

**Ethos Limited**  
**Standalone Financial Statements**

Statutory Audit for the year ended

31 March 2019

# B S R & Co. LLP

Chartered Accountants

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## INDEPENDENT AUDITORS' REPORT

To the Members of Ethos Limited

### Report on the Audit of the Standalone Financial Statements

#### 1. Opinion

We have audited the standalone financial statements of Ethos Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2019, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

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

#### 2. Basis for Opinion

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

#### 3. Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material



misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **4. Management's Responsibility for the Standalone Financial Statements**

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and 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) specified 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 of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are 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.

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

#### **5. Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

#### **6. Report on Other Legal and Regulatory Requirements**

- (A) As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- (B) 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 standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

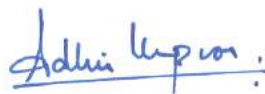


- g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its standalone financial statements - Refer Note 36 to the standalone 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 standalone 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 in these financial statements since they do not pertain to the financial year ended 31 March 2019.

(B) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**  
*Chartered Accountants*  
Firm's Registration No.: 101248W/W-100022



**Adhir Kapoor**  
*Partner*  
Membership No. 098297

Place: New Delhi  
Date: 04 May 2019

**Annexure A referred to in paragraph 6 (A) of the Independent Auditor's Report to the Members of Ethos Limited on the accounts for the year ended 31 March 2019. We report that:**

- (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 explanations given to us, the inventories, except goods-in-transit, have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. As informed to us, the discrepancies noticed on verification between the physical stocks and the book records were not material and have been appropriately adjusted in books of account.
- (iii) The Company has not granted any loans secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register required under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraph 3(iii) of the Order is not applicable.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of 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, Goods and Services Tax ('GST'), Duty of customs and other material statutory dues have generally 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, GST, Duty of customs and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable.





The Company does not have liability in respect of Service tax, Duty of excise, Sales tax and Value added tax since effective 1 July 2017, these statutory dues have been subsumed into Goods and Services Tax.

Also refer note 36(vi) wherein it is explained that on account of the uncertainty with respect to the applicability of the Hon'ble Supreme Court judgement dated 28 February 2019 on provident fund matter, pending clarification from the department of PF, management has not recognized and deposited any additional provident fund amount with respect to the period prior to 28 February 2019.

- (b) According to the information and explanations given to us, there are no dues of Income tax, GST, Sales tax, Service tax, Duty of excise, Duty of customs and Value added 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	22.85	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
DVAT Act, 2004	VAT	1,015.71	15.00	Financial Year 2013-14	Special Commissioner Appeal

# 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 and no fraud 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 and on the basis of our examination of the records of the Company, the managerial remuneration has been paid or provided by the Company in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (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) Accordingly 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. The proceeds from issue of equity shares 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 directors or persons connected with him. 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



**Adhir Kapoor**  
Partner  
Membership No.: 098297

Place: New Delhi  
Date: 04 May 2019



**Annexure B to the Independent Auditors' report on the standalone financial statements of Ethos Limited for the period ended 31 March 2019.**

**Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (Referred to in paragraph 6(B)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

**Opinion**

We have audited the internal financial controls with reference to financial statements of Ethos Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls 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 (the "Guidance Note").

**Management's Responsibility for Internal Financial Controls**

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 Companies Act, 2013 (hereinafter referred to as "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 and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 were established and maintained and whether 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 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 such internal financial controls, 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 standalone 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 with reference to financial statements.



### **Meaning of Internal Financial controls with Reference to Financial Statements**

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

*For B S R & Co. LLP*

*Chartered Accountants*

Firm registration no.: 101248W/W-100022



**Adhir Kapoor**

*Partner*

Membership No.: 098297

Place: New Delhi

Date: 04 May 2019

	Note	As at 31 March 2019	As at 31 March 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	2,101.37	1,646.80
Capital work-in-progress	3	440.02	36.85
Other intangible assets	4	57.45	27.44
Intangible assets under development	4	38.21	-
Financial assets			
- Investments	5	42.94	42.94
- Loans	6	1,024.27	910.75
- Other financial assets	7	120.97	215.03
Income tax assets (net)	8	123.24	123.24
Deferred tax assets (net)	9	630.46	483.66
Other non-current assets	10	460.13	519.75
<b>Total non-current assets</b>		<b>5,039.06</b>	<b>4,006.46</b>
<b>Current assets</b>			
Inventories	11	20,556.94	17,103.29
Financial assets			
- Trade receivables	12	697.35	645.62
- Cash and cash equivalents	13	827.47	718.91
- Loans	6	405.54	367.99
- Other financial assets	7	6.71	9.51
Other current assets	14	2,200.89	2,130.40
<b>Total current assets</b>		<b>24,694.90</b>	<b>20,975.72</b>
<b>Total Assets</b>		<b>29,733.96</b>	<b>24,982.18</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	15	1,690.17	1,590.86
Other equity	16	11,481.10	7,570.10
<b>Total equity</b>		<b>13,171.27</b>	<b>9,160.96</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
- Borrowings	17	1,409.65	1,109.29
Provisions	18	238.62	142.24
<b>Total non-current liabilities</b>		<b>1,648.27</b>	<b>1,251.53</b>
<b>Current liabilities</b>			
Financial liabilities			
- Borrowings	17	5,304.30	4,098.84
- Trade payables	19	-	-
- total outstanding dues of micro enterprises and small enterprises		6,765.49	7,723.17
- Other financial liabilities	20	1,946.95	1,678.34
Other current liabilities	21	615.72	1,003.18
Provisions	18	7.14	2.69
Current tax liabilities (net)	22	274.82	63.47
<b>Total current liabilities</b>		<b>14,914.42</b>	<b>14,569.69</b>
<b>Total liabilities</b>		<b>16,562.69</b>	<b>15,821.22</b>
<b>Total Equity and Liabilities</b>		<b>29,733.96</b>	<b>24,982.18</b>
Significant accounting policies	2		
Notes to the financial statements	3-40		

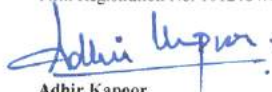
The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For BSR & Co. LLP

Chartered Accountants

Firm Registration No. 101248W/W-100022



Adhir Kapoor

Partner

Membership No.: 098297

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

Pranav Shankar Saboo

Chief Executive Officer



Anil Dhiman

Company Secretary

Place: New Delhi

Date: 04 May 2019

Place: New Delhi

Date: 04 May 2019



# Ethos Limited

## Statement of Profit and Loss for the year ended 31 March 2019

(Rupees in lakhs except share data, per share data and unless otherwise stated)

Particulars	Note	Year ended 31 March 2019	Year ended 31 March 2018
Revenue from operations	23	44,237.46	35,609.19
Other income	24	97.86	175.76
<b>Total Income</b>		<b>44,335.32</b>	<b>35,784.95</b>
<b>Expenses</b>			
Purchase of stock-in-trade	25	34,988.34	27,309.88
Changes in inventory of stock-in-trade	26	(3,453.65)	(204.71)
Employee benefits expense	27	3,213.90	2,268.99
Finance costs	28	759.67	658.27
Depreciation and amortization expense	29	477.33	407.36
Other expenses	30	6,504.08	4,824.21
<b>Total expenses</b>		<b>42,489.67</b>	<b>35,264.00</b>
<b>Profit before income tax</b>		<b>1,845.65</b>	<b>520.95</b>
<b>Income tax expense</b>			
- Current tax	31	892.48	81.39
- Current year		(29.93)	-
- Changes in estimates related to previous year		(136.40)	39.93
- Deferred tax			
<b>Total income tax expense</b>		<b>726.15</b>	<b>121.32</b>
<b>Profit for the year</b>		<b>1,119.50</b>	<b>399.63</b>
<b>Other comprehensive income/(expense)</b>			
<i>Items that will not be reclassified to profit or loss</i>			
- Re-measurement of defined benefit (asset)/liability		(29.76)	6.77
<i>Income tax relating to items that will not be reclassified to profit or loss</i>			
- Re-measurement of defined benefit (asset)/liability		10.40	(2.36)
<b>Total other comprehensive (expense)/ income for the year (net of income tax)</b>		<b>(19.36)</b>	<b>4.41</b>
<b>Total comprehensive income for the year</b>		<b>1,100.14</b>	<b>404.04</b>
<b>Earnings per equity share</b> [nominal value of Rs. 10 (previous year Rs. 10)]	32		
Basic (Rs.)		6.07	1.94
Diluted (Rs.)		6.07	1.94
Significant accounting policies	2		
Notes to the financial statements	3-40		

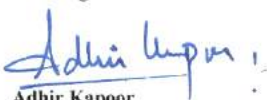
The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For **BSR & Co. LLP**

