

INDEPENDENT AUDITOR'S REPORT

To the Members of Ethos Limited

Report on the Audit of the Consolidated Ind AS Financial Statements**Opinion**

We have audited the accompanying consolidated Ind AS financial statements of Ethos Limited (hereinafter referred to as "the Holding Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") and joint venture comprising of the consolidated Balance sheet as at March 31, 2020, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiary and joint venture, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, and joint venture as at March 31, 2020, their consolidated loss including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 42 to the consolidated Ind AS Financial Statements, which describes the uncertainties and the impact of Covid-19 pandemic on the Group's operations and results as assessed by the management. Our opinion is not modified in respect of this matter.



Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated Ind AS financial statements and our auditor's report thereon.

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

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

Responsibilities of Management for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its joint venture in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its joint venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its joint venture and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group and of its joint venture are responsible for assessing the ability of the Group and of its joint venture 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 Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group and of its joint venture are also responsible for overseeing the financial reporting process of the Group and of its joint venture.



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

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

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

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding 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 ability of the Group and its joint venture 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 consolidated Ind AS 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 Group and its joint venture to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its joint venture of which we are the independent auditors, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.



We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors 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.

Other Matters

- (a) We did not audit the financial statements and other financial information, in respect of one subsidiary, whose Ind AS financial statements include total assets of Rs 358.27 lakhs as at March 31, 2020, and total revenues of Rs 804.01 lakhs and net cash outflows of Rs 23.42 lakhs for the year ended on that date. These Ind AS financial statements and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. The consolidated Ind AS financial statements also include the Group's share of net loss of Rs. 33.43 lakhs for the year ended March 31, 2020, as considered in the consolidated Ind AS financial statements, in respect of one joint venture, whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and joint venture, and our report in terms of Sub-Section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary and joint venture, is based solely on the reports of such other auditors.
- (b) The consolidated Ind AS financial statements of the Company for the year ended March 31, 2019, included in these consolidated Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on May 04, 2019.
- (c) The information for the comparative year presented, has been restated to reflect rectification and reclassifications in the consolidated Ind AS financial statements previously presented to conform to the presentation of the consolidated Ind AS financial statements for the current year. Refer to Note 50 to Consolidated financial statements, which describes the nature and impact of such adjustments/ reclassification.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.



Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiary and joint venture, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

- (a) We/the other auditors whose report we have relied upon 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 of the aforesaid consolidated Ind AS financial statements;
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its joint venture, none of the directors of the Holding Company and joint venture, incorporated in India, is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company, its subsidiary and joint venture, incorporated in India, refer to our separate Report in "Annexure 2" to this report;
- (g) The provisions of Section 197 read with Schedule V of the Act are not applicable to the Holding Company and its joint venture incorporated in India for the year ended March 31, 2020;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiary and joint venture, as noted in the 'Other matters' paragraph:



S.R. BATLIBOI & Co. LLP

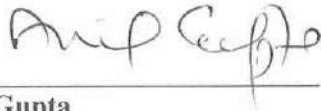
Chartered Accountants

- i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group and joint venture in its consolidated Ind AS financial statements – Refer Note 36 to the consolidated Ind AS financial statements;
- ii. The Group and joint venture did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There were no amounts which are required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiary, and joint venture, incorporated in India during the year ended March 31, 2020.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005



per Anil Gupta

Partner

Membership Number: 87921

UDIN: 20087921AAAABR4051

Place of Signature: New Delhi

Date: June 25, 2020



ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF ETHOS LIMITED**Report on the Internal Financial Controls under Clause (i) of Sub-Section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

In conjunction with our audit of the consolidated Ind AS financial statements of Ethos Limited as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of Ethos Limited (hereinafter referred to as the "Holding Company"), which is company incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Holding Company, which is company incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements.



Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Ind AS Financial Statements

A company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

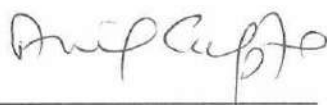
Opinion

In our opinion, the Holding Company, which is company incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and such internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

**per Anil Gupta**

Partner

Membership Number: 87921

UDIN: 20087921AAAAABR4051

Place of Signature: New Delhi

Date: June 25, 2020



Ethos Limited
Consolidated Balance Sheet as at 31 March 2020
(All amounts in ₹ lakhs, except for share data and if otherwise stated)

| PARTICULARS | Note | As at 31 March 2020 | As at 31 March 2019 |
|--|------|------------------------|------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 3,059.35 | 2,121.77 |
| Capital work-in-progress | 3 | 69.88 | 440.02 |
| Right-of-use asset | 37 | 9,691.23 | - |
| Other intangible assets | 4 | 80.94 | 57.46 |
| Intangible assets under development | 4 | 5.61 | 38.21 |
| Investment in joint venture | 5 | 66.57 | - |
| Financial assets | | | |
| - Loans | 6 | 804.90 | 1,024.27 |
| - Other financial assets | 7 | 128.93 | 99.71 |
| Income tax assets (net) | 8 | 144.63 | 123.25 |
| Deferred tax assets (net) | 9 | 727.91 | 631.93 |
| Other non-current assets | 10 | 214.72 | 460.13 |
| Total non-current assets | | 14,994.68 | 4,996.75 |
| Current assets | | | |
| Inventories | 11 | 21,859.01 | 20,556.94 |
| Financial assets | | | |
| - Trade receivables | 12 | 938.32 | 891.61 |
| - Cash and cash equivalents | 13 | 983.60 | 756.76 |
| - Other bank balances | 14 | 17.00 | 27.27 |
| - Loans | 6 | 721.04 | 405.54 |
| - Other financial assets | 7 | 550.37 | 259.51 |
| Other current assets | 14 | 2,402.88 | 2,246.92 |
| Total current assets | | 27,472.22 | 25,144.55 |
| Total Assets | | 42,466.90 | 30,141.30 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Equity share capital | 15 | 1,821.28 | 1,690.17 |
| Other equity | 16 | 13,400.44 | 11,698.21 |
| Equity attributable to owners of the Company | | 15,221.72 | 13,388.38 |
| Non controlling interest | | 0.00 | 0.00 |
| Total equity | | 15,221.72 | 13,388.38 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Financial liabilities | | | |
| - Borrowings | 17 | 1,575.94 | 1,620.46 |
| - Lease liabilities | 37 | 7,981.82 | - |
| Other Non current financial Liabilities | 17 | 94.52 | 48.86 |
| Provisions | 18 | 130.04 | 110.23 |
| Total non-current liabilities | | 9,782.32 | 1,779.55 |
| Current liabilities | | | |
| Financial liabilities | | | |
| - Borrowings | 17 | 5,355.15 | 5,304.30 |
| - Lease liabilities | 37 | 1,908.61 | - |
| - Trade payables | | | |
| - total outstanding dues of micro enterprises and small enterprises | 19 | 1.93 | - |
| - total outstanding dues of creditors other than micro enterprises and small ent | 19 | 7,241.35 | 6,860.36 |
| - Other financial liabilities | 20 | 1,622.63 | 1,711.45 |
| Other current liabilities | 21 | 1,057.84 | 654.29 |
| Provisions | 18 | 237.36 | 135.53 |
| Current tax liabilities (net) | 22 | 38.00 | 307.43 |
| Total current liabilities | | 17,462.86 | 14,973.37 |
| Total liabilities | | 27,245.18 | 16,752.92 |
| Total Equity and Liabilities | | 42,466.90 | 30,141.30 |

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI firm registration no.: 301003E/E300005

