

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences on restatement/settlement of all monetary items are recognised in profit or loss.

**r) Operating segments**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segments and assess their performance.

**s) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, demand deposits held with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**t) Cash flow statement**

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**u) Earnings per share**

Basic earnings/ (loss) per share are calculated by dividing the net profit/ (loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue and share split. For the purpose of calculating diluted earnings/ (loss) per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date





## Ethos Limited

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

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### v) Recent Accounting pronouncements

MCA vide notification dated 28 March 2018, notified Ind AS 115, "Revenue from Contracts with Customers". The core principal of the guidance that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transaction that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The new revenue recognition standard is effective from 1 April 2018. The Company basis its preliminary assessment does not believe that this new standard will have a material impact on its financial statements.



**Ethos Limited**
**Notes to the financial statements for the year ended 31 March 2018**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*
**e) Shares held by ultimate holding company, holding company and/or their subsidiaries/associates**

	As at 31 March 2018		As at 31 March 2017		As at 1 April 2016	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
<i>Equity shares of Rs. 10 each fully paid up</i>						
-KDDL Limited (holding company and ultimate holding company)	10,223,508	1,022.35	8,503,736	850.37	7,656,642	765.66
-Mahen Distribution Limited (fellow subsidiary)	2,293,150	229.32	2,293,150	229.32	2,293,150	229.32
<i>14% cumulative compulsory convertible preference shares of Rs. 130 each fully paid up</i>						
-KDDL Limited (holding company and ultimate holding company)	19,230	25.00	19,230	25.00	19,230	25.00
<i>12% cumulative compulsory convertible preference shares of Rs. 110 each fully paid up</i>						
-KDDL Limited (holding company and ultimate holding company)	-	-	136,363	150.00	136,363	150.00

**d) Details of shareholders holding more than 5% shares of a class of shares**

	As at 31 March 2018		As at 31 March 2017		As at 1 April 2016	
	Number of shares	% holding in the class	Number of shares	% holding in the class	Number of shares	% holding in the class
<i>Equity shares of Rs. 10 each fully paid up held by</i>						
-KDDL Limited	10,223,508	64.26	8,503,736	64.40	7,656,642	61.96
-Mahen Distribution Limited	2,293,150	14.41	2,293,150	17.40	2,293,150	18.56
-Mr. Mukul Mahavir Agrawal	810,067	5.09	810,067	6.10	810,067	6.56
<i>14% cumulative compulsory convertible preference shares of Rs. 130 each fully paid up held by</i>						
-Sixth Sense India Opportunities - I	248,373	43.05	248,373	43.10	248,373	43.10
-Mr. Nikhil Vora	115,462	20.00	115,462	20.00	115,462	20.00
-Mr. R. K. Saboo	46,155	8.00	46,155	8.00	46,155	8.00
-Dream Digital Technology Private Limited (DDTPL) @	7,693	1.33	38,462	6.70	38,462	6.70
-Mrs. Anuradha Saboo	42,308	7.33	-	-	-	-

@ DDTPL was a public limited company till 01 June 2016. With effect from 02 June 2016, DDTPL is a private limited company.

*12% cumulative compulsory convertible preference shares of Rs. 110 each fully paid up held by*

-Pulkit Sekhsaria	-	-	272,728	24.79	272,728	24.79
-KDDL Limited	-	-	136,363	12.40	136,363	12.40
-Ganga Properties Private Limited	-	-	100,000	9.09	100,000	9.09
-Mr. R. K. Saboo	-	-	90,910	8.26	90,910	8.26
-Mr. Y. Saboo	-	-	90,900	8.26	90,900	8.26
-Mehak Finpro (India) Private Limited	-	-	90,910	8.26	90,910	8.26
-Saboo Coatings Private Limited	-	-	90,909	8.26	90,909	8.26
-Ritu Prashant Khemka	-	-	90,909	8.26	90,909	8.26

**e) Bonus shares, shares buyback and issue of shares without consideration being received in cash (during five years immediately preceding 31 March 2018)**

During the five years immediately preceding 31 March 2018 ('the period'), neither any bonus shares have been issued nor any shares have been bought back. In addition, during the period, no shares have been issued for consideration other than cash except as follows:

- The Company during the current year ended 31 March 2018 converted 1,100,010 12% cumulative compulsory convertible preference shares of face value of Rs. 110 into 1,100,010 equity shares of Rs. 10 each at a premium of Rs. 100 each. Further, 21,250 equity shares of Rs. 10 each had been issued under employee stock option plans for which only exercise price had been received in cash.
- The Company had during the year ended 31 March 2015 redeemed 69,228 12% cumulative optionally convertible preference shares of Rs. 65 each. Out of these 49,998 shares were redeemed by way of payment and balance shares were converted into 19,230 equity shares of Rs. 10 each at a premium of Rs. 55 each.
- The Company had during the year ended 31 March 2015 issued 76,924, 14% cumulative compulsorily convertible preference shares of Rs. 130 each for consideration other than cash.
- During the year ended 31 March 2016, 56,000 equity shares of Rs. 10 each had been issued under employee stock option plans for which only exercise price had been received in cash.

**f) Employee stock option plan**

Terms attached to stock options granted to employees of the Company are described in note 37 (iv) regarding share based payments.

**g) Shares reserved for issue under options and contracts**

	As at 31 March 2018		As at 31 March 2017		As at 1 April 2016	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Under Ethos Employee Stock option Scheme-2013: 350,000 equity shares of Rs. 10 each, at an exercise price of Rs. 120 per share (Refer note 37 (iv))	171,750	17.18	231,500	23.15	231,500	23.15
For 14% compulsorily convertible preference shares: 576,923 equity shares of Rs. 10 each	576,923	57.69	576,923	57.69	576,923	57.69





# **Ethos Limited**

Notes to the financial statements for the year ended 31 March 2018  
(All amounts in ₹ lakhs, except for share data and if otherwise stated)

## **3. Property, plant and equipment and capital work-in-progress**

### **Reconciliation of carrying amount**

	Leasehold improvements	Plant and equipment	Furniture and fittings	Office equipment	Vehicles	Total	Capital work-in-progress	Total
<b>Deemed cost (gross carrying amount) (refer note c)</b>								
Balance as at 1 April 2016	460.63	89.36	564.73	39.74	27.71	1,182.17	38.70	1,220.87
Additions	89.50	9.56	84.81	19.02	-	202.89	50.36	253.25
Disposals	(84.27)	-	-	(0.82)	(4.88)	(89.97)	(66.35)	(156.32)
<b>Balance as at 31 March 2017</b>	<b>465.86</b>	<b>98.92</b>	<b>649.54</b>	<b>57.94</b>	<b>22.83</b>	<b>1,295.09</b>	<b>22.71</b>	<b>1,317.80</b>
Balance as at 1 April 2017	465.86	98.92	649.54	57.94	22.83	1,295.09	22.71	1,317.80
Additions	577.21	2.21	307.90	51.54	(97.18)	1,156.04	336.55	1,492.59
Disposals	(17.19)	-	(43.05)	(3.47)	(2.57)	(85.28)	(322.21)	(407.49)
<b>Balance as at 31 March 2018</b>	<b>1,025.88</b>	<b>101.13</b>	<b>914.39</b>	<b>106.01</b>	<b>198.44</b>	<b>2,345.85</b>	<b>36.85</b>	<b>2,382.70</b>

### **Accumulated depreciation**

Balance as at 1 April 2016	-	-	-	-	-	-	-	-
Depreciation for the year	202.77	2.72	113.72	37.31	7.29	363.81	-	363.81
Disposals	(16.76)	-	(0.17)	(0.17)	(0.72)	(17.65)	-	(17.65)
<b>Balance as at 31 March 2017</b>	<b>186.01</b>	<b>2.72</b>	<b>113.72</b>	<b>37.14</b>	<b>6.57</b>	<b>346.16</b>	<b>-</b>	<b>346.16</b>
Balance as at 1 April 2017	186.01	2.72	113.72	37.14	6.57	346.16	-	346.16
Depreciation for the year	224.10	5.83	121.35	29.90	13.02	394.18	-	394.18
Disposals	(16.56)	-	(14.01)	(2.10)	(8.42)	(41.29)	-	(41.29)
<b>Balance as at 31 March 2018</b>	<b>393.55</b>	<b>8.55</b>	<b>221.04</b>	<b>64.74</b>	<b>11.17</b>	<b>699.08</b>	<b>-</b>	<b>699.04</b>

### **Carrying amounts (net)**

At 1 April 2016	460.6	89.4	564.7	39.7	27.7	1,182.2	38.7	1,220.86
At 31 March 2017	279.85	96.20	535.82	20.79	16.26	948.93	22.71	971.63
At 31 March 2018	632.33	92.58	693.35	41.27	187.27	1,646.80	36.85	1,683.65

### **Notes:**

a. Refer note 18 for information on property, plant and equipment pledged as security by the Company.

b. Refer note 38 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

c. Refer note 34 (a) for a reconciliation of deemed cost as considered by the Company pursuant to transition provision under Ind AS 101.

## **4. Other intangible assets**

### **Reconciliation of carrying amount**

	Computer Softwares	Total
<b>Deemed cost (gross carrying amount) (refer note d)</b>		
Balance as at 1 April 2016	54.39	54.39
Additions	1.89	1.89
Disposals	-	-
<b>Balance as at 31 March 2017</b>	<b>56.28</b>	<b>56.28</b>
Balance as at 1 April 2017	56.28	56.28
Additions	-	-
Disposals	(0.69)	(0.69)
<b>Balance as at 31 March 2018</b>	<b>55.59</b>	<b>55.59</b>

### **Amortisation**

Balance as at 1 April 2016	-	-
Amortisation for the year	15.23	15.23
Disposals	-	-
<b>Balance as at 31 March 2017</b>	<b>15.23</b>	<b>15.23</b>
Balance as at 1 April 2017	15.23	15.23
Amortisation for the year	13.18	13.18
Disposals	(0.26)	(0.26)
<b>Balance as at 31 March 2018</b>	<b>28.15</b>	<b>28.15</b>

### **Carrying amounts (net)**

At 1 April 2016	54.4	54.4
At 31 March 2017	41.05	41.05
At 31 March 2018	27.44	27.44

### **Notes:**

d. Refer note 34 (a) for a reconciliation of deemed cost as considered by the Company pursuant to transition provision under Ind AS 101.