Chartered Accountants

Firm Registration No. 101248W/W-100022



**Adhir Kapoor**

Partner

Membership No. : 098297

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



**Pranav Shankar Saboo**

Company Secretary



**Anil Dhiman**

Company Secretary

Place: New Delhi  
Date: 04 May 2019

Place: New Delhi  
Date: 04 May 2019

# **Ethos Limited**

## **Statement of Changes in Equity for the year ended 31 March 2019**

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

a. Equity share capital	Note	Total
Balance as at 01 April 2017	15	1,320.39
Changes in equity share capital during 2017-2018		270.47
Balance as at 31 March 2018	15	1,590.86
Changes in equity share capital during 2018-2019		99.31
Balance as at 31 March 2019		1,690.17

## **b. Other Equity**

	Reserves and surplus							Total
	Compulsory convertible cumulative preference shares	Deemed capital contribution	Share application money pending allotment	Share options outstanding account	Capital reserve	Securities premium	Retained earnings	
<b>Balance as at 31 March 2017</b>	1,960.01	14.51	-	74.41	1.67	4,195.19	(1,082.52)	5,163.27
- Profit for the year	-	-	-	-	-	-	399.63	399.63
- Other comprehensive income (net of tax)	-	-	-	-	-	-	4.41	4.41
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	404.04	404.04
- Issue of equity shares for cash	-	-	-	-	-	2,065.03	-	2,065.03
- Issue of equity shares on account of conversion of compulsory convertible cumulative preference shares	(1,210.01)	-	-	-	-	1,100.01	-	(110.00)
- Share options exercised	-	-	-	(7.55)	-	7.55	-	-
- Preference dividend on redeemable preference shares no longer payable	-	36.00	-	-	-	-	-	36.00
- Employee stock option expense	-	-	-	11.76	-	-	-	11.76
<b>As at 31 March 2018</b>	<b>750.00</b>	<b>50.51</b>	<b>-</b>	<b>78.62</b>	<b>1.67</b>	<b>7,367.78</b>	<b>(678.48)</b>	<b>7,570.10</b>
- Profit for the year	-	-	-	-	-	-	1,119.50	1,119.50
- Other comprehensive income (net of tax)	-	-	-	-	-	-	(19.36)	(19.36)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	1,100.14	1,100.14
- Issue of equity shares for cash	-	-	-	-	-	2,800.68	-	2,800.68
- Share options lapsed	-	-	-	(7.82)	-	-	-	(7.82)
- Share application money	-	-	18.00	-	-	-	-	18.00
<b>As at 31 March 2019</b>	<b>750.00</b>	<b>50.51</b>	<b>18.00</b>	<b>70.80</b>	<b>1.67</b>	<b>10,168.46</b>	<b>421.66</b>	<b>11,481.10</b>

Significant accounting policies

2

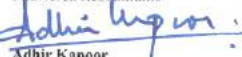
Notes to the financial statements

3-40

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

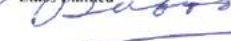
For **BSR & Co. LLP**  
Chartered Accountants

  
Adhir Kapoor

Partner

Membership No. : 098297

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



**Y. Saboo**  
Managing Director  
DIN: 00012158

  
**C. Raja Sekhar**  
Chief Financial Officer

Place: New Delhi  
Date: 04 May 2019

  
**Anil Khanna**  
Director  
DIN: 00012232

  
**Pranav Shankar Saboo**  
Chief Executive Officer

  
**Anil Dhiman**  
Company Secretary

Place: New Delhi  
Date: 04 May 2019

# Ethos Limited

Cash Flow Statement for the year ended 31 March 2019

(Rupees in lakhs except share data, per share data and unless otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before income tax	1,845.65	520.95
Adjustments for:		
Depreciation and amortization expense	477.33	407.36
Property, plant and equipments written off (net)	-	34.39
Share based payments	-	11.76
Finance costs	759.67	658.27
Interest income	(97.86)	(93.74)
Provisions no longer required written back	(58.87)	(69.72)
Amortization of premium on forward exchange contracts	-	7.77
Amortization of prepaid expense	-	-
Unrealized foreign exchange (gain) / loss	(22.76)	53.42
Advances / deposits / Bad debts written off	38.41	55.84
<b>Operating cash flow before working capital changes</b>	<b>2,941.57</b>	<b>1,586.30</b>
(Increase) in loans	(67.35)	(136.31)
Decrease/ (increase) in other financial assets	96.85	(131.97)
(Increase) in other non-current assets	(45.05)	31.83
(Increase) in inventories	(3,453.65)	(204.71)
(Increase) in trade receivables	(51.73)	(484.21)
(Increase) in other current assets	(108.87)	(1,998.33)
Increase in provisions	71.07	28.56
(Decrease) increase in trade payables	(876.06)	1,275.18
Increase/ (decrease) in other financial liabilities	394.57	(49.85)
(Decrease) in other current liabilities	(387.47)	(96.03)
<b>Cash (used in) / generated from operating activities</b>	<b>(1,486.12)</b>	<b>(179.54)</b>
Income tax paid (net)	(651.22)	68.60
<b>Net cash (used in) / generated from operating activities</b>	<b>(2,137.34)</b>	<b>(110.85)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(1,298.09)	(1,156.04)
Proceeds from sale of property, plant and equipment	0.65	10.03
Payment for purchase of investments	-	(42.94)
Repayment of loans by employees	-	-
Interest received	14.16	6.07
<b>Net cash used in investing activities</b>	<b>(1,283.28)</b>	<b>(1,182.88)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity share capital (including premium)	2,910.17	2,225.50
Proceeds from non-current borrowings	384.10	1,128.88
Repayment of non-current borrowings	(203.59)	(2,397.75)
Proceeds from/repayments of current borrowings (net)	1,195.73	735.13
Interest paid	(757.23)	(585.10)
<b>Net cash flow from financing activities</b>	<b>3,529.18</b>	<b>1,106.66</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>108.56</b>	<b>(187.07)</b>
Cash and cash equivalents at the beginning of the year	718.91	905.98
Cash and cash equivalents at the end of the year	827.47	718.91
<b>Notes:</b>		
1. Cash and cash equivalents include:		
Balance with banks in current accounts	254.94	220.72
Cheques, drafts on hand	382.44	166.39
Cash on hand	101.12	98.13
Credit cards receivable	88.97	233.67
<b>Cash and cash balance at the end of the year</b>	<b>827.47</b>	<b>718.91</b>
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		
Borrowings at the beginning of the year (current and non current)	6,330.28	6,864.02
Proceeds from non-current borrowings	384.10	1,128.88
Repayment of non-current borrowings	(203.59)	(2,397.75)
Proceeds from/repayments of current borrowings (net)	1,195.73	735.13
<b>Borrowings at the end of the year (current and non current)</b>	<b>7,706.52</b>	<b>6,330.28</b>

Significant accounting policies

Notes to the financial statements

3-40

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For BSR & Co LLP

Chartered Accountants

Firm registration no.:101248W/W-100022

*Adhir Kapoor*

Adhir Kapoor

Partner

Membership No.: 098297

For and on behalf of the Board of Directors of

Ethos Limited

*Y. Saboo*

Y. Saboo

Managing Director

DIN No.00012158

Anil Khanna

Director

DIN No.00012232

C. Raju Sekhar

Chief Financial Officer

Pranav Shankar Saboo

Chief Executive Officer

Anil Dhillon

Company Secretary

Place: New Delhi

Date: 04 May 2019

Place: New Delhi

Date: 04 May 2019



## **Ethos Limited**

### **Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

#### **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**

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

##### **a) Basis of preparation**

###### *i) Statement of compliance*

These standalone 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.

###### *ii) Effective 1 April 2016, the Company had transitioned to Ind AS while the standalone financial statements were being prepared in accordance with the Companies (Accounting Standards) Rules, 2014 (previous GAAP) till 31 March 2017 and the transition was carried out in accordance of Ind AS 101 "First time adoption of Indian Accounting Standards". While carrying out transition, in addition to the mandatory exemptions, the Company had elected to certain exemptions which are listed as below:*

- The Company had opted to continue with the carrying value for all of its property, plant and equipment and intangible assets as recognized in the standalone financial statements prepared under previous GAAP and use the same as deemed cost in the financial statement as at the transition date.

The standalone financial statements of the Company for the year ended 31 March 2019 were approved by the Company's Board of Directors on 4 May 2019.

###### *iii) Functional and presentation currency*

The functional currency of the Company is the Indian rupee. These standalone 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.