Anil Gupta
Anil Gupta
Partner
Membership No. 87921



Place: New Delhi
Date: 25 June 2020

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

Y. Saboo
Y. Saboo
Managing Director
DIN 00012158

Anil Khanna
Anil Khanna
Director
DIN 00012232

C. Raja Sekhar
C. Raja Sekhar
Chief Financial Officer

Pranav Shahikar Saboo
Pranav Shahikar Saboo
Chief Executive Officer

Anil Dhanan
Anil Dhanan
Company Secretary

Place: Chandigarh
Date: 25 June 2020

Ethos Limited**Statement of Consolidated Profit and Loss for the year ended 31 March 2020***(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

| Particulars | Note | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|------|-----------------------------|-----------------------------|
| Revenue from operations | 23 | 45,784.91 | 44,352.90 |
| Other income | 24 | 231.77 | 156.73 |
| Total Income | | 46,016.67 | 44,509.62 |
| Expenses | | | |
| Purchase of stock-in-trade | 25 | 34,205.38 | 34,988.34 |
| Changes in inventory of stock-in-trade | 26 | (1,302.07) | (3,453.65) |
| Employee benefits expense | 27 | 3,317.02 | 3,312.52 |
| Finance costs | 28 | 1,945.95 | 765.40 |
| Depreciation and amortization expense | 29 | 3,463.78 | 484.52 |
| Other expenses | 30 | 4,375.44 | 6,229.86 |
| Total expenses | | 46,005.50 | 42,326.98 |
| Profit before share of joint venture and income tax | | 11.18 | 2,182.65 |
| Share of Profit/(Loss) of joint venture (net of income tax) | | (33.43) | - |
| Profit before tax | | (22.25) | 2,182.65 |
| Income tax expense | | | |
| - Current tax | 31 | | |
| - Current year | | 296.13 | 1,013.61 |
| - Changes in estimates related to previous year | | 23.27 | (29.93) |
| - Deferred tax | | | |
| - Current year | | (254.02) | (137.88) |
| - Changes in estimates related to previous year | | (24.45) | - |
| - Change in Deferred tax due to change in rate | | 183.22 | - |
| Total income tax expense | | 224.15 | 845.80 |
| Profit/(loss) for the year | | (246.41) | 1,336.85 |
| Other comprehensive income/(expense) | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| - Re-measurement of defined benefit (asset)/liability | | (2.85) | (29.76) |
| <i>Income tax relating to items that will not be reclassified to profit or loss</i> | | | |
| - Re-measurement of defined benefit (asset)/liability | | 0.72 | 10.40 |
| Total other comprehensive (expense)/ income for the year (net of income tax) | | (2.13) | (19.36) |
| Total comprehensive income/(loss) for the year | | (248.54) | 1,317.49 |
| Earnings per equity share [nominal value of Rs. 10 (previous year Rs. 10)] | 32 | | |
| Basic (Rs.) | | (1.39) | 7.40 |
| Diluted (Rs.) | | (1.39) | 7.40 |

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI firm registration no.: 301003E/E300005