**Ethos Limited**
**Notes to the financial statements for the year ended 31 March 2018**
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**5. Investments**

	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Non-current investment			
Unquoted investment			
Subsidiary:			
-Investment in partnership firm (at cost) #	42.94	-	-
	<u>42.94</u>	<u>-</u>	<u>-</u>

# Investment in Cognition Digital LLP

	As at 31 March 2018		As at 31 March 2017		As at 01 April 2016	
	Total capital contribution	Share (%)	Total capital contribution	Share (%)	Total capital contribution	Share (%)
Partners:						
Ethos Limited	42.94	99.99	-	-	-	-
Mr. Pranav Saboo (beneficial owner is Ethos Limited)	-	0.01	-	-	-	-
	<u>42.94</u>	<u>100.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**6. Loans\***

*(unsecured, considered good unless otherwise stated)*

	As at 31 March 2018		As at 31 March 2017		As at 01 April 2016	
Loans*	Current	Non-current	Current	Non-current	Current	Non-current
(unsecured, considered good unless otherwise stated)						
Security deposits	364.76	908.03	353.56	696.45	408.28	583.51
Loan to employees	3.23	2.72	4.11	5.92	24.95	7.93
	<u>367.99</u>	<u>910.75</u>	<u>357.67</u>	<u>702.37</u>	<u>433.23</u>	<u>591.44</u>

\*The Company's exposure to credit and currency risk, and loss allowances related to other non current financial assets are disclosed in note 35

**7. Other financial assets**

Other financial assets	As at 31 March 2018		As at 31 March 2017		As at 01 April 2016	
	Current	Non-current	Current	Non-current	Current	Non-current
Deposits with original maturity of more than 12 months #	-	215.03	-	85.86	-	168.17
Derivative financial instruments	2.80	-	-	-	9.58	-
Interest accrued but not due on fixed deposits	6.71	-	1.43	-	1.73	-
	<u>9.51</u>	<u>215.03</u>	<u>1.43</u>	<u>85.86</u>	<u>11.31</u>	<u>168.17</u>

# These deposits include restricted bank deposits amounting to Rs. 215.01 (31 March 2017: Rs. 79.10; 1 April 2016: Rs. 95.11) on account of deposits pledged as security for bank guarantees

**8. Income tax assets (net)**

Advance income tax and tax deducted at source  
(net of provision for income-tax Rs. 204.27 (31 March 2017: Rs. 204.27, 01 April 2016: Rs. 204.27))

	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
	123.24	209.86	179.45
	<u>123.24</u>	<u>209.86</u>	<u>179.45</u>

**9. Deferred tax assets (net)**

Significant components of the Company's net deferred tax are as follows:

	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Deferred tax assets	483.66	525.96	283.03
Deferred tax liabilities	-	-	-
Net deferred tax assets	<u>483.66</u>	<u>525.96</u>	<u>283.03</u>

	Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
<b>2016-2017</b>				
Deferred tax assets:				
Deferred tax assets on				
Property, plant and equipments and Intangible assets	144.63	72.63	-	217.26
Provision for employee benefits	32.68	-	6.81	39.49
Provision - others	59.34	8.72	-	68.06
Others	27.94	15.85	-	43.79
Tax losses carried forward	18.44	138.91	-	157.35
Net deferred tax asset	<u>283.03</u>	<u>236.11</u>	<u>6.81</u>	<u>525.96</u>

**2017-2018**

	Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
Deferred tax assets:				
Deferred tax assets on				
Property, plant and equipments and Intangible assets	217.26	90.38	-	307.64
Provision for employee benefits	39.49	13.57	(2.36)	50.70
Provision - others	68.06	13.46	-	81.52
Others	43.79	-	-	43.79
Tax losses carried forward	157.35	(157.35)	-	-
Net deferred tax asset	<u>525.96</u>	<u>(39.93)</u>	<u>(2.36)</u>	<u>483.66</u>





**Ethos Limited**
**Notes to the financial statements for the year ended 31 March 2018**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
<b>10. Other non-current assets</b> <i>(Unsecured, considered good unless otherwise stated)</i>			
Capital advances			
- to others	184.24	95.94	25.47
Advances other than capital advances			
- Prepaid expenses	116.95	97.87	173.54
- CENVAT credit receivable	48.56	99.20	77.05
- Claim receivable (refer note 35)	170.00	170.00	170.00
- Insurance claim receivable	-	0.27	68.78
	<u>519.75</u>	<u>463.28</u>	<u>514.84</u>
<b>11. Inventories</b> <i>(At lower of cost and net realisable value, whichever is lower)</i>	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Stock-in-trade [including goods-in-transit Rs. 386.66 (31 March 2017: Rs. 119.5; 01 April 2016: Rs. 57.2)]	17,103.29	16,898.58	16,520.94
	<u>17,103.29</u>	<u>16,898.58</u>	<u>16,520.94</u>
<b>12. Trade receivables</b> <i>(Unsecured, considered good unless otherwise stated)</i>	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Trade receivables #			
- Related parties (refer to note 39)	515.75	53.08	27.58
- Others	129.87	108.33	305.62
	<u>645.62</u>	<u>161.41</u>	<u>333.20</u>
# The Company's exposure to credit and currency risk, and loss allowances related to trade receivables are disclosed in note 35.			
<b>13. Cash and cash equivalents</b>	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Balances with banks in			
- current accounts *	220.72	713.18	105.65
Cheques, drafts on hand	166.39	43.77	26.31
Cash on hand	98.13	86.54	232.06
Others			
- credit cards receivable	233.67	62.49	102.08
	<u>718.91</u>	<u>905.98</u>	<u>466.10</u>
* includes Rs. Nil (31 March 2017: Rs. 300.0 lakhs; 1 April 2016: Rs. Nil) being the amount unutilized out of equity shares issued towards preferential allotment.			
<b>14. Other bank balances</b>	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Deposits with original maturity of more than 3 months and less than 12 months	-	-	17.68
	<u>-</u>	<u>-</u>	<u>17.68</u>
<b>15. Other current assets</b> <i>(Unsecured, considered good unless otherwise stated)</i>	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Prepaid expenses	81.96	139.77	134.89
Advances for supply of goods	200.95	51.75	66.63
Advances to employees	29.47	2.80	-
GST credit receivable	1,760.95	-	-
Duty drawback recoverable	48.81	-	-
Other advances	8.26	-	14.79
	<u>2,130.40</u>	<u>194.32</u>	<u>216.31</u>



## 16. Equity share capital

	As at 31 March 2018		As at 31 March 2017		As at 1 April 2016	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
<b>Authorised</b>						
Equity shares of Rs. 10 each	30,700,000*	3,070.00	13,750,000	1,375.00	13,050,000	1,305.00
14% cumulative compulsory convertible preference shares of Rs. 130 each	576,924	750.00	576,924	750.00	576,924	750.00
12% cumulative compulsory convertible preference shares of Rs. 110 each	1,200,000	1,320.00	1,200,000	1,320.00	1,200,000	1,320.00
12% cumulative optionally convertible preference shares of Rs. 65 each	-	-	300,000	195.00	300,000	195.00
12% cumulative redeemable preference shares of Rs. 100 each	-	-	1,000,000	1,000.00	-	-
12% non cumulative redeemable preference shares of Rs. 100 each	1,000,000	1,000.00	1,500,000	1,500.00	-	-
	<b>33,476,924</b>	<b>6,140.00</b>	<b>18,326,924</b>	<b>6,140.00</b>	<b>15,126,924</b>	<b>3,570.00</b>
<b>Issued, subscribed and fully paid up**</b>						
Equity shares of Rs. 10 each	(i) 15,908,564	1,590.86	13,203,895	1,320.39	12,356,801	1,235.68
14% cumulative compulsory convertible preference shares of Rs. 130 each #	(ii) 576,923	750.00	576,923	750.00	576,923	750.00
12% cumulative compulsory convertible preference shares of Rs. 110 each #	(ii) -	-	1,100,010	1,210.01	1,100,010	1,210.01
	<b>16,485,487</b>	<b>2,340.86</b>	<b>14,880,828</b>	<b>3,280.40</b>	<b>14,033,734</b>	<b>3,195.69</b>

\* includes 16,950,000 shares pursuant to transfer of authorised share capital from Rs. 1,695 preference shares to equivalent number of equity shares of face value of Rs. 10 each.

\*\* 3,00,000 12% cumulative redeemable preference share of Rs.100 each fully paid up, which were issued during the previous year ended 31 March 2016, have been classified as financial liability (Borrowings - current). These 12% cumulative redeemable preference shares have been redeemed on 23 August 2017 (refer note 18).

# classified as "other equity" in the statement of changes in equity.

## a) Rights, preference and restriction attached to shares:

- (i) The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The voting rights of an equity shareholder on show of hand or through proxy shall be in proportion to his share of the paid up capital of the Company. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors (except for interim dividend) is subject to approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company the holders of equity shares will be entitled to receive the remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.
- (ii) The preference shareholders do not hold any voting rights. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Where dividend on cumulative preference shares is not declared for a financial year the entitlement thereto is carried forward whereas in the case of non-cumulative preference shares the entitlement for that year lapses. In the event of liquidation of the Company the holders of preference shares will be entitled to receive the amount of their preference capital contribution before distribution of the remaining assets to the equity shareholders.

Conversion terms of 576,923 14% cumulative compulsorily convertible preference shares of Rs.130 each fully paid up is 5 (Five years from the date of allotment in equal number of equity shares of face value of Rs.10 each at a premium of Rs.120 (and any cumulative dividend remaining unpaid) at the end of 5 (Five) years. Accordingly, these preference shares will be converted in various tranches commencing 6 November 2019.

During the current year ended 31 March 2018, 1,100,010 12% cumulative compulsory convertible preference shares of Rs.110 each have been converted into 1,100,010 equity shares of Rs. 10 each at a premium of Rs. 100 per share.

(iii) Employee Stock option - Terms attached to stock options granted to employees of the company and its holding company are described in note 37 regarding employee share based payments.

## b) Reconciliation of number of shares outstanding at the beginning and end of the reporting year:

	As at 31 March 2018		As at 31 March 2017		As at 1 April 2016	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
<b>i) Equity shares of Rs. 10 each fully paid up</b>						
At the beginning of the year	13,203,895	1,320.39	12,356,801	1,235.68	11,531,371	1,153.14
Add: issued during the year	1,583,409	158.34	847,094	84.71	769,430	76.94
Add: issued pursuant to conversion of 12% cumulative compulsory convertible preference shares	1,100,010	110.00	-	-	-	-
Add: issued on exercise of employee stock options	21,250	2.13	-	-	56,000	5.60
At the end of the year	<b>15,908,564</b>	<b>1,590.86</b>	<b>13,203,895</b>	<b>1,320.39</b>	<b>12,356,801</b>	<b>1,235.68</b>
<b>ii) 14% cumulative compulsory convertible preference shares of Rs. 130 each fully paid up</b>						
At the beginning of the year	576,923	750.00	576,923	750.00	576,923	750.00
At the end of the year	<b>576,923</b>	<b>750.00</b>	<b>576,923</b>	<b>750.00</b>	<b>576,923</b>	<b>750.00</b>
<b>iii) 12% cumulative compulsory convertible preference shares of Rs. 110 each</b>						
At the beginning of the year	1,100,010	1,210.01	1,100,010	1,210.01	1,100,010	1,210.01
Add: redeemed during the year	(1,100,010)	(1,210.01)	-	-	-	-
At the end of the year	<b>-</b>	<b>-</b>	<b>1,100,010</b>	<b>1,210.01</b>	<b>1,100,010</b>	<b>1,210.01</b>

3,00,000 12% cumulative redeemable preference share of Rs.100 each fully paid up, which were issued during the previous year ended 31 March 2016, have been classified as financial liability (Borrowings - current). These 12% cumulative redeemable preference shares have been redeemed on 23 August 2017 (refer note 18).





**Ethos Limited**
**Notes to the financial statements for the year ended 31 March 2018**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

		As at 31 March 2018	As at 31 March 2017	
17. Other equity				
(i) Compulsory convertible cumulative preference shares				
Balance at beginning of the year*		1,960.01	1,960.01	
Issue of equity shares on account of conversion		(1,210.01)	-	
Balance at end of the year		<u>750.00</u>	<u>1,960.01</u>	
* Refer to Note 16 (a)(ii)				
(ii) Deemed capital contribution				
Balance at beginning of the year #		14.51	14.51	
Add: Additions during the year ##		36.00	-	
Balance at end of the year		<u>50.51</u>	<u>14.51</u>	
# Represents fair value of guarantees given by the parent company.				
## Represents interest accrued on 12% cumulative redeemable preference shares, classified as finance cost, which is no longer payable at the time of redemption.				
(iii) Share options outstanding account				
Balance at beginning of the year		74.41	51.05	
Add: Share based payment expense		11.76	23.36	
Less: Transfer to securities premium		(7.55)	-	
Balance at end of the year		<u>78.62</u>	<u>74.41</u>	
The fair value of the equity settled share based payment transactions with employees is recognised in Statement of Profit and Loss with corresponding credit to share option outstanding account.				
(iv) Capital reserve				
Balance at beginning of the year		1.67	1.67	
Balance at end of the year		<u>1.67</u>	<u>1.67</u>	
Capital surplus not available for distribution and is expected to remain invested permanently.				
(v) Securities premium				
Balance at beginning of the year		4,195.19	3,079.90	
Add: Issue of equity shares for cash		2,065.03	1,115.29	
Add: Issue of equity shares on account of conversion of 12% compulsory convertible cumulative preference shares		1,100.01	-	
Add: Share options exercised		7.55	-	
Balance at end of the year		<u>7,367.78</u>	<u>4,195.19</u>	
Securities premium represents the excess consideration received by the Company over the face value of the shares issued to shareholders. This will be utilised in accordance with the applicable provisions of the Companies Act, 2013				
(vi) Retained earnings				
Balance at beginning of the year		(1,067.30)	(458.63)	
Add: Profit / (loss) for the year		399.63	(608.67)	
Balance at end of the year		<u>(667.67)</u>	<u>(1,067.30)</u>	
Retained earnings represents the profits that the Company has earned till date, less any dividends, or other distributions paid to shareholders.				
(vii) Other comprehensive income				
Balance at beginning of the year		(15.22)	-	
Add: Remeasurement of defined benefit plan (net of tax)		4.41	(15.22)	
Balance at end of the year		<u>(10.81)</u>	<u>(15.22)</u>	
Other comprehensive income comprises actuarial gain / loss on remeasurement of defined benefit obligation and return on plan assets.				
18. Borrowings	Note	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
i) Non-current borrowings				
Term-loans				
From banks (secured)	(a)	151.06	2.96	137.02
From others (secured)	(b)	334.31	373.64	422.70
Deposits				
Inter corporate deposits				
From related parties (unsecured) (refer to note 39)	(c)	517.00	150.00	150.00
From others (unsecured)	(d)	300.00	300.00	500.00
Deposits from shareholders (unsecured)	(e)	859.07	604.16	372.81
Other loans				
Loan from relatives of directors (refer note 39)	(f)	70.00	70.00	70.00
Total non-current borrowings (including current maturities)		<u>2,231.44</u>	<u>1,500.76</u>	<u>1,652.53</u>
Less: Current maturities of non-current borrowings (refer to note 21)		<u>1122.15</u>	<u>432.06</u>	<u>625.22</u>
		<u>1109.29</u>	<u>1068.70</u>	<u>1027.31</u>