###### *iv) Basis of measurement*

The standalone 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



**Ethos Limited**

**Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

*v) Use of estimates and judgments*

The preparation of standalone 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 standalone 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 standalone financial statements is included in the following notes:

- Note 2(c) and 3 – Assessment of useful life of Property, plant and equipment
- Note 2(d) and 4 – Assessment of useful life of Intangible assets
- Note 2(g), 18 and 36 – Provisions and contingent liabilities
- Note 2(n) 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 35 – Measurement of defined benefit obligations: key actuarial assumptions;
- Note 18 and 36 – 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(a) (vi) – Fair value measurement
- Note 35 – Share based payments

*vi) 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





**Ethos Limited**

**Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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 standalone 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. 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.

*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.





**Ethos Limited**

**Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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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.

*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.



**Ethos Limited**

**Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

**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 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.





**Ethos Limited**

**Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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*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 compensate 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 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.





**Ethos Limited**

**Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

**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**

The Company earns revenue primarily from trading of watches, accessories and luxury items and rendering of related after sale services.

Effective 1 April 2018, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Company has adopted Ind AS 115 using the cumulative effect method, applied to contracts that were not completed as of April 1, 2018. In accordance with the cumulative effect method, the comparatives have not been retrospectively adjusted. The following is a summary of new and/or revised significant accounting policies related to revenue recognition. Refer Note 2 "Significant Accounting Policies," in the Company's 2018 Annual Report for the policies in effect for revenue prior to 1 April 2018. The effect on adoption of Ind AS 115 was insignificant.

Revenue is recognized upon transfer of control of promised products sold or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. To recognize revenues, we apply the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied.

At contract inception, the Company assesses its promise to transfer products or services to a customer to identify separate performance obligations. The Company applies judgement to determine whether each product or services promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised product or services are combined and accounted as a single performance obligation. The Company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method. Stand-alone selling prices are determined based on sale prices for the components when it is regularly sold separately, in cases where the Company is unable to determine the stand-alone selling price the Company uses third-party prices for similar deliverables or the company uses expected cost plus margin approach in estimating the stand-alone selling price.

For performance obligations where control is transferred over time, revenues are recognized by measuring progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the promised products or services to be provided.

The method for recognizing revenues and costs depends on the nature of the products sold and services rendered:



**Ethos Limited**

**Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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*Sale of goods*

Revenue on sale of goods are recognized when the customer obtains control of the specified asset.

*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





## **Ethos Limited**

### **Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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





**Ethos Limited**

**Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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.



**Ethos Limited****Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

*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
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
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.



**Ethos Limited**

**Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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 Company on terms that the Company 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.





**Ethos Limited**

**Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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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



**Ethos Limited**

**Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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 standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

**v) Standards issued but not yet effective**

**Ind AS 116, Leases**

The Company is required to adopt Ind AS 116, Leases from 1 April 2019. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, Leases.

The Company has completed an initial assessment of the potential impact on its standalone financial statements but has not yet completed its detailed assessment. The quantitative impact of adoption of Ind AS 116 on the standalone financial statements in the period of initial application is not reasonably estimable as at present.

*Leases in which the Company is a lessee*

Under the new standard, the Company is required to recognise the assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the preliminary assessment, the operating leases like liaison offices, warehouse and residential accommodation are short term leases and accordingly are exempted from the above recognition criteria. Accordingly, no significant impact is expected for the Company's operating leases.

No significant impact is expected for the Company's finance leases.

*Leases in which the Company is a lessor*

Based on the information currently available, there are no contracts in which the Company is a lessor.

*Transition*

The Company plans to apply Ind AS 116 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting Ind AS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before 1 April 2019 and identified as leases in accordance with Ind AS 17.

**Ind AS 12 Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on





**Ethos Limited****Notes to the standalone financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

**Ind AS 109 – Prepayment Features with Negative Compensation**

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Ethos Limited does not expect this amendment to have any impact on its financial statements.

**Ind AS 19 – Plan Amendment, Curtailment or Settlement**

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Ethos Limited does not expect this amendment to have any significant impact on its financial statements.



Ethos Limited

Notes to the standalone financial statements for the year ended 31 March 2019

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

3 Property, plant and equipment and capital work-in-progress

Reconciliation of Gross carrying amount

	Leasehold improvements	Plant and equipment	Furniture and fittings	Office equipment	Vehicles	Total	Capital work-in-progress	Total
<b>Gross carrying amount</b>								
Balance as at 01 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	197.18	1,136.04	336.35	1,472.39
Disposals	(17.19)	-	(43.05)	(3.47)	(21.57)	(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>2,382.69</b>
Balance as at 01 April 2018	1,025.88	101.13	914.39	106.01	198.44	2,345.85	36.85	2,382.70
Additions	471.87	57.05	294.80	54.32	42.36	920.40	634.53	1,554.93
Disposals	-	-	-	(1.29)	-	(1.29)	(231.36)	(232.65)
<b>Balance as at 31 March 2019</b>	<b>1,497.75</b>	<b>158.18</b>	<b>1,209.19</b>	<b>159.04</b>	<b>240.80</b>	<b>3,264.96</b>	<b>440.02</b>	<b>3,704.98</b>

Accumulated Depreciation

Balance as at 01 April 2017	186.01	2.72	113.72	37.14	6.57	346.16	-	346.16
Depreciation for the year	224.10	5.83	121.33	29.90	13.02	394.18	-	394.18
Accumulated depreciation on disposals	(16.56)	-	(14.01)	(2.30)	(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>699.05</b>	<b>-</b>	<b>699.04</b>
Balance as at 01 April 2018	393.55	8.55	221.04	64.74	11.17	699.05	-	699.05
Depreciation for the year	267.50	7.13	129.81	35.93	24.81	465.18	-	465.18
Accumulated depreciation on disposals	-	-	-	(0.64)	-	(0.64)	-	(0.64)
<b>Balance as at 31 March 2019</b>	<b>661.05</b>	<b>15.68</b>	<b>350.85</b>	<b>100.03</b>	<b>35.98</b>	<b>1,163.59</b>	<b>-</b>	<b>1,163.59</b>

Carrying amounts (net)

At 31 March 2018	632.33	92.58	693.35	41.27	187.27	1,646.80	36.85	1,683.65
At 31 March 2019	836.70	142.50	858.34	59.01	204.83	2,101.37	440.02	2,541.39

Notes:

- a. Refer note 17 for information on property, plant and equipment pledged as security by the Company.  
b. Refer note 36 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

4 Other intangible assets

Reconciliation of Gross carrying amount

	Computer Softwares	Intangible assets under development	Total
<b>Gross carrying amount</b>			
Balance as at 01 April 2017	56.28	-	56.28
Additions / acquired	-	-	-
Disposals	(0.69)	-	(0.69)
<b>Balance as at 31 March 2018</b>	<b>55.59</b>	<b>-</b>	<b>55.59</b>
Balance as at 01 April 2018	55.59	-	55.59
Additions / acquired	42.16	38.21	80.37
Disposals	-	-	-
<b>Balance as at 31 March 2019</b>	<b>97.75</b>	<b>38.21</b>	<b>135.96</b>

Amortisation

Balance as at 01 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>-</b>	<b>28.15</b>
Balance as at 01 April 2018	28.15	-	28.15
Amortisation for the year	12.15	-	12.15
Disposals	-	-	-
<b>Balance as at 31 March 2019</b>	<b>40.30</b>	<b>-</b>	<b>40.30</b>

Carrying amounts (net)

At 31 March 2018	27.44	-	27.44
At 31 March 2019	57.45	38.21	95.66

**Ethos Limited**
**Notes to the standalone financial statements for the year ended 31 March 2019**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*
**5. Investments**

	As at 31 March 2019	As at 31 March 2018
Non-current investment		
Unquoted investment		
Subsidiary		
-Investment in partnership firm (at cost) #	42.94	42.94
	<u>42.94</u>	<u>42.94</u>

# Investment in Cognition Digital LLP

	As at 31 March 2019	Share (%)	As at 31 March 2018	Share (%)
Total capital contribution				
Partners:				
Ethos Limited	42.94	99.99	42.94	99.99
Mr. Pranav Saboo (beneficial owner is Ethos Limited)	-	0.01	-	0.01
	<u>42.94</u>	<u>100.00</u>	<u>42.94</u>	<u>100.00</u>

**6. Loans\***

*(unsecured, considered good unless otherwise stated)*

	As at 31 March 2019	Non-current	As at 31 March 2018	Non-current
Current				
Security deposits				
- from related parties (refer note no. 37)	-	6.77	-	6.77
- from others	393.93	1,010.27	364.76	901.26
Loan to employees	11.61	7.23	3.23	2.72
	<u>405.54</u>	<u>1,024.27</u>	<u>367.99</u>	<u>910.75</u>

\*The Company's exposure to credit and currency risk, and loss allowances related to other non current financial assets are disclosed in note 33.