Anil Gupta
Partner
Membership No. 87921



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 Dhirman
Company Secretary

Ethos Limited

Consolidated Cash Flow Statement for the year ended 31 March 2020

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

| PARTICULARS | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit/(Loss) before income tax | (22.25) | 2,182.63 |
| Adjustments for : | | |
| Depreciation and amortization expense | 3,463.78 | 484.51 |
| Property, plant and equipments written off and loss on sale of fixed assets (net) | 91.38 | - |
| Interest Expenses | 1,945.95 | 765.40 |
| Interest income | (113.93) | (96.84) |
| Provisions/liabilities no longer required written back | (110.59) | (58.87) |
| Share of loss of joint venture | 33.43 | - |
| Share options lapsed | (18.11) | (7.81) |
| Unrealized foreign exchange (gain) / loss | 68.67 | (22.76) |
| Provision for doubtful debts and sales returns | 105.38 | - |
| Advances / deposits / Bad debts written off | 63.50 | 38.41 |
| Operating cash flow before working capital changes | 5,507.21 | 3,284.68 |
| (Increase) in loans | (63.04) | (67.35) |
| (Increase) in other financial assets | (284.19) | (134.69) |
| (Increase) in other non-current assets & current assets | (477.07) | (194.62) |
| (Increase) in inventories | (1,302.07) | (3,453.65) |
| (Increase) in trade receivables | (152.10) | (245.99) |
| Increase in provisions | 118.79 | 71.06 |
| (Decrease)/Increase in trade payables | 342.43 | (738.45) |
| Increase in other financial liabilities | 64.33 | 394.57 |
| (Decrease)/Increase in other current liabilities | 501.35 | (376.54) |
| Cash (used in) / generated from operating activities | 4,255.63 | (1,460.98) |
| Income tax paid (net) | (610.23) | (739.74) |
| Net cash (used in) / generated from operating activities | 3,645.40 | (2,200.72) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (1,426.43) | (1,298.09) |
| Proceeds from sale of property, plant and equipment | 78.61 | 0.65 |
| Payment for purchase of investments | (100.00) | - |
| (Investment) of bank deposits (having original maturity of more than three months) | (24.80) | (27.27) |
| Interest received | 16.52 | 13.14 |
| Net cash (used in) investing activities | (1,456.10) | (1,311.57) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of equity share capital (including premium) | 2,100.00 | 2,917.98 |
| Proceeds from non-current borrowings | 602.17 | 384.10 |
| Repayment of non-current borrowings | (784.85) | (213.32) |
| Proceeds from current borrowings having maturity period more than 3 months | 237.11 | 73.99 |
| Repayment of current borrowing having maturity period more than 3 months | (97.40) | (64.26) |
| Proceeds from/repayments of current borrowings (net) | (88.86) | 1,195.73 |
| Lease Rent Paid | (3,114.15) | - |
| Interest paid | (816.48) | (754.08) |
| Net cash flow/(used in) from financing activities | (1,962.46) | 3,540.14 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) | 226.84 | 27.85 |
| Cash and cash equivalents at the beginning of the year | 756.76 | 728.91 |
| Cash and cash equivalents at the end of the year | 983.60 | 756.76 |



Notes :

1. Cash and cash equivalents include :

| | | |
|---|---------------|---------------|
| Balance with banks in current accounts | 903.13 | 261.79 |
| Cheques, drafts on hand | 4.86 | 304.88 |
| Cash on hand | 66.63 | 101.12 |
| Credit cards receivable | 8.98 | 88.97 |
| Cash and cash balance at the end of the year | 983.60 | 756.76 |

2. The above cash flow statement has been prepared under indirect method set out in the applicable Indian Accounting Standard (Ind AS) 7 on Statement of Cash Flows.

3. Refer note 17 for reconciliation of movements of liabilities to cash flows arising from financing activities.

4. During the year, the Parent Company paid in Cash Rs. 10.03 (previous year Nil) towards corporate social responsibility (CSR) expenditure.

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI firm registration no.: 301003E/E300005

Anil Gupta

Anil Gupta

Partner

Membership No. 87921



Place: New Delhi

Date: 25 June 2020

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

Y. Saboo

Y. Saboo

Managing Director

DIN 00012158

Anil Khanna

Anil Khanna

Director

DIN 00012232

C. Raja Sekhar

C. Raja Sekhar

Chief Financial Officer

Pranav Shankar Saboo

Pranav Shankar Saboo

Chief Executive Officer

Anil Dhiman

Anil Dhiman

Company Secretary

Place: Chandigarh

Date: 25 June 2020

Ethos Limited

Consolidated Statement of Changes in Equity for the year ended 31 March 2020

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

| | | |
|--|------|--------------|
| a. Equity share capital | Note | Total |
| Balance as at 01 April 2018 | 15 | 1,590.86 |
| Changes in equity share capital during 2018-19 | | 99.31 |
| Balance as at 31 March 2019 | 15 | 1,690.17 |
| Changes in equity share capital during 2019-20 | | 131.11 |
| Balance as at 31 March 2020 | | 1,821.28 |