# Ethos Limited

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

(All amounts in ₹ lakhs, except for share data and if otherwise stated)

### Notes:

- a) Term Loans from The Jammu & Kashmir Bank Limited amounting to Rs. Nil (31 March 2017: Nil, 1 April 2016: Rs.128.17 lakhs) was secured by first & exclusive charge by way of hypothecation on entire fixed assets both present and future of the Company. These limits were also secured by first charge on fixed assets of Ormapac unit at Chandigarh of KDDL Limited (holding company). This was further secured by the first and exclusive charge over land and building, machinery and office equipment of the Parwanoo unit of KDDL Limited (holding company) excluding the assets purchased after 1 April 2005. This loan was also guaranteed by the Holding Company (KDDL Limited) and the director of the Company. The loan was repayable in 60 monthly installments of Rs. 1,583,000 each immediately from 11 November 2011. The rate of interest was 12.25% per annum and outstanding amount as on 31 March 2016 was repaid in 9 installments during the previous year ended 31 March 2017.

Vehicle loans amounting to Rs.151.06 (31 March 2017: Rs.2.96 lakhs; 1 April 2016: Rs.8.85 lakhs) are secured against hypothecation of the specified vehicle purchased from proceeds of the said loan. The rate of interest on vehicle loans varies from 8.23% to 11.76% per annum (31 March 2017: 10.01 to 11.76%; 1 April 2016: 11.05 to 12.70%). The above loans are repayable in monthly installments within a period of next two to five years as per repayment schedule.

- b) The loans from others include loan taken from Indiabulls Housing Finance Limited. The same is secured by exclusive mortgage and charge on personal property of the director and relatives of the director of the Company. These limits are also guaranteed by the holding company, the director of the Company and relatives of the director. The rate of interest varies from 11% to 12.75% per annum. The original Loan of Rs. 450 lakhs taken in March 2014 will be repaid in 120 monthly instalments and Rs. 50 lakhs taken in March 2014 will be repaid in 36 monthly instalments along with interest. The loan outstanding as on 31 March 2018 is Rs. 334.31 (31 March 2017: Rs.371.98; 1 April 2016: Rs.402.42) and Rs. Nil (31 March 2017: Rs.1.66; 1 April 2016: Rs.20.28) respectively which will be repaid as per repayment schedule.
- c) Inter corporate deposit from related parties carry an interest rate ranging between 10% to 16% (31 March 2017: 14% to 16%; 01 April 2016: 14% to 16%) per annum and the same is repayable within 3-36 months (31 March 2017 within 12 months; 01 April 2016 within 0-24 months).
- d) Inter corporate deposit from others carry an interest rate ranging between 13.5% to 14% (31 March 2017: 12% to 14%; 01 April 2016: 14% to 17%) per annum and the same are repayable as per the repayment schedule within twenty four months.
- e) Deposits from Shareholders carry interest rate ranging between 8% to 12.5% (31 March 2017: 10.5% to 12.5%; 01 April 2016: 11% to 12.5%) per annum and carries a maturity period from 3 to 36 months from the respective date of deposits.
- f) Unsecured loans from relative of directors carry an interest rate of 12.5% (31 March 2017: 12.5%; 01 April 2016: 12.5%) per annum and is repayable within 30 months.

	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
<b>ii) Current borrowings</b>			
Loan repayable on demand			
- From banks (secured)*	(g) 3,357.12	4,595.95	4,621.05
Other Loans			
-Buyer's credit (secured)	(h) 677.46	467.32	385.05
-Loan from others (secured)	(i) -	-	400.00
-Redeemable preference shares	(j) -	300.00	-
-Deposits from shareholders (unsecured)	(k) 64.26	-	-
	<u>4,098.84</u>	<u>5,363.27</u>	<u>5,406.10</u>

\* includes Rs.1,500.00 (31 March 2017: Rs. Nil; 1 April 2016: Rs. Nil) being the amount unutilized out of equity shares issued towards preferential allotment.

### Notes:

- g) Loan repayable on demand from IDBI Bank Limited amounting to Rs. 1,024.6 lakhs (31 March 2017: Rs.1,909.8 lakhs; 1 April 2016: Rs.1,681.0 lakhs) are repayable on demand and are secured by first pari passu charge on all the current assets of the Company both present and future and second pari passu charge on the fixed assets of the Company both present and future. These limits are also secured by exclusive mortgage and charge on all the immovable fixed assets of the tool room unit (Eigen) of KDDL Limited (Holding Company) at Bangalore. These limits are guaranteed by the Holding Company (KDDL Limited), personal guarantees of director of the Company and relative of the director. The rate of interest as on 31 March 2018 varies from 11.25% to 11.50% (31 March 2017: 11.50% to 13%; 1 April 2016: 13%) per annum.

Loan repayable on demand from The Jammu & Kashmir Bank Limited amounting to Rs. 798.9 lakhs (31 March 2017: Rs.740.0 lakhs; 1 April 2016: Rs.876.1 lakhs) are repayable on demand and are secured by first pari passu charge on the stock and receivables of the Company. These limits are also secured by exclusive first charge on assets of Ormapac unit at Chandigarh of KDDL Limited (Holding company). This is further secured by the first and exclusive charge over land and building, machinery and office equipment of the Parwanoo unit of KDDL Limited. These loans are also guaranteed by the Holding Company and personal guarantees of the director of the Company. The rate of interest as on 31 March 2018 varies from 11.40% to 12.40% (31 March 2017: 12.20% to 12.30%; 1 April 2016: 12.25%) per annum.

Loan repayable on demand from Bank of Maharashtra amounting to Rs. 1,533.6 lakhs (31 March 2017: Rs. 1,946.2 lakhs; 1 April 2016: Rs. 2,064.0 lakhs) are repayable on demand and are secured by first pari passu charge by way of hypothecation on entire current assets of the company. These limits are also secured by 360,000 shares of holding company held by Sh. Y. Saboo, Managing Director of the company and second pari passu charge on entire fixed assets of the Company. Further, these limits are also guaranteed by the Holding Company, personal guarantee of director of the Company and relative of the director. The rate of interest as on 31 March 2018 is 11.50% (31 March 2017: 11.50%; 1 April 2016: 13.20%) per annum.

- h) Buyer's credit from IDBI Bank Limited amounting to Rs. 677.46 lakhs (31 March 2017: Rs. 467.3 lakhs; 1 April 2016: Rs.385.0 lakhs) are repayable on demand and are secured by first pari passu charge on all the current assets of the Company both present and future and second pari passu charge on the fixed assets of the Company both present and future. These limits are also secured by exclusive mortgage and charge on all the immovable fixed assets of the tool room unit (Eigen) of KDDL Limited (Holding Company) at Bangalore. These limits are guaranteed by the Holding Company (KDDL Limited), personal guarantees of director of the Company and relative of the director. The rate of interest as on 31 March 2018 is 11.85% (31 March 2017: 11.85%; 1 April 2016: 13%) per annum.

- i) The loan from others represent loan taken from Maverick Financial Services Pvt. Ltd. and the same was secured by shares and securities of holding company held by Sh. Y. Saboo, Managing Director of the Company. These limits were also secured by the personal guarantee of director of the Company. The rate of interest was 15% per annum and the same was repaid in the previous year ended 31 March 2017.

- j) During the previous year ended 31 March 2017, 3,00,000 12% cumulative redeemable preference shares were issued as fully paid up with a par value of Rs. 100 per share (1 April 2016: Nil). The redeemable preference shares were mandatorily redeemable at par on 23 August 2017 and have been redeemed during the current year.

- k) The fixed rate of interest on deposit from shareholders for maturity period of 1 year in the current year is in the range of 10.00% to 10.50% per annum (31 March 2017: Nil; 1 April 2016: Nil).





**Ethos Limited**
**Notes to the financial statements for the year ended 31 March 2018**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

19. Provisions	Note	As at 31 March 2018		As at 31 March 2017		As at 01 April 2016	
		Current	Non-current	Current	Non-current	Current	Non-current
<i>Provision for employee benefits</i>							
Provision for gratuity	37	-	61.55	-	48.45	-	13.48
Provision for compensated absences	37	2.69	80.69	2.97	71.73	2.21	64.21
		<u>2.69</u>	<u>142.24</u>	<u>2.97</u>	<u>120.18</u>	<u>2.21</u>	<u>77.69</u>

20. Trade payables**	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
- Micro, small and medium enterprises #	-	-	-
- Trade payables to related parties (Refer to note 39)	686.69	674.65	189.00
- Other trade payables	7,036.48	5,789.64	6,684.22
	<u>7,723.17</u>	<u>6,464.29</u>	<u>6,873.22</u>

# There are no micro, small and medium enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at the end of the year. The information as required to be disclosed in relation to micro, small and medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
(a) The principal amount remaining unpaid to any supplier at the end of the year	-	-	-
(b) The interest due on principal amount remaining unpaid to any supplier as at the end of year	-	-	-
(c) The amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act"); along with the amount of payment made to the supplier beyond the appointed day during the year	-	-	-
(e) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act	-	-	-
(f) The amount of interest accrued and remaining unpaid at the end of year	-	-	-
(g) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expense under the MSMED Act	-	-	-

\*\* The Company's exposure to currency and liquidity risk related to trade payables is disclosed in note 35.