**7. Other financial assets**

	As at 31 March 2019	Non-current	As at 31 March 2018	Non-current
Current				
Deposits with original maturity of more than 12 months #	-	120.97	-	215.03
Derivative financial instruments	-	-	2.80	-
Interest accrued but not due on fixed deposits	6.71	-	6.71	-
	<u>6.71</u>	<u>120.97</u>	<u>9.51</u>	<u>215.03</u>

# These deposits include restricted bank deposits amounting to Rs. 113.96 (31 March 2018 : Rs. 215.03) 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. 1,040.33 (31 March 2018 : Rs. 204.27))

As at 31 March 2019	As at 31 March 2018
123.24	123.24
<u>123.24</u>	<u>123.24</u>

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

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

	As at 31 March 2019	As at 31 March 2018
Deferred tax assets	630.46	483.66
Deferred tax liabilities	-	-
Net deferred tax assets	<u>630.46</u>	<u>483.66</u>

**2017-2018**

Deferred tax assets:

*Deferred tax assets on:*

Property, plant and equipments and Intangible assets

Provision for employee benefits

Provision - others

Others

Tax losses carried forward

Net deferred tax asset

Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing Balance
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217.26	90.38	-	307.64
39.49	13.57	(2.36)	50.70
68.06	13.46	-	81.52
43.79	-	-	43.79
157.35	(157.35)	-	-
<u>525.96</u>	<u>(39.93)</u>	<u>(2.36)</u>	<u>483.66</u>

Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing Balance
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**2018-2019**

Deferred tax assets:

*Deferred tax assets on:*

Property, plant and equipments and Intangible assets

Provision for employee benefits

Provision - others

Others

Net deferred tax asset

307.64	35.11	-	342.75
50.70	23.68	10.40	84.78
81.52	121.41	-	202.93
43.79	(43.79)	-	-
<u>483.66</u>	<u>136.40</u>	<u>10.40</u>	<u>630.46</u>





**Ethos Limited****Notes to the standalone financial statements for the year ended 31 March 2019***(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

	As at 31 March 2019	As at 31 March 2018
<b>10. Other non-current assets</b> <i>(Unsecured, considered good unless otherwise stated)</i>		
Capital advances		
- to others	79.57	184.24
Advances other than capital advances		
- Prepaid expenses	162.00	116.95
- CENVAT credit receivable	48.56	48.56
- Claim receivable (refer note 36)	170.00	170.00
	<u>460.13</u>	<u>519.75</u>
<b>11. Inventories</b> <i>(At lower of cost and net realisable value)</i>	As at 31 March 2019	As at 31 March 2018
Stock-in-trade [including goods-in-transit Rs. 214.66 (31 March 2018: Rs. 386.66)]	20,556.94	17,103.29
	<u>20,556.94</u>	<u>17,103.29</u>
<b>12. Trade receivables</b> <i>(Unsecured, considered good unless otherwise stated)</i>	As at 31 March 2019	As at 31 March 2018
Trade receivables #		
- Related parties (refer to note 37)	417.77	515.75
- Others	279.58	129.87
	<u>697.35</u>	<u>645.62</u>
# The Company's exposure to credit and currency risk, and loss allowances related to trade receivables are disclosed in note 33.		
<b>13. Cash and cash equivalents</b>	As at 31 March 2019	As at 31 March 2018
Balances with banks in		
- current accounts *	254.94	220.72
Cheques, drafts on hand	382.44	166.39
Cash on hand	101.12	98.13
Others		
- credit cards receivable	88.97	233.67
	<u>827.47</u>	<u>718.91</u>
* includes Rs 18.00 (31 March 2018: Rs.Nil) being the amount of equity shares pending allotment.		
<b>Information pursuant to G.S.R. 308 (E) dated 30 March 2017 issued by Ministry of corporate affairs:</b>		
The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 31 March 2019.		
<b>14. Other current assets</b> <i>(Unsecured, considered good unless otherwise stated)</i>	As at 31 March 2019	As at 31 March 2018
Prepaid expenses	82.88	81.96
Advances for supply of goods	360.74	200.95
Advances to employees	64.56	29.47
GST credit receivable	1,616.57	1,760.95
Duty drawback recoverable	-	48.81
Deposit under protest	75.50	-
Other advances	0.64	8.26
	<u>2,200.89</u>	<u>2,130.40</u>



15. Equity share capital

	As at 31 March 2019		As at 31 March 2018	
	Number of shares	Amount	Number of shares	Amount
<i>Authorised</i>				
Equity shares of Rs. 10 each	30,700,000*	3,070.00	30,700,000*	3,070.00
14% cumulative compulsory convertible preference shares of Rs. 130 each	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
12% non cumulative redeemable preference shares of Rs. 100 each	1,000,000	1,000.00	1,000,000	1,000.00
	<b>33,476,924</b>	<b>6,140.00</b>	<b>33,476,924</b>	<b>6,140.00</b>
<i>Issued, subscribed and fully paid up**</i>				
Equity shares of Rs. 10 each	(i) 16,901,713	1,690.17	15,908,564	1,590.86
14% cumulative compulsory convertible preference shares of Rs. 130 each #	(ii) 576,923	750.00	576,923	750.00
	<b>17,478,636</b>	<b>2,440.17</b>	<b>16,485,487</b>	<b>2,340.86</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.

# 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.

The holder of 248,373 14% cumulative compulsorily convertible preference shares of Rs 130 each has "tag along and put option rights". Tag along rights shall trigger in the event of promoter selling a substantial portion (more than 10% of combined shareholding of the promoter) of his shares in the Company to any person before the expiry of the term. At such an instance the preference shares shall automatically be converted into equity shares. The holder shall have the right to cause the promoter to ensure that the proposed transferee purchases all or part of its shares on a pro rata basis at the same terms and price as offered to the promoter. The holder shall also have the put option right which provides a window period of 12 months from the end of term for exercising the option to either cause the promoter to buy back, purchase and / or ensure any third party to purchase all its shares. The holder also has ROFR (right of first refusal) wherein at the event when the Company issues new shares in favour of any shareholder, the Company shall first offer such number of shares to the holder such that its shareholding in the Company prior to such transaction is maintained after the completion of such transaction.

The holder of 115,462 14% cumulative compulsorily convertible preference shares of Rs 130 each has "tag along and put option rights". Tag along rights shall trigger in the event of promoter selling a substantial portion (more than 10% of combined shareholding of the promoter) of his shares in the Company to any person before the expiry of the term. At such an instance the preference shares shall automatically be converted into equity shares. The holder shall have the right to cause the promoter to ensure that the proposed transferee purchases all or part of its shares on a pro rata basis at the same terms and price as offered to the promoter. The holder shall also have the put option right which provides a window period of 18 months from the end of term for exercising the option to either cause the promoter to buy back, purchase and / or ensure any third party to purchase all its shares.

The holder of 272,728 12% cumulative compulsorily convertible preference shares (converted into equity shares on 25 November 2017) having face value of Rs. 110 per share has a put option which provides a window period of 18 months from the end of term i.e. 26 November 2017 for exercising the option to either cause the promoter to buy back, purchase and / or ensure any third party to purchase all its shares.

(iii) *Employee Stock option*:- Terms attached to stock options granted to employees of the company and its holding company are described in note 35 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 2019		As at 31 March 2018	
	Number of shares	Amount	Number of shares	Amount
i) Equity shares of Rs. 10 each fully paid up				
At the beginning of the year	15,908,564	1,590.86	13,203,895	1,320.39
Add: issued during the year	993,149	99.31	1,583,409	158.34
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
At the end of the year	<b>16,901,713</b>	<b>1,690.17</b>	<b>15,908,564</b>	<b>1,590.86</b>
ii) 14% cumulative compulsory convertible preference shares of Rs. 130 each fully				
At the beginning of the year	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>
iii) 12% cumulative compulsory convertible preference shares of Rs. 110 each fully				
At the beginning of the year	-	-	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>-</b>	<b>-</b>



**c) Shares held by ultimate holding company, holding company and/or their subsidiaries/associates**

	As at 31 March 2019		As at 31 March 2018	
	Number of	Amount	Number of	Amount
<i>Equity shares of Rs. 10 each fully paid up</i>				
-KDDL Limited (holding company and ultimate holding company)	10,394,740	1,039.47	10,223,508	1,022.35
-Mahen Distribution Limited (fellow subsidiary)	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

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

	As at 31 March 2019		As at 31 March 2018	
	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	10,394,740	61.50	10,223,508	64.26
-Mahen Distribution Limited	2,293,150	13.57	2,293,150	14.41
-Mr. Mukul Mahavir Agrawal	900,976	5.33	810,067	5.09
<i>14% cumulative compulsory convertible preference shares of Rs. 130 each fully paid up</i>				
-Sixth Sense India Opportunities - I	248,373	43.05	248,373	43.05
-Mr. Nikhil Vora	115,462	20.00	115,462	20.00
-Mr. R.K. Saboo	46,155	8.00	46,155	8.00
-Dream Digital Technology Private Limited	7,693	1.33	7,693	1.33
-Mrs. Anuradha Saboo	42,308	7.33	42,308	7.33

**e) Bonus shares, shares buyback and issue of shares without consideration being received in cash (during five years immediately preceding 31 March 2019)**

During the five years immediately preceding 31 March 2019 ('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 previous 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.
- During the previous year ended 31 March 2018, 1,100,010 12% cumulative compulsory convertible preference shares of Rs.110 each were converted into 1,100,010 equity shares of Rs. 10 each at a premium of Rs. 100 per share.