b. Other Equity

| | Compulsory convertible preference shares | Deemed capital contribution | Share application money pending allotment | Share options outstanding account | Capital reserve | Securities premium | Retained earnings | Total |
|---|--|-----------------------------|---|-----------------------------------|-----------------|--------------------|-------------------|-----------|
| Balance as at 31 March 2018 | 750.00 | 50.51 | - | 78.62 | 1.67 | 7,367.78 | (678.71) | 7,569.87 |
| - Profit for the year | - | - | - | - | - | - | 1,336.83 | 1,336.83 |
| - Other comprehensive income (net of tax) | - | - | - | - | - | - | (19.36) | (19.36) |
| Total comprehensive income for the year | - | - | - | - | - | - | 1317.47 | 1317.47 |
| - Issue of equity shares for cash | - | - | - | - | - | 2,800.68 | - | 2,800.68 |
| - Share options lapsed | - | - | - | (7.81) | - | - | - | (7.81) |
| - Share application money | - | - | 18.00 | - | - | - | - | 18.00 |
| As at 31 March 2019 | 750.00 | 50.51 | 18.00 | 70.81 | 1.67 | 10,168.46 | 638.76 | 11,698.21 |
| - Profit/(loss) for the year | - | - | - | - | - | - | (246.41) | (246.41) |
| - Other comprehensive income (net of tax) | - | - | - | - | - | - | (2.13) | (2.13) |
| Total comprehensive (loss) for the year | - | - | - | - | - | - | (248.54) | (248.54) |
| - Issue of equity shares for cash | - | - | - | - | - | 2,736.88 | - | 2,736.88 |
| - Issue of compulsory convertible preference shares | (750.00) | - | - | - | - | - | - | (750.00) |
| - Share options lapsed | - | - | - | (18.11) | - | - | - | (18.11) |
| - Share options exercised | - | - | - | (5.33) | - | 5.33 | - | - |
| - Share allotted against application money received | - | - | (18.00) | - | - | - | - | (18.00) |
| As at 31 March 2020 | - | 50.51 | - | 47.37 | 1.67 | 12,910.67 | 390.22 | 13,400.44 |

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached

For S.R. Batliboi & Co. LLP
Chartered Accountants

Anil Gupta
Partner
Membership No. 87921



Place: New Delhi
Date: 25 June 2020

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

Y. Saboo
Managing Director
DIN: 00012158

Anil Khanna
Director
DIN: 00012232

Anil Dhinan
Company Secretary

C. Raja Sekhar
Chief Financial Officer

P. Anav Shankar Saboo
Chief Executive Officer

Ethos Limited

Notes to the consolidated financial statements for the year ended 31 March 2020

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

1. Corporate Information

Ethos Limited ('the Company' or the Parent Company), is a public limited company domiciled in India and was incorporated on 5th November 2007. These consolidated financial statements comprise the Company its subsidiary (referred to collectively as the "Group") and its joint venture. The registered office of the Company is located at Plot No. 3, Sector III, Parwanoo, Himachal Pradesh.

The Group's business consists of trading of watches, accessories and luxury items, marketing and support services and rendering of related after sale services.

The consolidated financial statements (CFS) were approved for issue in accordance with a resolution of the directors on June 25, 2020.

2. Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements (CFS) of the Group 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 presentation requirements of Division II of Schedule III to the Companies Act, 2013 (Ind AS compliant Schedule III), as applicable to CFS.

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.

The Consolidated financial statements provide comparative information in respect of the previous year.

The functional currency of the Group is the Indian rupee. These consolidated 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.

Basis of measurement

The consolidated 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 consolidated financial statements for the year ended 31 March 2020

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

2.2 Basis of Consolidation

The consolidated Ind AS financial statements comprises the financial statement of the Group, and the entities controlled by the Group including its subsidiary and its joint venture as at 31 March 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affects its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.
- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated Ind AS financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated Ind AS financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated Ind AS financial statements to ensure conformity with the Group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 March. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

- Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.