21. Other financial liabilities	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Derivative financial instrument	-	20.97	-
Current maturities of non-current borrowings	1,122.15	432.06	625.22
Capital creditors	104.52	22.08	26.45
Salaries, wages and bonus and other employee payable	343.99	372.87	382.30
Interest accrued but not due on borrowings	107.68	69.15	17.75
	<u>1,678.34</u>	<u>917.13</u>	<u>1,051.72</u>

22. Other current liabilities	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Deferred revenue	181.71	143.77	135.22
Statutory dues	94.00	393.67	354.44
Advances from customers	727.48	561.78	198.87
	<u>1,003.19</u>	<u>1,099.22</u>	<u>688.53</u>

23. Current tax liabilities (net)	As at 31 March 2018	As at 31-Mar-17	As at 31-Mar-16
Provision for income tax (net of advance tax Rs. 17.92; 31 March 2017 Rs. Nil; 01 April 2016 Rs. Nil)	63.47	-	-
	<u>63.47</u>	<u>-</u>	<u>-</u>



**Ethos Limited**
**Notes to the financial statements for the year ended 31 March 2018**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*
**24. Revenue from operations**

	Year ended 31 March 2018	Year ended 31 March 2017
Sale of products (net of applicable tax)	35,367.87	32,260.47
Sale of services	168.13	175.83
Other operating revenues	73.19	53.11
	<b>35,609.19</b>	<b>32,489.41</b>

**25. Other income**

	Year ended 31 March 2018	Year ended 31 March 2017
Interest income under the effective interest rate method on:-		
-fixed deposits	11.36	8.37
-security deposits at amortised cost	82.39	75.11
Foreign exchange gain (net)	-	107.37
Miscellaneous	82.01	16.77
	<b>175.76</b>	<b>207.62</b>

\* includes insurance claim received of Rs. Nil (previous year Rs.15.8 lakhs)

**26. Purchase of stock-in-trade**

	Year ended 31 March 2018	Year ended 31 March 2017
Purchases during the year	27,309.88	25,676.27
	<b>27,309.88</b>	<b>25,676.27</b>

**27. Changes in inventory of stock-in-trade**

	Year ended 31 March 2018	Year ended 31 March 2017
Opening inventory	16,898.58	16,520.94
Less: Closing inventory	17,103.29	16,898.58
(Increase) in inventory	<b>(204.71)</b>	<b>(377.64)</b>

**28. Employee benefits expense**

	Year ended 31 March 2018	Year ended 31 March 2017
Salaries, wages and bonus	2,033.50	1,828.86
Contribution to provident and other funds	114.09	95.94
Share based payments	11.76	23.10
Staff welfare expenses	109.64	89.14
	<b>2,268.99</b>	<b>2,037.04</b>

**29. Finance cost**

	Year ended 31 March 2018	Year ended 31 March 2017
Interest expense on financial liabilities measured at amortised cost	618.91	790.74
Dividend on redeemable preference shares classified as financial liability measured at amortised cost	14.40	21.60
Other borrowing cost	24.96	2.33
	<b>658.27</b>	<b>814.67</b>

**30. Depreciation and amortisation expense**

	Note	Year ended 31 March 2018	Year ended 31 March 2017
Depreciation of property plant and equipment	3	394.18	363.81
Amortisation of other intangible assets	4	13.18	15.23
		<b>407.36</b>	<b>379.04</b>

**31. Other expenses**

	Year ended 31 March 2018	Year ended 31 March 2017
Power and fuel	104.50	111.94
Service cost expense	71.40	41.64
Insurance	42.77	48.89
Rent (net of reimbursements) (refer note 43)	2,420.46	2,740.18
Rates and taxes	12.36	19.73
Repair and maintenance	99.80	160.55
Foreign exchange loss (net)	196.59	-
Travelling and conveyance	215.12	151.46
Advertisement and sales promotion	717.62	855.89
Directors sitting fees	16.97	14.61
Printing and stationery	14.13	13.68
Recruitment expenses	24.03	16.64
Telephone and telex	65.96	72.59
Postage and telegram	155.37	124.85
Legal and professional fees *	191.92	119.62
Bank charges	292.76	299.52
Advances / deposits written off	55.84	1.46
Property, plant and equipments written off (net)	34.39	67.51
Miscellaneous expenses	92.22	151.67
	<b>4,824.21</b>	<b>5,012.43</b>

\*Includes payment to auditors (excluding taxes as applicable)





**Ethos Limited**
**Notes to the financial statements for the year ended 31 March 2018**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

	Year ended 31 March 2018	Year ended 31 March 2017
As auditor		
Statutory audit	12.00	12.00
Limited review of special purpose quarterly results	6.75	6.75
In other capacity		
Certification work	3.30	4.60
Reimbursement of expenses	0.88	1.34
	<u>22.93</u>	<u>24.69</u>
<b>32. Tax expense</b>		
	Year ended 31 March 2018	Year ended 31 March 2017
a) <i>Income tax recognised in statement of profit and loss</i>		
-Current tax	81.39	-
-Deferred tax	39.93	(236.11)
Total tax expense recognised in the current year	<u>121.32</u>	<u>(236.11)</u>
The above tax expense for the year can be reconciled to the accounting profit as follows:		
	Year ended 31 March 2018	Year ended 31 March 2017
<b>Profit before tax</b>		
Tax at the Indian tax rate of 34.94% (previous year 30.90%)	182.02	(261.04)
Effect of expenses that are not deductible in determining taxable profit	9.01	18.06
Effect of increase in tax rate	(63.10)	-
Others	(6.60)	6.86
<b>Income tax expenses recognised in statement of profit and loss</b>	<u>121.32</u>	<u>(236.11)</u>
The tax rate used for the current year reconciliation above is the corporate tax rate of 34.94% (previous year 30.90%) payable by corporate entities in India on taxable profits under the Indian tax law		
b) <i>Income tax expense recognised in other comprehensive income</i>		
	Year ended 31 March 2018	Year ended 31 March 2017
<b>Deferred tax assets/(liabilities)</b>		
<i>Arising on income and expenses recognised in other comprehensive income</i>		
-Remeasurement of defined benefit obligation	(2.36)	6.81
<b>Total income tax recognised in other comprehensive income</b>	<u>(2.36)</u>	<u>6.81</u>
<i>Bifurcation of the income tax recognised in other comprehensive income into:-</i>		
Items that will not be reclassified to profit or loss	(2.36)	6.81
Items that may be reclassified to profit or loss	-	-
	<u>(2.36)</u>	<u>6.81</u>
<b>33. Earnings per share</b>		
	Year ended 31 March 2018	Year ended 31 March 2017
A Basic earnings per share		
i) <i>Profit (loss) for basic earning per share of Rs. 10 each</i>		
Profit / (loss) for the year	399.63	(608.67)
Less: dividend on convertible preference shares, net of tax	126.58	301.14
	<u>273.05</u>	<u>(909.81)</u>
ii) <i>Weighted average number of equity shares for (basic)</i>		
* Opening Balance	13,203,895	12,356,801
Effect of fresh issue of shares	867,611	367,506
	<u>14,071,506</u>	<u>12,724,307</u>
Basic Earnings per share (face value of Rs 10 each)	1.94	(7.15)
B Diluted earnings per share		
i) <i>Profit (loss) for diluted earning per share of Rs. 10 each</i>	399.63	(608.67)
ii) <i>Weighted average number of equity shares for diluted</i>		
Opening Balance*	13,203,895	12,356,801
Effect of fresh issue of shares*	1,945,820	2,044,439
	<u>15,149,715</u>	<u>14,401,240</u>
Diluted earnings per share (face value of Rs 10 each)	<u>1.94</u>	<u>(7.15)</u>

\* For the year ended 31 March 2018, 171,750 options and 576,923 convertible preference shares (31 March 2017: 231,500 options and 1,676,933 convertible preference shares) were excluded from calculation of diluted weighted average number of equity shares as their effect would have been anti-dilutive.



**34. Explanation to transition to Ind AS**

As stated in Note 2(a)(i), these are the Company's first financial statements prepared in accordance with Ind AS. For the year ended 31 March 2017, the Company had prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act (previous GAAP).

The accounting policies set out in Note 2 have been applied in preparing these financial statements for the year ended 31 March 2018 including the comparative information for the year ended 31 March 2017 and the opening Ind AS balance sheet on the date of transition i.e. 01 April 2016.

In preparing its Ind AS balance sheet as at 01 April 2016 and in presenting the comparative information for the year ended 31 March 2017, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. This note explains the principal adjustments made by the Company in restating its financial statements prepared in accordance with previous GAAP, and how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

**I. Optional exemptions availed****a) Deemed cost for property, plant and equipment and intangible assets**

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

Information relating to gross carrying amount of assets and accumulated depreciation as on the transition date as per previous GAAP is as follows:

Asset category	Leasehold improvements	Plant and equipment	Furniture and fittings	Office equipment	Vehicles	Total Property plant and equipment	Computer Software	Total intangible assets
Gross carrying amount as at 01 April 2016	1,183.98	227.23	1,020.77	78.13	61.14	2,571.25	170.46	170.46
Accumulated depreciation as at 01 April 2016	723.35	137.87	456.04	38.39	33.43	1,389.08	116.07	116.07
Deemed cost as at 01 April 2016	460.63	89.36	564.73	39.74	27.71	1,182.17	54.39	54.39

**II. Mandatory exceptions****(a) Estimates**

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1 April 2016 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

- Investment in equity instruments carried at FVOCI
- Impairment of financial assets based on expected credit loss model
- Determination of the discounted value for financial instruments carried at amortised cost

**(b) Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable. Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

**(c) De-recognition of financial assets and liabilities**

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from the date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and liabilities derecognised as a result of past transaction was obtained at the time of initially accounting for those transactions.

As permitted by Ind AS 101, the Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.







**Ethos Limited**  
**Notes to the financial statements for the year ended 31 March 2018**  
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

**III. Reconciliation of equity**

As at date of transition (1 April 2016)

As at 31 March 2017

ASSETS	Note	As at date of transition (1 April 2016)		As at 31 March 2017	
		Previous GAAP*	Transition to Ind AS	Ind AS	Ind AS
<b>Non-current assets</b>					
Property, plant and equipment		1,182.17	-	1,182.17	948.93
Capital work-in-progress		38.70	-	38.70	22.71
Other intangible assets		54.39	-	54.39	41.05
<b>Financial assets</b>					
- Investments		-	-	-	-
- Loans	(a)	837.07	(245.63)	591.45	886.76
- Other financial assets		168.17	-	168.17	95.86
Income tax assets (net)		179.45	-	179.45	209.86
Deferred tax assets (net)	(b)	-	283.04	283.03	525.96
Other non-current assets	(a) / (c)	345.13	169.72	514.84	94.04
<b>Total non-current assets</b>		<b>2,805.08</b>	<b>207.13</b>	<b>3,012.30</b>	<b>436.50</b>
<b>Current assets</b>					
Inventories	(b)	16,378.68	142.36	16,520.94	16,898.58
Financial assets					
- Trade receivables	(b)	555.43	(222.24)	333.19	509.95
- Cash and cash equivalents		466.10	-	466.10	905.98
- Other bank balances		17.68	-	17.68	-
- Loans	(a)	444.53	(11.30)	433.23	368.97
- Other financial assets	(d)	1.73	9.38	11.31	1.43
Other current assets	(a) / (c) / (d)	143.21	73.10	216.31	114.33
<b>Total current assets</b>		<b>18,007.36</b>	<b>(8.60)</b>	<b>17,998.76</b>	<b>18,576.05</b>
<b>Total assets</b>		<b>20,812.44</b>	<b>198.53</b>	<b>21,010.96</b>	<b>21,139.56</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Equity share capital		1,235.68	-	1,235.68	1,320.39
<b>Other equity</b>					
- Compulsory convertible cumulative preference shares		1,960.01	-	1,960.01	1,960.01
- Deemed Equity contribution	(c)	-	14.51	14.51	14.51
- Share option outstanding account	(e)	0.42	50.63	51.05	73.73
- Capital reserve		1.67	-	1.67	1.67
- Security Premium		3,079.90	-	3,079.90	4,195.19
- Retained earnings		(563.96)	105.33	(458.63)	245.02
- Reversal of defined benefit liability	(f)	-	-	-	(15.22)
<b>Total Equity</b>		<b>5,713.72</b>	<b>170.47</b>	<b>5,884.19</b>	<b>318.04</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Financial liabilities					
- Borrowings		1,027.31	-	1,027.31	1,068.70
Provisions		77.69	-	77.69	120.18
<b>Total non-current liabilities</b>		<b>1,105.00</b>	<b>-</b>	<b>1,105.00</b>	<b>1,188.88</b>
<b>Current liabilities</b>					
Financial Liabilities					
- Borrowings		5,406.10	-	5,406.10	5,363.27
- Trade payables	(d) / (f)	6,873.22	-	6,873.22	6,464.29
- Other financial liabilities	(d) / (g)	1,051.72	118.66	1,051.72	42.57
Other current liabilities		569.87	(90.60)	688.53	983.67
Provisions	(g)	92.81	-	2.21	115.55
Current tax liabilities (net)		-	-	-	2.97
<b>Total current liabilities</b>		<b>13,993.72</b>	<b>28.06</b>	<b>14,021.78</b>	<b>61.80</b>
<b>Total</b>		<b>20,812.44</b>	<b>198.53</b>	<b>21,010.97</b>	<b>379.84</b>
					<b>21,519.42</b>

\* IGAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.