**f) Employee stock option plan**

Terms attached to stock options granted to employees of the Company are described in note 35 (iv) regarding share based payments.

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

	As at 31 March 2019		As at 31 March 2018	
	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 35 (iv))	154,250	15.43	171,750	17.18
For 14% compulsorily convertible preference shares : 576,923 equity shares of Rs. 10 each	576,923	57.69	576,923	57.69





**16. Other equity**

(also refer to Statement of Changes in Equity)

*(i) Compulsory convertible cumulative preference shares*

Terms attached to the compulsory convertible cumulative preference shares are described in note 16(a)(ii) Equity share capital.

*(ii) Deemed capital contribution*

a) Includes 14.51 towards fair value of guarantees given by the parent company in the earlier years.

b) Includes 50.00 towards interest accrued on 12% cumulative redeemable preference shares, classified as finance cost, which is no longer payable at the time of redemption.

*(iii) Share application money pending allotment*

Share application money pending allotment represents monies received against shares to be issued under the employee stock option plan formulated by the Company as at the year end.

*(iv) Share options outstanding account*

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.

*(v) Capital reserve*

Accumulated capital surplus not available for distribution and is expected to remain invested permanently.

*(vi) Securities premium*

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.

*(vii) Retained earnings*

Retained earnings represents the profits that the Company has earned till date, less any dividends, or other distributions paid to shareholders.

<b>17. Borrowings</b>	<b>Note</b>	<b>As at 31 March 2019</b>	<b>As at 31 March 2018</b>
<b>i) Non-current borrowings</b>			
Term-loans			
From banks (secured)	(a)	157.60	151.06
From others (secured)	(b)	294.18	334.31
Deposits			
Inter corporate deposits			
From related parties (unsecured) (refer to note 37)	(c)	517.00	517.00
From others (unsecured)	(d)	200.00	300.00
Deposits from shareholders (unsecured)	(e)	1,233.44	859.07
Other loans			
Loan from relatives of directors (refer note 37)	(f)	-	70.00
Total non-current borrowings (including current maturities)		2,402.22	2,231.44
Less : Current maturities of non-current borrowings (refer to note 20)		(992.57)	(1,122.15)
		<u>1409.65</u>	<u>1109.29</u>



**Ethos Limited****Notes to the standalone financial statements for the year ended 31 March 2019***(All amounts in ₹ lakhs, except for share data and if otherwise stated)***Notes:**

- a) Vehicle loans amounting to Rs 157.60 (31 March 2018 : Rs 151.06 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 2018 : 8.23% to 11.76%). 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 14.50% per annum. The original Loan of Rs 450 lakhs taken in March 2014 will be repaid in 120 monthly instalments along with interest. The loan outstanding as on 31 March 2019 is Rs 294.18 (31 March 2018 : Rs 334.31) which will be repaid as per repayment schedule.
- c) Inter corporate deposit from related parties carry an interest rate ranging between 8.50% to 16% (31 March 2018 10% to 16%) per annum and the same is repayable within 3-36 months (31 March 2018 within 3-36 months).
- d) Inter corporate deposit from others carry an interest rate ranging between 13.5% to 14% (31 March 2018 13.5% to 14%) 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 2018 : 8% to 12.5%) per annum and carries a maturity period from 6 to 36 months from the respective date of deposits.
- f) Unsecured loans from relative of directors carry an interest rate of Rs. Nil (31 March 2018: 12.5%) per annum.

		As at 31 March 2019	As at 31 March 2018
<b>ii) Current borrowings</b>			
Loan repayable on demand			
- From banks (secured)*	(g)	5,230.31	3,357.12
Other Loans			
-Buyer's credit (secured)	(h)	-	677.46
-Deposits from shareholders (unsecured)	(i)	73.99	64.26
		<u>5,304.30</u>	<u>4,098.84</u>

\* includes Rs Nil (31 March 2018 : Rs 1500.00) 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. 2386.7 lakhs (31 March 2018 : Rs 1,024.6 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 2019 varies from 11.25% to 12% (31 March 2018 : 11.25 % to 11.50%) per annum.

Loan repayable on demand from The Jammu & Kashmir Bank Limited amounting to Rs. 874.9 lakhs (31 March 2018 : Rs 798.9 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 2019 varies from 11.40% to 12.40% (31 March 2018 : 11.40 % to 12.40%) per annum.

Loan repayable on demand from Bank of Maharashtra amounting to Rs. 1968.7 lakhs (31 March 2018 : Rs. 1,533.6 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 2019 is 11.50% (31 March 2018 : 11.50 %) per annum.

- h) Buyers credit from IDBI Bank Limited amounting to Rs. Nil (31 March 2018 : Rs. 677.46 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 2019 is Nil (31 March 2018 : 11.85 % per annum).

- i) The fixed rate of interest on deposit from shareholders for maturity period of 1 year in the current year is in the range of 9.50% to 10% per annum (31 March 2018: 10.00% to 10.50% per annum).



**Ethos Limited**
**Notes to the standalone financial statements for the year ended 31 March 2019**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

18. Provisions	Note	As at 31 March 2019		As at 31 March 2018	
		Current	Non-current	Current	Non-current
<i>Provision for employee benefits</i>					
Provision for gratuity	35	3.12	110.23	-	61.55
Provision for compensated absences	35	4.02	128.39	2.69	80.69
		<u>7.14</u>	<u>238.62</u>	<u>2.69</u>	<u>142.24</u>

19. Trade payables**	As at 31 March 2019		As at 31 March 2018	
- Micro, small and medium enterprises #		-		-
- Trade payables to related parties (Refer to note 37)		451.39		686.69
- Other trade payables		6,314.10		7,036.48
		<u>6,765.49</u>		<u>7,723.17</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 2019	As at 31 March 2018
(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 33.

20. Other financial liabilities	As at 31 March 2019		As at 31 March 2018	
Current maturities of non-current borrowings (refer note 17)		992.57		1,122.15
Capital creditors		105.69		104.52
Salaries, wages and bonus and other employee payable		738.56		343.99
Interest accrued but not due on borrowings		110.13		107.68
		<u>1,946.95</u>		<u>1,678.34</u>

21. Other current liabilities	As at 31 March 2019		As at 31 March 2018	
Deferred revenue		222.57		181.71
Statutory dues		105.56		94.00
Advances from customers		287.59		727.48
		<u>615.72</u>		<u>1,003.19</u>

22. Current tax liabilities (net)	As at 31 March 2019		As at 31 March 2018	
Provision for income tax (net of advance tax Rs. 639.38, 31 March 2018 Rs. 17.92)		274.82		63.47
		<u>274.82</u>		<u>63.47</u>





**Ethos Limited**
**Notes to the standalone financial statements for the year ended 31 March 2019**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*
**23. Revenue from operations**

	Year ended 31 March 2019	Year ended 31 March 2018
Sale of products (net of applicable tax)	43,744.10	35,367.87
Sale of services	372.85	168.13
Other operating revenues	120.51	73.19
	<b>44,237.46</b>	<b>35,609.19</b>

**24. Other income**

	Year ended 31 March 2019	Year ended 31 March 2018
Interest income under the effective interest rate method on -		
-fixed deposits	13.13	11.36
-security deposits at amortised cost	83.71	82.39
Miscellaneous	1.02	82.01
	<b>97.86</b>	<b>175.76</b>

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

	Year ended 31 March 2019	Year ended 31 March 2018
Purchases during the year	34,988.34	27,309.88
	<b>34,988.34</b>	<b>27,309.88</b>

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

	Year ended 31 March 2019	Year ended 31 March 2018
Opening inventory	17,103.29	16,898.58
Less: closing inventory	(20,556.94)	(17,103.29)
(Increase) in inventory	<b>(3,453.65)</b>	<b>(204.71)</b>