Ethos Limited

Notes to the consolidated financial statements for the year ended 31 March 2020

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

- Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
- Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The details of the consolidated entities are as follows:

| Name of the Entity | Relationship | Country of incorporation | % of holding (31 March 2020) | % of holding (31 March 2019) |
|-----------------------------------|---------------|--------------------------|------------------------------|------------------------------|
| Cognition Digital LLP* | Subsidiary | India | 99.99% | 99.99% |
| Pasadena Retail Private Limited** | Joint Venture | India | 50.00% | - |

* The percentage of holding denotes the Share of Profits in LLP.

** w.e.f 03 May 2019

2.3 Summary of significant accounting policies

a. Investment in Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over the subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit and loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from



Ethos Limited

Notes to the consolidated financial statements for the year ended 31 March 2020

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

transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

If an entity's share of losses of a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the joint venture), the entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit and loss outside the operating profit.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit and loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

b. Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.



Ethos Limited

Notes to the consolidated financial statements for the year ended 31 March 2020

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

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The group has identified twelve months as its operating cycle.

c. Property, plant and equipment ('PPE')

Recognition and measurement

Capital work-in-progress is stated at cost, net of accumulated impairment loss, if any. Property, plant and equipment is stated 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.

Recognition criteria

The cost of an item of property, plant and equipment is recognised as an asset if and only if,

- It is probable that future economic benefits associated with the item will flow to the entity, and
- The cost of the item can be measured reliably.

Capital work-in-progress comprises the cost of fixed assets that are not ready for their intended use at the reporting date, net of accumulated impairment loss, if any. 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.

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 Group and its cost can be measured reliably with the carrying amount of the replaced part getting derecognised.

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



Ethos Limited

Notes to the consolidated financial statements for the year ended 31 March 2020

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

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.

Depreciation on improvements carried out on buildings taken on lease is provided over the period of the lease or useful life of assets, whichever is lower.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use and disposal. Any gain or loss arising on derocognition of the asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

d. Intangible assets

Acquired Intangible

Intangible assets that are acquired by the Group 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) and other intangible assets 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 are derecognised on disposal or when no future economic benefits are expected from its use and disposal.



Ethos Limited

Notes to the consolidated financial statements for the year ended 31 March 2020

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

e. 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.

The comparison of cost and net realisable value is made on an item-by-item basis.

f. Retirement and other employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., salaries and wages, short term compensated absences and bonus etc., if the Group 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.

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 Group 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 Group'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 Group'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 Group 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



Ethos Limited

Notes to the consolidated financial statements for the year ended 31 March 2020

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

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 Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Compensated absences

The Group'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. The Group presents the leave liability as a current liability in the balance sheet; to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Group has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

g. Shared-based payments

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.

h. Provisions

A provision is recognised if, as a result of a past event, the Group 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.

i. 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.

j. 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.



Ethos Limited

Notes to the consolidated financial statements for the year ended 31 March 2020

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

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.

k. 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.

l. Revenue from contract with customers

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

Revenue is recognized upon transfer of control of promised products sold or services to customers in an amount that reflects the consideration the Group expects to receive in exchange for those products or services. To recognize revenues, the Group applies 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 Group assesses its promise to transfer products or services to a customer to identify separate performance obligations. The Group 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 Group 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 Group is unable to determine the stand-alone selling price the Group uses third-party prices for similar deliverables or the Group 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 consolidated financial statements for the year ended 31 March 2020

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

Sale of goods

Revenue on sale of goods are recognized when the customer obtains control of the specified asset. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points).

Variable Consideration

If the consideration in a contract includes the variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide the customers with a right of return the goods within a specified period.

The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price. A refund liability is recognized for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from a customer.

Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from the customer. The Group's refund liabilities arise from customers' right of return. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

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 Group 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.

Cost to obtain a contract



Ethos Limited

Notes to the consolidated financial statements for the year ended 31 March 2020

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

The group pays sales incentive to its employees for each contract that they obtain for sale of watches, accessories and luxury items. Sales incentive are immediately recognised as an expense and included as part of employee benefits.