# Ethos Limited

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

(All amounts in ₹ lakhs, except for share data and if otherwise stated)

### IV. Reconciliation of total comprehensive income for the year ended 31 March 2017

	Note	For the year ended 31 March 2017		
		Previous GAAP*	Transition to Ind AS	Ind AS
<b>REVENUE</b>				
Revenue from operations	(g), (h)	32,624.26	(134.85)	32,489.41
Other income	(a)	132.51	75.11	207.62
<b>Total income</b>		<b>32,756.77</b>	<b>(59.74)</b>	<b>32,697.03</b>
<b>EXPENSES</b>				
Purchase of stock-in-trade		25,676.27	-	25,676.27
Changes in inventory of stock-in-trade	(h)	(296.71)	(80.93)	(377.64)
Employee benefits expense	(e), (f)	2,035.96	1.08	2,037.04
Finance costs		791.46	23.21	814.67
Depreciation and amortisation expense		379.04	-	379.04
Other expenses	(a), (d), (g)	4,919.10	93.33	5,012.43
<b>Total expense</b>		<b>33,505.12</b>	<b>36.68</b>	<b>33,541.81</b>
<b>(Loss) before tax</b>		<b>(748.35)</b>	<b>(96.42)</b>	<b>(844.78)</b>
<b>Tax expense</b>				
-Current tax		-	-	-
-Deferred tax credit	(b)	-	(236.09)	(236.09)
<b>(Loss) for the year</b>		<b>(748.35)</b>	<b>139.68</b>	<b>(608.68)</b>
<b>Other comprehensive expense</b>				
Items that will not be reclassified subsequently to profit or loss				
-Re-measurement of defined benefit plans	(f)	-	(22.03)	(22.03)
Income tax relating to items that will not be reclassified subsequently to profit or loss				
-Re-measurement of defined benefit plans	(f)	-	6.81	6.81
<b>Total other comprehensive expense</b>		<b>-</b>	<b>(15.22)</b>	<b>(15.22)</b>
<b>Total comprehensive loss for the year</b>		<b>(748.35)</b>	<b>124.45</b>	<b>(623.90)</b>

\* I GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note

### V. Statement of cash flow

Other than effect of certain reclassifications due to difference in presentation, there was no material effect of cash flow from operating, financing, investing activities for all periods presented.

#### Notes:

#### (a) Security deposit

Under the previous GAAP, interest free security deposits are recorded at their transaction value. On transition to Ind AS, these security deposits are remeasured at amortised cost using the effective interest rate method. The difference between the transaction value of the deposit and amortised cost is regarded as prepaid rent and recognised as expenses uniformly over the lease period. Interest income, measured by the effective interest rate method is accrued.

The impact arising from the change is as follows:

	Increase / (Decrease) Year ended 31 March 2017
<b>Statement of Profit and Loss</b>	
Other income (Notional interest income)	75.11
Other expenses (Notional rent expense)	(79.46)
<b>Adjustment before income tax - Profit / (Loss)</b>	<b>(4.35)</b>

	As at 31 March 2017	As at 1 April 2016
<b>Balance sheet</b>		
Financial assets - Loans- Non-current (Security Deposits)	(184.40)	(245.63)
Financial assets - Loans- current (Security Deposits)	(11.30)	(11.30)
Other non-current assets (Prepaid expenses)	105.27	166.17
Other current assets (Prepaid expenses)	74.78	79.46
<b>Adjustment to retained earnings</b>	<b>(15.65)</b>	<b>(11.30)</b>

#### (b) Deferred taxes

Previous GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

The above changes (decreased)/ increased the deferred tax liability as follows:

	As at 31 March 2017	As at 1 April 2016
<b>Balance sheet</b>		
Deferred tax asset (net)	525.96	283.03
<b>Adjustment to retained earnings</b>	<b>525.96</b>	<b>283.03</b>





## (c) Financial Guarantee

Under I GAAP, guarantee given by parent entity for securing loans taken by Company was not required to be recognised if no premium was paid to its parent entity for providing this financial guarantee. Under Ind AS, these guarantees are required to be measured at fair value. Therefore, the Company has recognised the fair value of the guarantee as an deemed equity infusion by the parent.

The impact arising from the change is as follows:

	Increase / (Decrease) Year ended 31 March 2017	
<b>Statement of Profit and Loss</b>		
Other borrowing cost		(1.61)
<b>Adjustment before income tax - Profit / (Loss)</b>		<b>(1.61)</b>
<b>Balance sheet</b>	<b>As at 31 March 2017</b>	<b>As at 1 April 2016</b>
Other equity	14.51	14.51
Other non-current assets (Prepaid expenses)	3.55	3.55
Other current assets (Prepaid expenses)	-	1.61
<b>Adjustment to retained earnings</b>	<b>(10.96)</b>	<b>(9.35)</b>

## (d) Derivatives

Under IGAAP, derivatives (forward exchange contract) were being restated at closing rate as on the reporting date. Under Ind AS, these derivatives are being measured at fair value i.e. valued at mark to market price (MTM).

The impact arising from the change is as follows:

	Increase / (Decrease) Year ended 31 March 2017	
<b>Statement of Profit and Loss</b>		
Other Expenses (Fair Value loss on foreign exchange forward contracts)		(19.55)
<b>Adjustment before income tax - Profit / (Loss)</b>		<b>(19.55)</b>
<b>Balance sheet</b>	<b>As at 31 March 2017</b>	<b>As at 1 April 2016</b>
Other current assets (unamortised premium on forward contracts)	(8.67)	(7.97)
Other current liabilities (forward contract payable)	(28.22)	(16.56)
Other financial assets	-	9.58
Other financial liability	20.97	-
<b>Adjustment to retained earnings</b>	<b>(1.42)</b>	<b>18.17</b>

## (e) Share based payment to employees

Under the previous GAAP, the cost of equity-settled employee share based plan were recognised using the intrinsic value method. Under Ind AS, the cost of equity settled share based plan is recognised based on the fair value of the options as at the grant date.

The impact arising from the change is as follows:

	Increase / (Decrease) Year ended 31 March 2017	
<b>Statement of Profit and Loss</b>		
Employee Benefit expense (Share based payment to employees)		(23.36)
<b>Adjustment before income tax - Profit / (Loss)</b>		<b>(23.36)</b>
<b>Balance sheet</b>	<b>As at 31 March 2017</b>	<b>As at 1 April 2016</b>
Other equity (Share option outstanding account)	73.73	50.63
<b>Adjustment to retained earnings</b>	<b>(73.73)</b>	<b>(50.63)</b>



(f) Dividend on redeemable preference shares

Under IGAAP, the 12% cumulative redeemable preference shares were classified as equity and dividend payable thereon was recognised only when declared.

Under Ind AS, such redeemable preference shares have been classified as financial liability based on terms of contract. Dividend on such redeemable preference shares have been recognised under finance costs

The impact arising from the change is as follows:

		Increase / (Decrease)
		Year ended
Statement of Profit and Loss		31 March 2017
Finance costs (dividend on redeemable preference shares)		21.60
Adjustment before income tax - Profit / (Loss)		21.60
Balance sheet	As at	As at
	31 March 2017	1 April 2016
Other current financial liabilities (interest accrued)	21.60	-
Adjustment to retained earnings	21.60	-

(g) Deferred revenue-customer loyalty program

The Company operates a loyalty points programme, which allows customers to accumulate points when they purchase products in the Company's retail stores. Under IGAAP, the Company creates a provision toward its liability under the customer loyalty program.

Under Ind AS, consideration received is allocated between the products sold (watches) and the points issued, with the consideration allocated to points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

The impact arising from the change is as follows:

	Increase / (Decrease)	
	Year ended	
	31 March 2017	
<b>Statement of Profit and Loss</b>		
Revenue from operations		(8.54)
Other expenses		(5.72)
<b>Adjustment before income tax - Profit / (Loss)</b>		<b>(2.82)</b>
<b>Balance sheet</b>	<b>As at</b>	<b>As at</b>
	<b>31 March 2017</b>	<b>1 April 2016</b>
Provisions- Current (customer loyalty provision)	(96.32)	(90.60)
Other current liability (deferred revenue)	143.77	135.22
<b>Adjustment to retained earnings</b>	<b>(47.45)</b>	<b>(44.62)</b>

(h) Deferment of revenue recognition

Under Previous GAAP, revenue is recognised when the seller has transferred the property in goods. Under Ind AS, when the receipt of the revenue from a particular sale is contingent on the ultimate collection by the buyer from the ultimate sale of the goods then revenue is not recognised as the entity is deemed to continue to retain significant risks of ownership

The impact arising from the above changes as follows:

	Increase / (Decrease) Year ended 31 March 2017	
<b>Statement of Profit and Loss</b>		
Revenue from operations		(126.30)
(Increase) in inventory		(80.93)
<b>Adjustment before income tax - Profit / (Loss)</b>		<b>(45.37)</b>
<b>Balance sheet</b>	<b>As at 31 March 2017</b>	<b>As at 1 April 2016</b>
Inventories	223.19	142.26
Trade Receivables	(348.54)	(222.23)
<b>Adjustment to retained earnings</b>	<b>(125.35)</b>	<b>(79.97)</b>

(i) Remeasurement of post-employment benefit obligations

Under Ind AS, re-measurements i.e. actuarial gains and losses and the return on plan assets on the net defined benefit obligation are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these re-measurements were forming part of the profit or loss for the year. As a result of this change, actuarial loss (net of tax) amounting to Rs.15.22 lakhs has been recognised in other comprehensive income instead of profit or loss. There is no impact on the total equity as at 01 April 2016 and 31 March 2017.

VI. Total equity reconciliation

	Note	As at 31 March 2017	As at 1 April 2016
Reported earlier under previous GAAP		6,165.62	5,713.72
(a) Security deposit	(a)	(15.65)	(11.30)
Financial Guarantee	(c)	3.55	5.16
Derivatives	(d)	(1.42)	18.17
Dividend on redeemable preference shares	(f)	(21.60)	-
Deferred revenue-customer loyalty program	(g)	(47.45)	(44.62)
Deferment of revenue recognition	(h)	(125.35)	(79.97)
Tax adjustments	(b)	525.96	283.03
		<b>6,483.66</b>	<b>5,884.19</b>





# Ethos Limited

Notes to the financial statements for the year ended 31 March 2018  
(All amounts in ₹ lakhs, except for share data and if otherwise stated)

## 35. Financial instruments - fair values and risk management

### 1. Financial instruments by category and fair values

Financial assets	Note	Level of hierarchy	As at 31 March 2018			As at 31 March 2017			As at 1 April 2016		
			FVTPL	Amortised cost	FVOCI	FVTPL	Amortised cost	FVOCI	FVTPL	Amortised cost	FVOCI
<b>Non-current</b>											
Investments	(e)		-	42.94	-	-	-	-	-	-	-
Loans	(b)		-	910.75	-	-	702.37	-	-	591.44	-
Other financial assets	(b)		-	215.03	-	-	85.86	-	-	168.17	-
<b>Current</b>											
Trade receivables	(a)		-	645.62	-	-	161.41	-	-	333.20	-
Cash and cash equivalents	(a)		-	718.91	-	-	905.98	-	-	466.10	-
Other bank balances	(a)		-	-	-	-	-	-	-	17.68	-
Loans			-	-	-	-	-	-	-	-	-
-Security deposit	(b)		-	367.99	-	-	357.67	-	-	433.23	-
-Loan to employees	(b)		-	-	-	-	-	-	-	-	-
Other financial assets			-	-	-	-	-	-	-	-	-
-Interest accrued but not due on fixed deposits	(a)		-	9.51	-	-	1.43	-	-	11.31	-
-Derivative financial instrument	(d)	2	2.80	-	-	-	-	-	9.58	-	-
<b>Total</b>			<b>2.80</b>	<b>2,910.75</b>	<b>-</b>	<b>-</b>	<b>2,214.72</b>	<b>-</b>	<b>9.58</b>	<b>2,021.13</b>	<b>-</b>
<b>Financial liabilities</b>											
<b>Non-current</b>											
Borrowings	(c)		-	1,109.29	-	-	1,068.70	-	-	1,027.31	-
<b>Current</b>											
Borrowings	(c)		-	4,098.84	-	-	5,363.27	-	-	5,406.10	-
Trade payables	(a)		-	7,723.17	-	-	6,464.29	-	-	6,873.22	-
Other financial liabilities			-	-	-	-	-	-	-	-	-
-Derivative financial instrument	(d)	2	-	-	-	20.97	-	-	-	-	-
-Current maturities of non-current borrowings	(a)		-	1,122.15	-	-	432.06	-	-	625.22	-
-Capital creditors	(a)		-	104.52	-	-	22.08	-	-	26.45	-
-Salaries, wages and bonus and other employee payable	(a)		-	343.99	-	-	372.87	-	-	382.30	-
-Interest accrued but not due on borrowings	(a)		-	107.68	-	-	69.15	-	-	17.75	-
<b>Total</b>			<b>-</b>	<b>14,609.64</b>	<b>-</b>	<b>20.97</b>	<b>13,792.42</b>	<b>-</b>	<b>-</b>	<b>14,358.35</b>	<b>-</b>