**27. Employee benefits expense**

	Year ended 31 March 2019	Year ended 31 March 2018
Salaries, wages and bonus	2,924.83	2,033.50
Contribution to provident and other funds	142.48	114.09
Share based payments	-	11.76
Staff welfare expenses	146.59	109.64
	<b>3,213.90</b>	<b>2,268.99</b>

**28. Finance cost**

	Year ended 31 March 2019	Year ended 31 March 2018
Interest expense on financial liabilities measured at amortised cost	712.15	618.91
Dividend on redeemable preference shares classified as financial liability measured at amortised cost	-	14.40
Other borrowing cost	47.52	24.96
	<b>759.67</b>	<b>658.27</b>

**29. Depreciation and amortisation expense**

	Note	Year ended 31 March 2019	Year ended 31 March 2018
Depreciation of property, plant and equipment	3	465.18	394.18
Amortisation of other intangible assets	4	12.15	13.18
		<b>477.33</b>	<b>407.36</b>

**30. Other expenses**

	Year ended 31 March 2019	Year ended 31 March 2018
Power and fuel	121.62	104.50
Service cost expense	51.43	71.40
Insurance	35.74	42.77
Rent (net of reimbursements) (refer note 40)	3,060.24	2,420.46
Rates and taxes	66.26	12.36
Repair and maintenance	129.79	99.80
Foreign exchange loss (net)	127.82	196.59
Travelling and conveyance	292.56	215.12
Advertisement and sales promotion (refer note 37)	1,573.40	717.62
Directors sitting fees	33.27	16.97
Printing and stationery	17.69	14.13
Recruitment expenses	17.56	24.03
Telephone and telex	70.28	65.96
Postage and telegram	188.20	155.37
Legal and professional fees *	251.46	191.92
Bank charges	341.30	292.76
Bad debts	21.53	-
Advances / deposits written off	16.88	55.84
Loss on sale of Fixed assets	0.12	-
Property, plant and equipments written off (net)	-	34.39
Miscellaneous expenses	86.93	92.22
	<b>6,504.08</b>	<b>4,824.21</b>



**Ethos Limited****Notes to the standalone financial statements for the year ended 31 March 2019**

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

	Year ended 31 March 2019	Year ended 31 March 2018
*Includes payment to auditors (excluding taxes as applicable)		
As auditor		
Statutory audit	12.50	12.00
Limited review of special purpose quarterly results	6.75	6.75
In other capacity		
Certification work	3.40	3.30
Other services	2.25	-
Reimbursement of expenses	1.85	0.88
	<u>26.75</u>	<u>22.93</u>

**31. Tax expense**

	Year ended 31 March 2019	Year ended 31 March 2018
a) Income tax recognised in statement of profit and loss		
Current tax		
Current year	892.48	81.39
Changes in estimates related to prior years	(29.93)	-
	<u>862.55</u>	<u>81.39</u>
Deferred tax		
Attributable to-		
Origination and reversal of temporary differences	(136.40)	39.93
	<u>(136.40)</u>	<u>39.93</u>
Total tax expense recognised in the current year	<u>726.15</u>	<u>121.32</u>

The above tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended 31 March 2019	Year ended 31 March 2018
Profit before tax		
Tax at the Indian tax rate of 34.94% (previous year 34.94%)	644.87	182.02
Effect of expenses that are not deductible in determining taxable profit	49.18	9.01
Effect of tax (benefit) / expense pertaining to prior years	29.93	(63.10)
Others	2.17	(6.60)
Income tax expenses recognised in statement of profit and loss	<u>726.15</u>	<u>121.32</u>

The tax rate used for the current year reconciliation above is the corporate tax rate of 34.94% (previous year 34.94%) payable by corporate entities in India on taxable profits under the Indian tax law.

**b) Income tax expense recognised in other comprehensive income**

	Year ended 31 March 2019	Year ended 31 March 2018
Deferred tax assets/(liabilities)		
Arising on income and expenses recognised in other comprehensive income		
-Remeasurement of defined benefit obligation	10.40	(2.36)
Total income tax recognised in other comprehensive income	<u>10.40</u>	<u>(2.36)</u>
Bifurcation of the income tax recognised in other comprehensive income into:-		
Items that will not be reclassified to profit or loss	10.40	(2.36)
Items that may be reclassified to profit or loss	-	-
	<u>10.40</u>	<u>(2.36)</u>

**32. Earnings per share**

	Year ended 31 March 2019	Year ended 31 March 2018
A. Basic earnings per share		
i Profit (loss) for basic earning per share of Rs. 10 each		
Profit / (loss) for the year	1,119.50	399.63
Less : dividend on convertible preference shares, net of tax	126.58	126.58
	<u>992.92</u>	<u>273.05</u>
ii Weighted average number of equity shares for (basic)		
Opening Balance	13,203,895	13,203,895
Effect of fresh issue of shares	3,157,568	867,611
	<u>16,361,463</u>	<u>14,071,506</u>
Basic Earnings per share (face value of Rs. 10 each)	6.07	1.94
B. Diluted earnings per share		
i Profit (loss) for diluted earning per share of Rs. 10 each	1,119.50	399.63
ii Weighted average number of equity shares for diluted		
Opening Balance*	13,203,895	13,203,895
Effect of fresh issue of shares*	3,734,491	1,945,820
	<u>16,938,386</u>	<u>15,149,715</u>
Diluted earnings per share (face value of Rs 10 each)	<u>6.07</u>	<u>1.94</u>

\* For the year ended 31 March 2019, 154,250 options and 576,923 convertible preference shares (31 March 2018: 171,750 options and 576,923 convertible preference shares) were excluded from calculation of diluted weighted average number of equity shares as their effect would have been anti-dilutive.



## Ethos Limited

### Notes to the standalone financial statements for the year ended 31 March 2019

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

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

##### I. Accounting classification & Fair values

Financial instruments by category and fair values	Note	Level of hierarchy	As at 31 March 2019			As at 31 March 2018		
			FVTPL	Amortised cost	FVOCI	FVTPL	Amortised cost	FVOCI
<b>Financial assets</b>								
<b>Non-current</b>								
Investments	(c)	3	-	42.94	-	-	42.94	-
Loans	(b)	3	-	1,024.27	-	-	910.75	-
Other financial assets	(b)	3	-	120.97	-	-	215.03	-
<b>Current</b>								
Trade receivables	(a)	3	-	697.35	-	-	645.62	-
Cash and cash equivalents	(a)	3	-	827.47	-	-	718.91	-
Other bank balances	(a)	3	-	-	-	-	-	-
Loans	(b)	3	-	405.54	-	-	367.99	-
Other financial assets	(d)	2	-	6.71	-	2.80	9.51	-
<b>Total</b>			-	<b>3,125.25</b>	-	<b>2.80</b>	<b>2,910.75</b>	-
<b>Financial liabilities</b>								
<b>Non-current</b>								
Borrowings (including current maturities)	(c)	3	-	2,402.22	-	-	2,231.44	-
<b>Current</b>								
Borrowings	(c)	3	-	5,304.30	-	-	4,098.84	-
Trade payables	(a)	3	-	6,765.49	-	-	7,723.17	-
Other financial liabilities	(a), (d)	2	-	954.38	-	-	556.20	-
<b>Total</b>			-	<b>15,426.39</b>	-	-	<b>14,609.64</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 2019 and 31 March 2018.