Sale of services

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

Contract balances

Trade Receivable

A receivable is recognised if an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Section of Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

m. 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.

n. 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 Group 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



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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. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

o. Taxes

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

Current tax

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

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

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income (OCI) or in equity). Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on 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 liabilities are recognized for all temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it



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is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognised in OCI/ capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax liabilities and assets and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authorities.

Sales tax/GST paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales tax paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

p. Leases

Lease policy under Ind AS 17 (applicable before April 01, 2019)

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

Finance leases

Assets leased by the Group in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Group are classified as finance leases. A finance lease was 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 were 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.



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Operating leases

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

Lease policy under Ind AS 116 (applicable from April 01, 2019)

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings 2 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Section (s) Impairment of non-financial assets.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.



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In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The Group applies the short-term lease recognition exemption to its short-term leases except in case of lease contracts with related parties since there exist economic incentive for the Group to continue using the leased premises for a period longer than the 11 months and considering the contract is with the related parties, it does not foresee non-renewal of the lease term for future periods, thus basis the substance and economics of the arrangements, management believes that under Ind AS 116, the lease terms in the arrangements with related parties have been determined considering the period for which management has an economic incentive to use the leased asset (i.e. reasonable certain to use the asset for the said period of economic incentive). Such assessment of incremental period is based on management assessment of various factors including the remaining useful life of the asset as on the date of transition. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

q. Financial instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVPL)
- Equity instruments measured at fair value through other comprehensive income (FVOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows and contractual terms of the asset give



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rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts 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. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

Debt instrument at FVOCI

A 'debt instrument' is classified as at the FVOCI if the objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and the asset's contractual cash flows represent SPPI.

Debt instruments included within the FVOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the Statement of Profit and Loss. Interest earned whilst holding FVOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVPL

FVPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortised cost or as FVOCI, is classified as at FVPL. In addition, at initial recognition, the Group may irrevocably elect to designate a debt instrument, which otherwise meets amortised cost or FVOCI criteria, as at FVPL. However, such adoption is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVPL. For all other equity instruments, the Group may make an irrevocable adoption to present in other comprehensive income subsequent changes in the fair value. The Group makes such adoption on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the Statement of Profit and Loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss to retained earnings.

Equity instruments included within the FVPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

Impairment of financial assets

The Group recognises loss allowances for expected credit loss on financial assets measured at amortised cost. At each reporting date, the Group assesses whether financial assets carried at amortised



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cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

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

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

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

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

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

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group 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 Group 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 Group'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 Group in accordance with the contract and the cash flow that the Group 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 Group 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 Group's procedure for recovery of amounts due.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or



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- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Groups's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss (FVPL)
- Financial liabilities at amortised cost (loans and borrowings)

A financial liability is classified as at FVPL 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 FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Statement of Profit and 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 Statement of Profit and Loss. Any gain or loss on derecognition is also recognised in Statement of Profit and Loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Derivative financial instruments

The Group uses various types of derivative financial instruments to hedge its currency and interest risk etc. 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 liabilities when the fair value is negative.



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Offsetting

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

r. Impairment of non-financial assets

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

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

s. Foreign currency transactions

Initial recognition

Transactions in foreign currencies are translated into the functional currency of the Group 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. Exchange differences arising on settlement or translation of monetary items are recognised in statement of profit and loss.

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 initial transaction.



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t. Operating segments

An operating segment is a component of the Group 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 Group's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segments and assess their performance.

u. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

v. 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 Group are segregated.

w. 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 year 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 year 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.

x. Measurement of fair values

A number of the Group's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

The Group 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.