#### Note:

- Fair valuation of financial assets and liabilities with short term maturities is considered as approximate to respective carrying amount due to the short term maturities of these instruments.
- Fair value of non-current financial assets has not been disclosed as there is no significant differences between carrying value and fair value.
- The fair value of borrowings is based upon a discounted cash flow analysis that used the aggregate cash flows from principal and finance costs over the life of the debt and current market interest rates.
- The fair value of the derivative financial instruments has been determined using valuation techniques with market observable inputs. The model incorporate various inputs include the credit quality of counter-parties and foreign exchange forward rates.
- The investment in subsidiary is measured at cost less impairment losses.

There are no transfers between Level 1, Level 2 and Level 3 during the year ended 31 March 2018 and 31 March 2017.



## Ethos Limited

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

(All amounts in ₹ lakhs, except for share data and if otherwise stated)

#### II. Financial risk management

##### (i) Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to effect changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aims to maintain discipline and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risk faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the result of which are reported to audit committee.

The Company has exposure to the following risks arising from financial instruments:

- Credit risk (see (ii)),
- Liquidity risk (see (iii)), and
- Market risk (see (iv))

##### (ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit risk exposure and arises principally from the Company's receivable from customers and loans.

##### Trade receivables and Loans

The Company's retail business is pre-dominantly on cash and carry basis which is largely through credit-card collections. The credit risk on such collections is minimal, since they are primarily owned by customers' card issuing banks. The Company has adopted a policy of dealing with only credit worthy counterparties in case of institutional customers and the credit risk exposure for institutional customers is managed by the Company by credit worthiness checks. The Company also carries credit risk on lease deposits with landlords for store properties taken on leases, for which agreements are signed and property possessions timely taken for store operations. The risk relating to refunds after store shut down is managed through successful negotiations or appropriate legal actions, where necessary.

The Company's experience of delinquencies and customer disputes have been minimal. Further, Trade and other receivables consist of a large number of customers, across geographies within India, hence, the Company is not exposed to concentration risks.

##### Cash and cash equivalents

The Company holds cash and cash equivalents of Rs. 718.91 lakhs at 31 March 2018 (31 March 2017: Rs. 905.98, 1 April 2016 Rs. 466.10). The cash and cash equivalents are held with scheduled banks.

##### (iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to manage liquidity is to have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed circumstances, without incurring unacceptable losses or risking damage to the Company's reputation.

Management manages the liquidity risk by monitoring cash flow forecasts on a periodic basis and maturity profiles of financial assets and liabilities. This monitoring takes into account the accessibility of cash and cash equivalents and additional undrawn financing facilities. The Company will continue to consider various borrowings of leasing options to maximize liquidity and supplement cash requirements as necessary.





**Ethos Limited****Notes to the financial statements for the year ended 31 March 2018***(All amounts in ₹ lakhs, except for share data and if otherwise stated)**Exposure to liquidity risk*

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

**31 March 2018**

	Carrying amount	Total	Contractual cash flow		
			Less than 1 year	1-5 years	More than 5 years
Non derivative financial liabilities					
-Borrowings(including current maturities)	6,330.27	6,330.27	5,221.09	1,109.18	-
-Trade payables	7,723.17	7,723.17	7,723.17	-	-
-Capital creditors	104.52	104.52	104.52	-	-
-Salaries, wages and bonus payable	343.99	343.99	343.99	-	-
-Interest accrued but not due on borrowings	107.68	107.68	107.68	-	-
	<b>14,609.63</b>	<b>14,609.63</b>	<b>13,500.45</b>	<b>1,109.18</b>	-
Derivative financial liabilities					
-Forward contracts	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**31 March 2017**

	Carrying amount	Total	Contractual cash flow		
			Less than 1 year	1-5 years	More than 5 years
Non derivative financial liabilities					
-Borrowings(including current maturities)	6,864.03	6,864.03	5,795.32	1,017.79	50.92
-Trade payables	6,464.29	6,464.29	6,464.29	-	-
-Capital creditors	22.08	22.08	22.08	-	-
-Salaries, wages and bonus payable	372.87	372.87	372.87	-	-
-Interest accrued but not due on borrowings	69.15	69.15	69.15	-	-
	<b>13,792.42</b>	<b>13,792.42</b>	<b>12,723.71</b>	<b>1,017.79</b>	<b>50.92</b>
Derivative financial liabilities					
-Forward contracts	20.97	20.97	20.97	-	-
	<b>20.97</b>	<b>20.97</b>	<b>20.97</b>	<b>-</b>	<b>-</b>

**1 April 2016**

	Carrying amount	Total	Contractual cash flow		
			Less than 1 year	1-5 years	More than 5 years
Non derivative financial liabilities					
-Borrowings(including current maturities)	7,058.63	7,058.64	6,031.33	909.02	118.29
-Trade payables	6,873.22	6,873.22	6,873.22	-	-
-Capital creditors	26.45	26.45	26.45	-	-
-Salaries, wages and bonus payable	382.30	382.30	382.30	-	-
-Interest accrued but not due on borrowings	17.75	17.75	17.75	-	-
	<b>14,358.35</b>	<b>14,358.36</b>	<b>13,331.05</b>	<b>909.02</b>	<b>118.29</b>
Derivative financial liabilities					
-Forward contracts	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(iv) Market Risk****a) Product price risk**

In a potentially inflationary economy, the Company expects periodical price increases across its retail product lines. Product price increases which are not in line with the levels of customers' discretionary spends, may affect the business/retail sales volumes. Since the Company operates in luxury category, the demand is reasonably inelastic to changes in price. However, the Company continually monitor and compares prices of its products in other developed markets as its customers tend to compare prices across markets. In the event that prices deviate significantly unfavorably from the markets, the Company negotiates with its principals for change of prices. The Company also manages the risk by offering judicious product discounts to retail customers to sustain volumes. The Company negotiates with its vendors for purchase price rebates such that the rebates substantially absorb the product discounts offered to the retail customers. This helps the Company protect itself from significant product margin losses.



## b) Interest rate risk

The Company is exposed to interest rate risk because funds are borrowed at both fixed and floating interest rates. Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rate. The borrowings of the Company are principally denominated in rupees with a mix of fixed and floating rates of interest. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. The exposure of the Company's borrowing to interest rate changes as reported to the management at the end of the reporting period are as follows:

	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Fixed rate borrowings	2,973.16	2,268.08	2,437.58
Floating rate borrowings	3,357.12	4,595.95	4,621.05
	<b>6,330.28</b>	<b>6,864.03</b>	<b>7,058.63</b>

## Interest rate sensitivity analysis

A reasonably possible change of 0.50 % in interest rates at the reporting date would have affected the profit or loss by the amounts shown below. This analysis has been determined based on the exposure to interest rates for floating rate liabilities assuming the amount of liability outstanding on the year-end was outstanding for the whole year.

	Profit / (Loss) before tax	
	Strengthening	Weakening
For the year ended 31 March 2018		
Interest rate (0.5% movement)	(16.79)	16.79
For the year ended 31 March 2017		
Interest rate (0.5% movement)	(22.98)	22.98

## c) Currency risk

The Company is exposed to currency risk to the extent that there is mismatch between the currencies in which purchases are denominated and the functional currency of the Company. The currencies in which the Company is exposed to risk are CHF, USD, EUR, SGD. The Company evaluates this risk on a regular basis and appropriate risk mitigating steps are taken, including but not limited, entering into forward contracts.

## Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

	CHF	USD	SGD	EUR
<b>31 March 2018</b>				
Trade payables	2,160.69	731.60	71.48	32.12
Less: Forward contract outstanding		687.89	-	-
Net exposure of recognised financial liability	2,160.69	43.71	71.48	32.12
<b>31 March 2017</b>				
Trade payables	1,568.91	499.70	20.41	-
Less: Forward contract outstanding	-	499.70	-	-
Net exposure of recognised financial liability	1,568.91	-	20.41	-
<b>1 April 2016</b>				
Trade payables	665.71	421.43	34.88	0.11
Less: Forward contract outstanding	-	403.51	-	-
Net exposure of recognised financial liability	665.71	17.92	34.88	0.11

## Sensitivity analysis

A reasonably possible strengthening (weakening) of CHF, USD, SGD, EUR against INR (₹) at the end of the year, would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact on forecast purchases.

	Profit / (Loss) (before tax)	
	Strengthening	Weakening
<b>31 March 2018</b>		
CHF (1% movement)	(21.61)	21.61
SGD (1% movement)	(0.32)	0.32
EUR (1% movement)	(0.71)	0.71
USD (1% movement)	(7.32)	7.32
<b>31 March 2017</b>		
CHF (1% movement)	(15.69)	15.69
SGD (1% movement)	0.15	(0.15)
EUR (1% movement)	(0.20)	0.20
USD (1% movement)	(4.71)	4.71

CHF: Swiss Franc USD: US Dollar, SGD: Singapore Dollar, EUR: Euro.

## 36. Capital Management

## (i) Risk management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The management monitors the return on capital. The Company monitors capital using a ratio of 'adjusted net debt' to 'total equity'. For this purpose, adjusted net debt is defined as total borrowings net of cash and cash equivalents and other bank balances. Equity comprises all components of equity (as shown in the Balance Sheet).

The Company's adjusted net debt to equity ratio was as follows:

	31 March 2018	31 March 2017	1 April 2016
Total liabilities	15,821.22	15,035.75	15,126.78
Less: cash and cash equivalents	(718.91)	(905.98)	(466.10)
<b>Adjusted net debt</b>	<b>15,102.31</b>	<b>14,129.77</b>	<b>14,660.68</b>
Total equity	9,160.96	6,483.66	5,884.19
<b>Adjusted net debt to equity ratio</b>	<b>1.65</b>	<b>2.18</b>	<b>2.49</b>

## (ii) Dividends not recognized at the end of reporting period

Cumulative preference dividend not recognised on 12% cumulative compulsory convertible preference shares, 14% cumulative compulsory convertible preference shares including dividend distribution taxes

	31 March 2018	31 March 2017
Total	426.54	1,087.60





## 37. Employee benefits

## I. Assets and liabilities relating to employee benefits

	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
<i>Non-current</i>			
Liability for gratuity	61.55	48.45	13.48
Liability for compensated absences	80.69	71.73	64.21
	<u>142.24</u>	<u>120.18</u>	<u>77.69</u>
<i>Current</i>			
Liability for gratuity	-	-	-
Liability for compensated absences	2.69	2.97	2.21
	<u>2.69</u>	<u>2.97</u>	<u>2.21</u>
	<u>144.93</u>	<u>123.15</u>	<u>79.90</u>

For details about the related employee benefit expenses, refer to note no. 28.

## II. Defined benefit plan - Gratuity

The employees' gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The Company made annual contributions to the LIC of India of an amount advised by the LIC.