## Ethos Limited

Notes to the standalone financial statements for the year ended 31 March 2019

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. 827.47 lakhs at 31 March 2019 (31 March 2018: Rs. 718.91). 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 standalone financial statements for the year ended 31 March 2019***(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 2019**

31 March 2019	Contractual cash flow			
	Total	Less than 1 year	1-5 years	More than 5 years
Non derivative financial liabilities				
-Borrowings(including current maturities)	7,706.52	6,296.87	1,409.65	-
-Trade payables	6,765.49	6,765.49	-	-
-Capital creditors	105.69	105.69	-	-
-Salaries, wages and bonus payable	738.56	738.56	-	-
-Interest accrued but not due on borrowings	110.13	110.13	-	-
	<b>15,426.39</b>	<b>14,016.74</b>	<b>1,409.65</b>	<b>-</b>
Derivative financial liabilities				
-Forward contracts	-	-	-	-
	-	-	-	-

**31 March 2018**

31 March 2018	Contractual cash flow			
	Total	Less than 1 year	1-5 years	More than 5 years
Non derivative financial liabilities				
-Borrowings(including current maturities)	6,330.27	5,221.09	1,109.18	-
-Trade payables	7,723.17	7,723.17	-	-
-Capital creditors	104.52	104.52	-	-
-Salaries, wages and bonus payable	343.99	343.99	-	-
-Interest accrued but not due on borrowings	107.68	107.68	-	-
	14,609.63	13,500.45	1,109.18	-
Derivative financial liabilities				
-Forward contracts	-	-	-	-
	-	-	-	-

**(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.



# Ethos Limited

## Notes to the standalone financial statements for the year ended 31 March 2019

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

### 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 2019	As at 31 March 2018
Fixed rate borrowings	2,476.21	2,973.16
Floating rate borrowings	5,230.31	3,357.12
	<b>7,706.52</b>	<b>6,330.28</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 2019		
Interest rate (0.5% movement)	(26.15)	26.15
For the year ended 31 March 2018		
Interest rate (0.5% movement)	(16.79)	16.79

### 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 the 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:

31 March 2019	CHF	USD	SGD	EUR
Trade payables	1,595.25	18.38	5.86	28.80
Net exposure of recognised financial liability	1,595.25	18.38	5.86	28.80
31 March 2018				
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

#### 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)		Equity (net of tax)	
	Strengthening	Weakening	Strengthening	Weakening
31 March 2019				
CHF (1% movement)	(15.95)	15.95	(10.38)	10.38
SGD (1% movement)	(0.06)	0.06	(0.04)	0.04
EUR (1% movement)	(0.29)	0.29	(0.19)	0.19
USD (1% movement)	(0.18)	0.18	(0.12)	0.12
31 March 2018				
CHF (1% movement)	(21.61)	21.61	(14.06)	14.06
SGD (1% movement)	(0.32)	0.32	(0.21)	0.21
EUR (1% movement)	(0.71)	0.71	(0.47)	0.47
USD (1% movement)	(7.32)	7.32	(4.76)	4.76

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

## 34. 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 2019	31 March 2018
Total liabilities	16,562.69	15,821.22
Less: cash and cash equivalents	(827.47)	(718.91)
<b>Adjusted net debt</b>	<b>15,735.22</b>	<b>15,102.31</b>
Total equity	13,171.27	9,160.96
<b>Adjusted net debt to equity ratio</b>	<b>1.19</b>	<b>1.65</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 2019	31 March 2018
Total	553.12	426.54





## 35 Employee benefits

## I. Assets and liabilities relating to employee benefits

	As at 31 March 2019	As at 31 March 2018
<i>Non-current</i>		
Liability for gratuity	110.23	61.55
Liability for compensated absences	128.39	80.69
	<u>238.62</u>	<u>142.24</u>
<i>Current</i>		
Liability for gratuity	3.12	-
Liability for compensated absences	4.02	2.69
	<u>7.14</u>	<u>2.69</u>
	<u>245.76</u>	<u>144.93</u>

For details about the related employee benefit expenses, refer to note no. 37

## 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 2019-2020 is insignificant.

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

	As at 31 March 2019	As at 31 March 2018
Balance at the beginning of the year	99.87	98.39
Benefits paid	(11.47)	(16.98)
Current service cost	22.80	21.22
Interest cost	7.49	7.87
Actuarial (gains) / losses on experience adjustments recognised in other comprehensive income	28.52	(10.64)
<b>Balance at the end of the year</b>	<b>147.21</b>	<b>99.87</b>

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

	As at 31 March 2019	As at 31 March 2018
Balance at the beginning of the year	38.32	49.94
Contributions paid into the plan	5.38	5.23
Interest Income	2.87	4.00
Benefits paid	(11.47)	(16.98)
Return on plan assets recognised in other comprehensive income	(1.23)	(3.87)
<b>Balance at the end of the year</b>	<b>33.87</b>	<b>38.32</b>

d) *Expense recognised in profit or loss*

	Year ended 31 March 2019	Year ended 31 March 2018
Current service cost	22.80	21.22
Interest Income	(2.87)	(4.00)
Interest cost	7.49	7.87
	<u>27.42</u>	<u>25.09</u>

e) *Remeasurements recognised in other comprehensive income*

	Year ended 31 March 2019	Year ended 31 March 2018
Actuarial (gain) / loss on defined benefit obligation	28.52	(10.64)
Return on plan assets less / (greater) than discount rate	1.23	3.87
	<u>29.75</u>	<u>(6.77)</u>

f) *Plan assets*

100% of the plan assets are managed by LIC

g) *Actuarial assumptions*

	As at 31 March 2019	As at 31 March 2018
Discount rate (per annum)	7.50% p.a.	8.00% p.a.
Future salary growth rate (per annum)	5.00% p.a.	5.00% p.a.
Retirement age	58 years	58 years

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



# Ethos Limited

## Notes to the standalone financial statements for the year ended 31 March 2019

(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 2019		As at 31 March 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(19.82)	16.60	(13.18)	11.94
Future salary growth rate (1% movement)	19.92	(17.05)	13.31	(12.23)

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.

### h) Expected benefit payments

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

	As at 31 March 2019	As at 31 March 2018
Within 1 year	4.51	3.19
1-2 year	4.15	3.71
2-3 year	4.33	5.09
3-4 year	4.19	4.81
4-5 year	4.11	6.08
5-10 years	70.22	48.17

### 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. 106.10 (previous year Rs. 80.60) 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 2019, 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 2019		During the year ended 31 March 2018	
	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	171,750	120	228,000	120
Granted during the year	-	-	-	-
Vested during the year	-	-	-	-
Exercised during the year	-	-	21,250	120
Lapsed during the year	17,300	120	35,000	-
Options outstanding at the end of the year	154,250	120	171,750	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	154,250	120	171,750	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 2019 have an exercise price of Rs. 120 (31 March 2018 - Rs. 120) and a weighted average remaining contractual life in the range of 1.16 to 1.56 years (31 March 2018 - 2.16 to 2.56 years)

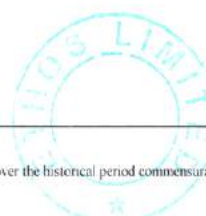
#### d) Expense recognized in statement of profit and loss

Particulars	As at 31 March 2019	As at 31 March 2018
Expense arising from equity-settled share based payment transaction (including options lapsed during the year)	(7.81)	11.76

#### 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 2019	As at 31 March 2018
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	4.56/4.16
Expected Annual Volatility of Shares	40%-60%	40%-60%
Expected dividend yield (in %)	1.58%	1.58%

\*Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term.



**ETHOS LIMITED**
**Notes to the standalone financial statements for the year ended 31 March 2019**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*
**36. 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 2019	As at 31 March 2018
a) Income Tax matters	15.53	-
b) Civil and Consumer matters	-	0.54
c) Value Added Tax matters	1,000.71	-
	<b>1,016.24</b>	<b>0.54</b>

**ii) Arrears of fixed cumulative dividend on 12% cumulative compulsory convertible preference shares, 14% cumulative compulsory convertible preference shares including dividend distribution taxes**

553.12                      426.54

**iii) Commitments**

- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)
- amount payable under non- cancellable leases

188.96                      66.31

7,241.80                      7,112.58

**7,430.76                      7,178.89**

**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. 170 lakhs 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. 170 lakhs 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. 6.63 lakhs which had been short paid and CENVAT credit amounting to Rs. 242.77 lakhs 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. 6.63 lakhs. Further, the authority has imposed a penalty of Rs. 242.77 lakhs. 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.**
**vi) Pursuant to recent judgement by the Hon'ble Supreme Court dated 28 February 2019, it was held that basic wages, for the purpose of provident fund, to include special allowances which are common for all employees. However, there is uncertainty with respect to the applicability of the judgement and period from which the same applies. Owing to the aforesaid uncertainty and pending clarification from the authorities in this regard, the Company has not recognised any provision for the periods prior to 28 February 2019. Further, management also believes that the impact of the same on the Company will not be material.**
**37. 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 Pylania 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) Mr. Pranav Saboo (CEO) <b>Relatives of Managing director</b> Mr. R. K. Saboo Mrs. Anuradha Saboo Mrs. Usha Saboo  <b>Key Management Personnel</b> Mr. C. Raja Sekhar Mr. Anil Dhiman
Directors	Mr. Anil Khanna Mr. N. Subramanian Mr. Sundeep Kumar Mrs. Neelima Tripathi Mr. Dilpreet Singh Mr. Mohaimin Altaf Mr. Rajat Kakar
Relatives of Director	Mrs. Alka Khanna (Wife of Mr. Anil Khanna) Mrs. Poonam Prakash (Sister of Mr. Anil Khanna) Mr. Apoerv Tripathi (Son of 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 standalone financial statements for the year ended 31 March 2019

(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 2019	As at 31 March 2018
a) Purchase of goods	1,593.39	1,129.38
- KDDL Limited	-	0.24
- Pylania SA	1,593.39	1,129.14
b) Sales of goods	77.43	1,028.89
- Saboo Coatings Limited	-	0.08
- KDDL Limited	6.70	9.04
- Mahen Distribution Limited	-	1,009.28
- Saboo Ventures LLP	58.07	2.07
- Mr. R K Saboo	12.66	8.00
- Mr. Y Saboo	-	0.09
- Mr. Pranav Saboo	-	0.33
c) Employee benefits	242.94	69.61
Short-term employee benefits		
- Mrs. Anuradha Saboo	6.36	6.02
- Mr. Raja Sekhar	92.53	55.08
- Mr. Anil Dhiman	8.85	8.51
- Mr. Pranav Saboo	135.20	-
d) Interest expenses	71.12	52.39
- Mr. R K Saboo	8.37	8.75
- Vardhan Properties & Investment Limited	1.00	17.10
- Dream Digital Technology Private Limited	12.25	9.76
- Mr. Y Saboo	3.76	2.49
- Saboo Ventures LLP	40.00	14.14
- Saboo Housing Projects LLP	0.70	0.15
- Mr. Anil Khanna	2.18	-
- Mrs. Alka Khanna	0.67	-
- Mrs. Pooram Prakash	0.86	-
- Mrs. Usha Devi Saboo	1.34	-
e) Rent expense	14.50	13.26
- KDDL Limited	7.57	13.26
- Mr. Y Saboo	6.93	-
f) Rent Received	15.00	26.29
- KDDL Limited	-	17.70
- Dream Digital Technology Private Limited	-	0.14
- Mahen Distribution Limited	15.00	8.45
g) Publicity and advertisement	727.70	71.48
- Dream Digital Technology Private Limited	-	65.48
- KDDL Limited	6.00	6.00
- Cognition Digital LLP	697.57	-
- Pylania SA	24.13	-
h) Reimbursement of expenses incurred on behalf of Ethos Limited	130.18	15.39
- KDDL Limited	130.18	12.51
- Dream Digital Technology Private Limited	-	2.88
i) Reimbursement received for expenses	485.55	8.64
- KDDL Limited	-	5.73
- Dream Digital Technology Private Limited *	-	1.94
- Mahen Distribution Limited	0.58	0.97
- Cognition Digital LLP	460.58	-
- Pylania SA	24.39	-
j) Sale of Property, plant and equipment	0.21	-
- KDDL Limited	0.21	-
k) Purchase of Property, plant and equipment	46.31	-
- KDDL Limited	41.90	-
- Pylania SA	4.41	-
l) Consultancy fees paid	2.64	-
- Apoorv P. Tripathi (Advocate)	2.64	-
m) Director Fees	33.27	16.80
-Mr. Y Saboo	4.50	3.75
-Mr. Anil Khanna	8.78	4.90
-Mr. N. Subramanian	8.25	4.30
-Mr. Rajat Kakar	-	1.65
-Mr. Sundeeep Kumar	3.86	1.10
-Mrs. Neelima Tripathi	0.97	1.10
-Mr. Dilpreet Singh	3.86	-
-Mr. Mohamun Altaf	3.05	-



**ETHOS LIMITED**
**Notes to the standalone financial statements for the year ended 31 March 2019**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*

Nature of transactions	As at	As at
	31 March 2019	31 March 2018
n) Loan taken	-	1,067.00
- Mr. R K Saboo	-	-
- Vardhan Properties & Investment Limited	-	510.00
- Dream Digital Technology Private Limited	-	50.00
- Mr. Y Saboo	-	100.00
- Saboo Ventures LLP	-	400.00
- Saboo Housing Projects LLP	-	7.00
o) Loan paid	70.00	650.00
- Vardhan Properties & Investment Limited	-	600.00
- Mr. Y Saboo	-	50.00
- Mr. R K Saboo	70.00	-
p) Investment made during the year	-	42.94
- Cognition Digital LLP	-	42.94
q) 12% Cumulative redeemable preference shares redeemed	-	300.00
- KDDL Limited	-	300.00
r) Interest on 12% redeemable preference shares	-	14.40
- KDDL Limited	-	14.40
s) Financial guarantee expenses	0.75	0.50
- KDDL Limited	0.75	0.50
t) Equity shares issued / converted	17.12	196.83
- KDDL Limited	17.12	171.98
- 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		
u) Share premium received	482.87	2,428.67
- KDDL Limited	482.87	2,178.02
- 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		
<b>IV. Outstanding balances as at year end</b>		
Particulars	As at	As at
	31 March 2019	31 March 2018
Payables	451.39	686.69
- Dream Digital Technology Private Limited	-	12.38
- KDDL Limited	166.25	41.64
- Pylania SA	100.71	632.67
- Saboo Ventures LLP	8.88	-
- Cognition Digital LLP	175.55	-
Receivables / Advances	417.77	515.75
- Mahen Distribution Limited	417.77	515.75
Investments made	42.94	42.94
- Cognition Digital LLP	42.94	42.94
Security deposit given	6.77	6.77
- KDDL Limited	6.77	6.77



Particulars	As at 31 March 2019	As at 31 March 2018
12% Cumulative compulsory convertible preference shares	201.00	201.00
- KDDL Limited	25.00	25.00
- VBL Innovations Private Limited	26.00	26.00
- Dream Digital Technology Private Limited	10.00	10.00
- Mr. R K Saboo	60.00	60.00
- Mr. Y Saboo	25.00	25.00
- Mrs. A Saboo	55.00	55.00
Equity Share Capital	1,336.76	1,319.64
- Mahen Distribution Limited	229.32	229.32
- KDDL Limited	1,039.47	1,022.35
- Mr. Y Saboo	12.51	12.51
- Mr. C Raja Sekhar	1.06	1.06
- Mr. R K Saboo	9.09	9.09
- Mrs. A Saboo	2.27	2.27
- Saboo Ventures LLP	32.27	32.27
- Vardhan Properties & Investment Limited	5.00	5.00
- Mr. N. Subramanian	5.14	5.14
- Mr. Anil Khanna	0.63	0.63
Unsecured loans	634.15	637.00
- Dream Digital Technology Private Limited	100.00	100.00
- Vardhan Properties & Investment Limited	10.00	10.00
- Mr. R K Saboo	-	70.00
- Mr. Y Saboo	-	50.00
- Saboo Ventures LLP	400.00	400.00
- Saboo Housing Projects LLP	7.00	7.00
- Mr. Anil Khanna	20.00	-
- Mrs. Aika Khanna	5.61	-
- Mrs. Poonam Prakash	6.54	-
- Mrs. Usha Devi Saboo	85.00	-
Deemed capital contribution	50.51	50.51
- KDDL Limited - 12% cumulative redeemable preference shares	36.00	36.00
- KDDL Limited - financial guarantee	14.51	14.51
Employee benefits	71.50	-
Short-term employee benefits		
- Mr. Raja Sekhar	21.50	-
- Mr. Pranav Saboo	50.00	-
Guarantees taken by the company	17,131.72	17,292.24
- KDDL Limited	5,929.18	5,969.31
- Mr. R K Saboo	4,979.18	5,019.31
- Mr. Y Saboo	5,929.18	5,969.31
- Mrs. Usha Saboo	294.18	334.31

## 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.

## 38. 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.

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

	As at 31 March 2019	As at 31 March 2018
Sales (gross including Sales tax / Goods and services tax)	51,356.82	42,021.47
Less: Sales tax / GST	(7,239.87)	(6,485.47)
Net sales	44,116.95	35,536.00

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 standalone financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees, except for share data, and if otherwise stated)

40. 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 9 years. Lease payments (gross of reimbursements) charged during the year to the Statement of Profit and Loss aggregate (excluding taxes as applicable) Rs. 3237.11 (previous year ended 31 March 2018 : Rs. 2,553.75) [including Rs. 175.54 towards cancellable lease (previous year Rs. 264.44)].

	As at 31 March 2019	As at 31 March 2018
Future minimum lease payments due		
Within one year	2,034.26	1,839.25
Later than one year and not later than five years	4,449.96	4,229.60
More than 5 years	757.57	1,043.72
Total	7,241.80	7,112.57

As per our report of even date attached

For BSR &amp; Co. LLP

Chartered Accountants

Firm Registration No: 101248W/W-100022



Adhir Kapoor

Partner

Membership No. : 098297

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

Pranav Shankar Saboo

Chief Executive Officer

Anil Dhiman

Company Secretary

Place: New Delhi

Date: 04 May 2019

Place: New Delhi

Date: 04 May 2019