The above defined benefit plan exposes the Company to following risks:

*Interest rate risk:*

The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

*Salary inflation risk:*

Higher than expected increases in salary will increase the defined benefit obligation.

*Demographic risk:*

This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. The Company has not changed the processes used to manage its risks from previous periods. The funds are managed by specialised team of Life Insurance Corporation of India.

a) *Funding*

Gratuity is a funded benefit plan for qualifying employees. 100% of the plan assets are managed by LIC. The assets managed are highly liquid in nature and the Company does not expect any significant liquidity risks.

The expected contribution to defined benefit plan in 2018-2019 is insignificant.

b) *Reconciliation of present value of defined benefit obligation*

	As at 31 March 2018	As at 31 March 2017
Balance at the beginning of the year	98.40	67.10
Benefits paid	(16.98)	(11.92)
Current service cost	21.22	16.49
Interest cost	7.87	4.70
Actuarial (gains) / losses recognised in other comprehensive income	(10.64)	22.03
<b>Balance at the end of the year</b>	<b>99.87</b>	<b>98.40</b>

c) *Reconciliation of the present value of plan assets*

	As at 31 March 2018	As at 31 March 2017
Balance at the beginning of the year	49.94	53.62
Contributions paid into the plan	5.23	5.17
Interest Income	4.00	-
Benefits paid	(16.98)	(11.92)
Actuarial Gain/(losses)	-	(0.45)
Return on plan assets recognised in other comprehensive income	(3.87)	3.52
<b>Balance at the end of the year</b>	<b>38.32</b>	<b>49.94</b>

d) *Expense recognised in profit or loss*

	Year ended 31 March 2018	Year ended 31 March 2017
Current service cost	21.22	16.49
Interest Income	(4.00)	-
Interest cost	7.87	4.70
	<u>25.09</u>	<u>21.19</u>

e) *Remeasurements recognised in other comprehensive income*

	Year ended 31 March 2018	Year ended 31 March 2017
Actuarial (gain) / loss on defined benefit obligation	(10.64)	22.03
Return on plan assets less / (greater) than discount rate	3.87	(3.52)
	<u>(6.77)</u>	<u>18.51</u>

f) *Plan assets*

100% of the plan assets are managed by LIC.

g) *Actuarial assumptions*

	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Discount rate (per annum)	8.00% p.a.	7.00% p.a.	8.00% p.a.
Future salary growth rate (per annum)	5.00% p.a.	5.00% p.a.	5.00% p.a.

Assumptions regarding future mortality are based on Indian Assured Lives Mortality (IALM) (2006-08) rates.



# Ethos Limited

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

(All amounts in ₹ lakhs, except for share data and if otherwise stated)

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	As at 31 March 2018		As at 31 March 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(13.18)	11.94	(15.01)	11.96
Future salary growth rate (1% movement)	(13.31)	12.23	(15.02)	12.17

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same methods (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

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

### b) Expected benefit payments

Undiscounted amount of expected benefit payments for next 10 years are as follows:

	As at 31 March 2018	As at 31 March 2017
Within 1 year	3.19	5.83
1-2 year	3.71	6.00
2-3 year	5.09	5.36
3-4 year	4.81	6.87
4-5 year	6.08	6.50
5-10 years	48.17	64.89

### III. Defined contribution plans

The Company makes contribution, determined as a percentage of employee salaries, in respect of qualifying employees towards Provident fund, which is a defined contribution plan. The Company has no obligation other than to make the specified contributions. The Company has recognised Rs. 80.60 (previous year Rs. 75.00) during the year as expense towards contribution to these plans.

### IV. Share based payments

#### a) Description of share-based payment arrangement

As at 31 March 2018, the Company has the following share-based payment arrangements:

#### b) Employee Stock Option Scheme (equity-settled)

In the Extraordinary General Meeting held on 10.03.2014, the shareholders approved the issue of options not exceeding 3,50,000 options under the Scheme titled "Ethos Employee Stock Option Plan - 2013".

The ESOP allows the issue of options to eligible employees of the Company. Each option comprises one underlying equity share.

As per the Scheme, the Compensation Committee grants the options to the employees deemed eligible. The exercise price of each option shall be equal to the "Market Price" as defined in the Scheme. The options granted vest as follows: Options may be exercised within 3 years of vesting.

1. 50% of the options granted to the selected employee shall vest on 1st October, 2017 in case there is continuation of his service till the date of vesting.

2. 50% on the first day of the financial year subsequent to the achievement of billing of Rs. 50,000 lakhs in any financial year by the Company, subject to the continuation of service till the date of vesting. However there shall remain a gap of minimum one year between the date of grant and the date of vesting under this clause. The compensation committee shall declare such date as and when it is triggered.

The Company has in its Compensation Committee meeting on 04.08.2014 granted outstanding 3,500 options to employee of the holding Company. The above options have been issued by the Compensation Committee in accordance with the terms & conditions of the "Ethos Employee Stock Option Plan - 2013".

#### c) Reconciliation of outstanding share option

Particulars	During the year ended 31 March 2018		During the year ended 31 March 2017	
	Options (numbers)	Weighted average exercise price per option (Rs.)	Options (numbers)	Weighted average exercise price per option (Rs.)
<b>Ethos Employee Stock Option Scheme - 2013</b>				
Option outstanding at the beginning of the year	228,000	120	228,000	120
Granted during the year	-	-	-	-
Vested during the year	-	-	-	-
Exercised during the year	21,250	120	-	-
Lapsed during the year	35,000	-	-	-
Options outstanding at the end of the year	171,750	120	228,000	120
Options available for grant at the end of year	-	-	-	-
Options exercisable at the end of the year	-	-	-	-
No. of shares arising out of the options outstanding	171,750	120	228,000	120
<b>Ethos Employee Stock Option Scheme - 2013</b>				
Option outstanding at the beginning of the year	3,500	120	3,500	120
Granted during the year	-	-	-	-
Vested during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Options outstanding at the end of the year	3,500	120	3,500	120
Options available for grant at the end of year	-	-	-	-
Options exercisable at the end of the year	-	-	-	-
No. of shares arising out of the options outstanding	3,500	120	3,500	120

The options outstanding as at 31 March 2018 have an exercise price of Rs. 120 (31 March 2017: Rs. 120) and a weighted average remaining contractual life in the range of 2.16 to 2.56 years (31 March 2017: 3.16 to 3.56 years).

#### d) Expense recognized in statement of profit and loss

Particulars	As at 31 March 2018	As at 31 March 2017
Expense arising from equity-settled share based payment transaction	11.76	23.36

#### e) The fair value of the options has been determined under the Black-Scholes model and the inputs used in the measurement of the grant-date fair

Assumptions	As at 31 March 2018	As at 31 March 2017
Fair value at grant date	35.54/56.08	35.54/56.08
Share price at grant date	120.00	120.00
Exercise price	120.00	120.00
Risk Free Interest Rate-KRL1/KRL2/Ethos	7.60%/7.60%	7.60%/7.60%
Expected Life (years) -KRL1/KRL2/Ethos	4.56/4.16	3.55/2.24/4.56/4.16
Expected Annual Volatility of Shares	40%-60%	40%-60%





**ETHOS LIMITED**
**Notes to the financial statements for the year ended 31 March 2018**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*
**38. Contingent liabilities, commitments and other matters**  
*(to the extent not provided for)*
**i) Claims against the Company not acknowledged as debts, under dispute**

	As at 31 March 2018	As at 31 March 2017	As at 31 March 2016
a) Income Tax matters	-	81.37	36.37
b) Civil and Consumer matters	0.54	0.54	0.54
	<b>0.54</b>	<b>81.91</b>	<b>36.91</b>
ii) <i>Arrears of fixed cumulative dividend on 12% cumulative compulsory convertible preference shares, 14% cumulative compulsory convertible preference shares including dividend distribution taxes</i>	426.54	1,087.60	786.46
iii) <i>Commitments</i>			
-Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	66.31	57.19	23.26
-amount payable under non- cancellable leases	7,112.58	3,620.31	5,556.86
	<b>7,178.89</b>	<b>3,677.49</b>	<b>5,580.12</b>
iv) During the year 2011-2012, pursuant to the visit of the officers of Directorate general of Central excise intelligence (DGCEI) in the premises of the Company on 18 August 2011, the Company had reversed the input service tax credit of Rs. 17,000,000 in its service tax return which was availed by the Company in previous years. The above amount was reversed as per the opinion of the officials of DGCEI. The Company, on the basis of legal opinion obtained, is of the view that the Company is entitled to this input service tax credit. Since, the amount was reversed under protest and without prejudice to the legal rights of the Company, the Company has shown the above amount of Rs. 17,000,000 reversed as claim receivable under the head "Long term loans and advances". During the financial year 2012-13, the Company had received a notice from DGCEI whereby, the Company had been called upon to show cause as to why service tax amounting to Rs. 663,452 which had been short paid and CENVAT credit amounting to Rs. 24,276,671 wrongly availed should not be demanded and recovered. The Company had filed the reply to the show cause notice with the Commissioner-Central Excise and Service Tax, Chandigarh. The authority has confirmed the demand except Rs. 663,452. Further, the authority has imposed a penalty of Rs. 24,276,671. Being aggrieved against the order of Commissioner- Central Excise and Service Tax, the Company has preferred appeal with CESTAT and the matter is sub-judice with CESTAT, Chandigarh. Due to the pending adjudication of the appeal, liability on this account has not been provided in the accounts.			
v) In addition, the Company is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The Company's management does not expect that these legal actions, when ultimately concluded and determined, will have a material and adverse effect on the Company's results of operations or financial condition.			

**39. Related parties**
**I. Related parties and nature of related party relationship, where control exists:**

Description of Relationship	Name of the Party
Holding / Ultimate Holding Company	KDDL Limited (KDDL)
Subsidiary Body Corporate	Cognition Digital LLP

**II. Other related parties with whom transactions have taken place:**

Description of Relationship	Name of the Party
Fellow Subsidiaries	Mahen Distribution Limited Pylana SA
Entities over which significant influence is exercised by the Key Management Personnel	Saboo Coatings Private Limited VBL Innovations Private Limited Vardhan Properties & Investment Limited
Entities over which significant influence is exercised by relative of the Key Management Personnel	Dream Digital Technology Private Limited (DDTPL) * Saboo Ventures LLP Saboo Housing Projects LLP
Key Management Personnel and relatives	Mr. Y. Saboo (Managing director) <b>Relatives of Managing director</b> Mr. R. K. Saboo Mr. Pranav Saboo Mrs. Usha Saboo Mrs. Anuradha Saboo <b>Key Management Personnel</b> Mr. C. Raja Sekhar Mr. Anil Dhiman
Directors	Mr. Anil Khanna Mr. N. Subramanian Mr. Rajat Kakar Mr. Sundeep Kumar Mrs. Neelima Tripathi

\* DDTPL was a public limited company till 01 June 2016. With effect from 02 June 2016, DDTPL is now a private limited company.



**ETHOS LIMITED**
**Notes to the financial statements for the year ended 31 March 2018**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*
**III. Transactions with related parties**

Nature of transactions	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
a) Purchase of goods	<b>1,129.38</b>	<b>360.22</b>	<b>0.93</b>
- KDDL Limited	0.24	0.12	0.93
- Mahen Distribution Limited	-	11.66	-
- Pylania SA	1,129.14	348.44	-
b) Sales of goods	<b>1,028.89</b>	<b>11.27</b>	<b>33.00</b>
- VBL Innovations Private Limited	-	-	31.50
- Saboo Coatings Limited	0.08	6.01	0.81
- KDDL Limited	9.04	4.79	0.69
- Dream Digital Technology Private Limited	-	0.48	-
- Mahen Distribution Limited	1,009.28	-	-
- Saboo Ventures LLP	2.07	-	-
- Mr. R K Saboo	8.00	-	-
- Mr. Y. Saboo	0.09	-	-
- Mr. Pranav Saboo	0.33	-	-
c) Employee benefits paid	<b>69.61</b>	<b>77.72</b>	<b>52.89</b>
<i>Short-term employee benefits</i>			
- Mrs. Anuradha Saboo	6.02	6.05	2.90
- Mr. Raja Sekhar	55.08	46.57	43.79
- Mr. Anil Dhiman	8.51	7.10	6.20
- Mr. Y Saboo	-	18.00	-
d) Personnel expenses Paid	-	-	<b>9.59</b>
- KDDL Limited	-	-	9.59
e) Interest expenses	<b>52.39</b>	<b>30.75</b>	<b>24.13</b>
- Mr. R K Saboo	8.75	8.75	8.32
- Vardhan Properties & Investment Limited	17.10	14.00	7.79
- Dream Digital Technology Private Limited	9.76	8.00	8.02
- Mr. Y Saboo	2.49	-	-
- Saboo Ventures LLP	14.14	-	-
- Saboo Housing Projects LLP	0.15	-	-
f) Rent expense	<b>13.26</b>	<b>35.54</b>	<b>46.55</b>
- KDDL Limited	13.26	35.54	46.55
g) Rent Received	<b>26.29</b>	-	-
- KDDL Limited	17.70	-	-
- Dream Digital Technology Private Limited	0.14	-	-
- Mahen Distribution Limited	8.45	-	-
h) Publicity and advertisement	<b>71.48</b>	<b>286.60</b>	<b>283.57</b>
- Dream Digital Technology Private Limited	65.48	279.70	282.70
- KDDL Limited	6.00	6.90	0.86
* This figure includes an amount of Rs. 65.00 lakhs (31 March 2017 : Rs. 279.7 lakhs, 1 April 2016: Rs. 244.8 lakhs) which has been reimbursed by brands.			
i) Reimbursement of expenses incurred on behalf of Ethos Limited	<b>15.39</b>	<b>9.79</b>	<b>20.08</b>
- KDDL Limited	12.51	9.79	20.08
- Dream Digital Technology Private Limited	2.88	-	-
j) Reimbursement received for expenses	<b>8.64</b>	<b>2.68</b>	-
- KDDL Limited	5.73	2.68	-
- Dream Digital Technology Private Limited *	1.94	-	-
- Mahen Distribution Limited	0.97	-	-
k) Transfer of Fixed assets	-	<b>4.64</b>	-
- KDDL Limited	-	4.64	-
l) Director Fees	<b>16.80</b>	<b>11.35</b>	<b>10.31</b>
-Mr. Y Saboo	3.75	-	-
-Mr. Pranav Saboo	-	1.20	-
-Mr. Anil Khanna	4.90	3.40	5.26
-Mr. N. Subramanian	4.30	3.75	3.67
-Mr. Rajat Kakar	1.65	1.65	0.60
-Mr. Sundeep Kumar	1.10	1.05	-
-Mrs. Neelima Tripathi	1.10	0.30	-
-Mr. Jai Vardhan Saboo	-	-	0.56
-Mr. Ashish Bagrodia	-	-	0.22





**ETHOS LIMITED**
**Notes to the financial statements for the year ended 31 March 2018**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*

Nature of transactions	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
m) Loan taken	1,067.00	-	170.00
- Mr. R K Saboo	-	-	70.00
- Vardhan Properties & Investment Limited	510.00	-	100.00
- Dream Digital Technology Private Limited	50.00	-	-
- Mr. Y Saboo	100.00	-	-
- Saboo Ventures LLP	400.00	-	-
- Saboo Housing Projects LLP	7.00	-	-
n) Loan paid	650.00	-	-
- Vardhan Properties & Investment Limited	600.00	-	-
- Mr. Y Saboo	50.00	-	-
o) Investment made during the year	42.94	-	-
- Cognition Digital LLP	42.94	-	-
p) Payment made on behalf of the company	-	3.24	1.01
- Mahen Distribution Limited	-	3.24	1.01
q) 12% Cumulative redeemable preference shares issued	-	300.00	-
- KDDL Limited	-	300.00	-
r) 12% Cumulative redeemable preference shares redeemed	300.00	-	-
- KDDL Limited	300.00	-	-
s) Interest on 12% redeemable preference shares	14.40	21.60	-
- KDDL Limited	14.40	21.60	-
t) Financial guarantee expenses	0.50	1.61	-
- KDDL Limited	0.50	1.61	-
u) Equity shares issued / converted	196.83	84.71	77.69
- Mr. Raja Sekhar	-	-	0.77
- KDDL Limited	171.98	84.71	76.92
- Mr. Y Saboo	10.59	-	-
- Mr. Anil Khanna	0.63	-	-
- Mr. R K Saboo	9.09	-	-
- Mrs. Anuradha Saboo	2.27	-	-
- Mr. N. Subramanian	2.27	-	-
* Including fresh equity shares allotted & 12% cumulative convertible preference shares 136,363			
v) Share premium received	2,428.67	1,115.29	1,030.10
- Mr. Raja Sekhar	-	-	7.02
- KDDL Limited	2,178.02	1,115.29	1,023.08
- Mr. R K Saboo	90.91	-	-
- Mr. Y Saboo	107.40	-	-
- Mrs. Anuradha Saboo	22.73	-	-
- Mr. Anil Khanna	6.88	-	-
- Mr. N. Subramanian	22.73	-	-
* Including premium on equity shares allotted & on conversion of 12% cumulative convertible preference shares			
w) Guarantees given on behalf of the Company	-	600.00	1,225.00
- KDDL Limited	-	200.00	275.00
- Mr. R K Saboo	-	200.00	275.00
- Mr. Y Saboo	-	200.00	675.00

**IV. Outstanding balances as at year end**

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Payables	686.69	674.66	188.99
- Dream Digital Technology Private Limited	12.38	298.78	107.63
- KDDL Limited	41.64	65.46	78.22
- Vardhan Properties & Investment Limited	-	-	3.14
- Mahen Distribution Limited	-	4.61	-
- Pylania SA	632.67	305.81	-
Receivables / Advances	515.75	-	27.58
- VBL Innovations Private Limited	-	-	27.58
- Mahen Distribution Limited	515.75	-	-
Investments made	42.94	-	-
- Cognition Digital LLP	42.94	-	-
Security deposit given	6.77	6.77	6.77
- KDDL Limited	6.77	6.77	6.77



**ETHOS LIMITED**
**Notes to the financial statements for the year ended 31 March 2018**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
12% Cumulative compulsory convertible preference shares*	-	499.98	374.99
- KDDL Limited	-	150.00	150.00
- Mr. R K Saboo	-	100.00	100.00
- Mr. Y Saboo	-	99.99	99.99
- Mrs. A Saboo	-	25.00	25.00
- Mr. N. Subramanian	-	25.00	-
- Saboo Coatings Private Limited (transferred to Saboo Ventures LLP)	-	99.99	-
*Converted into equity shares			
12% Cumulative compulsory convertible preference shares issued	-	300.00	-
- KDDL Limited	-	300.00	-
12% Cumulative compulsory convertible preference shares	201.00	201.00	201.00
- KDDL Limited	25.00	25.00	25.00
- VBL Innovations Private Limited	26.00	26.00	26.00
- Dream Digital Technology Private Limited	10.00	50.00	50.00
- Mr. R K Saboo	60.00	60.00	60.00
- Mr. Y Saboo	25.00	25.00	25.00
- Mrs. A Saboo	55.00	15.00	15.00
Equity Share Capital	1,319.64	1,085.55	997.97
- Mahen Distribution Limited	229.32	229.32	229.32
- KDDL Limited	1,022.35	850.37	765.66
- Mr. Y Saboo	12.51	1.92	1.92
- Mr. C. Raja Sekhar	1.06	1.07	1.07
- Mr. R K Saboo	9.09	-	-
- Mrs. A Saboo	2.27	-	-
- Saboo Ventures LLP	32.27	-	-
- Vardhan Properties & Investment Limited	5.00	-	-
- Mr. N. Subramanian	5.14	2.87	-
- Mr. Anil Khanna	0.63	-	-
Unsecured loans	637.00	220.00	220.00
- Dream Digital Technology Private Limited	100.00	50.00	50.00
- Vardhan Properties & Investment Limited	10.00	100.00	100.00
- Mr. R K Saboo	70.00	70.00	70.00
- Mr. Y Saboo	50.00	-	-
- Saboo Ventures LLP	400.00	-	-
- Saboo Housing Projects LLP	7.00	-	-
Deemed capital contribution	50.51	-	-
- KDDL Limited - 12% cumulative redeemable preference shares	36.00	-	-
- KDDL Limited - financial guarantee	14.51	-	-
Guarantees taken by the company	17,292.24	17,449.56	17,702.14
- KDDL Limited	5,969.31	6,008.64	5,985.87
- Mr. R K Saboo	5,019.31	5,058.64	4,907.70
- Mr. Y Saboo	5,969.31	6,008.64	6,385.87
- Mrs. Usha Saboo	334.31	373.64	422.70

**V. Terms and conditions**

All transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions and within the ordinary course of business.

**40. Segment information**

The Company is primarily engaged in the business of trading and sale of watches and related accessories to retail customers within India.

The Board of Directors of the Company, who have been identified as being the chief operating decision maker (CODM), evaluate the Company's performance and allocate resources based on the analysis of various performance indicators of the Company as a single unit. Accordingly, there is no reportable segment or any entity wide disclosures which are applicable to the Company.

**41. Additional information- Reconciling Gross Sales (including billing under consignment arrangement and Sales tax / Goods and services tax) with net sales:**

	As at 31 March 2018	As at 31 March 2017
Sales (gross including Sales tax / Goods and services tax)	42,021.47	36,439.81
Less: consignment sales	-	4.28
Less: Sales tax / GST	6,485.47	3,999.23
Net sales	35,536.00	32,436.30

The Company's sales model comprises of outright sales of purchased goods to customers as well as items placed on a consignment basis with the Company, though billed by the Company. As a revenue recognition policy, consignment sales are not part of the Company's sales in the Statement of Profit and Loss since only the related commission income forms part of the other operating income.





**ETHOS LIMITED****Notes to the financial statements for the year ended 31 March 2018***(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*

42. The specified bank notes (SBN) as defined under the notification issued by the Ministry of Finance, Department of Economic dated 08 November, 2016 are no longer in existence. Hence the Company has not provided the corresponding disclosures as prescribed in Schedule III to the Companies Act, 2016. The disclosure of SBN made in the financial statements for 31 March 2017 is as follows:

Particulars	SBNs <sup>a</sup>	Other denomination notes	Total
Closing cash in hand as on 8 November 2016	930.59	6.88	937.47
(+) Permitted receipts	-	506.76	506.76
(-) Permitted payments	-	-	-
(-) Amount deposited in Bank	930.59	442.81	1,373.40
Closing cash in hand as on 30 December 2016	-	70.83	70.83

<sup>a</sup>For the purpose of this disclosure, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407 (E) dated 8 November 2016

43. The Company has taken a number of showrooms, warehouses under operating lease arrangements, with an option of renewal at the end of the lease term and escalation clauses in some of the cases. Lease term ranges from 6 months to 5 years. Lease payments (gross of reimbursements) charged during the year to the Statement of Profit and Loss aggregate (excluding taxes as applicable) Rs. 2,553.75 (previous year ended 31 March 2017 : Rs.2,548.04) [including Rs. 264.44 towards cancellable lease (previous year Rs. 444.71)]

Future minimum lease payments due	As at	As at	As at
	31 March 2018	31 March 2017	01 April 2016
Within one year	1,839.25	1,306.11	1,553.15
Later than one year and not later than five years	4,229.60	2,230.55	3,700.96
More than 5 years	1,043.72	83.65	302.75
<b>Total</b>	<b>7,112.57</b>	<b>3,620.31</b>	<b>5,556.86</b>

As per our report of even date attached

For **BSR & Co. LLP**

Chartered Accountants

Firm Registration No. 101248W/W-100022

**Pravin Tulsyan**

Partner

Membership No. 108044

For and on behalf of the Board of Directors of Ethos Limited

**Y. Saboo**

Managing Director

DIN 00012158

**C. Raja Sekhar**

Chief Financial Officer

**Anil Khanna**

Director

DIN 00012232

**Anil Dhanraj**

Company Secretary

Place: New Delhi

Date: 23 April 2018

Place: New Delhi

Date: 23 April 2018