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- 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 Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
- The Group 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 consolidated financial statements is included in the respective notes

y. Convertible preference shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity since conversion option meets Ind AS 32 criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

2.4 Changes in accounting policies and disclosures

New and amended standards

a. IND AS 116- Leases

IND AS 116 supersedes IND AS 17 Leases including its appendices (Appendix C of Ind AS 17 Determining whether an Arrangement contains a Lease, Appendix A of Ind AS 17 Operating Leases-Incentives and Appendix B of Ind AS 17 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group adopted IND AS 116 using the modified retrospective method with the date of initial application of April 01, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at April 01, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying Ind AS 17 and Appendix C to Ind AS 17 at the date of initial application.



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The effect of adoption Ind AS 116 as at April 01, 2019 (increase/(decrease)) is, as follows:

| | |
|------------------------------------|------------------|
| Assets | INR Lakhs |
| Right-of-use assets | 12,455.20 |
| Prepaid Expenses | (505.88) |
| Total Assets | 11,949.32 |
| Liabilities | |
| Lease Liabilities | 11,949.32 |
| Total Liabilities | 11,949.32 |
| Total adjustment on equity: | |
| Retained earnings | NIL |

The Group has lease contracts for building. Before the adoption of Ind AS 116, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note (p) Leases for the accounting policy prior to April 01, 2019.

Upon adoption of Ind AS 116, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note (p) Leases for the accounting policy beginning April 01, 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under Ind AS 17). The requirements of Ind AS 116 were applied to these leases from April 01, 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at April 01, 2019:

- Right-of-use assets of INR 12455.20 lakhs were recognized and presented separately in the balance



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sheet.

- Additional lease liabilities of INR 11949.32 lakhs were recognized.
- Prepayments of INR 505.88 lakhs related to previous operating leases were reclassified from prepaid expenses.
- There is Nil effect of these adjustments on the retained earnings as at April 01, 2019.

Also, the effect of adoption of Ind AS 116 as on March 31, 2020 is as follows:

Impact on balance sheet (increase/(decrease))

| Assets | Amount in lakhs |
|---------------------|-----------------|
| Right of use assets | 9,691.23 |
| Prepaid expenses | (422.82) |
| Deferred tax assets | 152.68 |
| Total assets | 9,421.09 |

| Liabilities | Amount in lakhs |
|--------------------------------------|-----------------|
| Lease liabilities | 9,890.43 |
| Trade payable (Rent installment due) | (15.38) |
| Total liabilities | 9,875.05 |

| Equity | Amount in lakhs |
|-------------------|-----------------|
| Retained earnings | (453.96) |

Impact on Statement of profit and loss (increase/(decrease) in profit)

| | Amount in lakhs |
|-----------------------------------|-----------------|
| Depreciation | 2,812.96 |
| Other expenses | (3,261.63) |
| Finance Cost | 1,055.31 |
| Income tax expense | (152.68) |
| Profit/(loss) for the year | (453.96) |

Reduction in Earnings per share by Rs. 2.56 per share.

b. Appendix C to IND AS 12 Uncertainty over Income Tax Treatment

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 Income Taxes. It does not apply to taxes or levies outside the scope of Ind AS



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

12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Appendix specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Appendix C to Ind AS 12, the Group considered whether it has any uncertain tax positions. The Appendix did not have an impact on the consolidated financial statements of the Group.

- c. The MCA has also carried out amendments to the following other accounting standards. The effect on adoption of following mentioned amendments were insignificant on the standalone Ind AS financial statements.

- (i) Ind AS 109: Prepayment Features with Negative Compensation
- (ii) Ind AS 19: Plan Amendment, Curtailment or Settlement
- (iii) Amendments to Ind AS 28: Long-term interests in associates and joint ventures
- (iv) Ind AS 103 Business Combinations
- (v) Ind AS 111 Joint Arrangements
- (vi) Ind AS 12 Income Taxes
- (vii) Ind AS 23 Borrowing Costs

2.5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

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

- Note 2.2(c) – Assessment of useful life of Property, plant and equipment
- Note 2.2(d) – Assessment of useful life of Intangible assets
- Note 2.2 (h) and (j) – Provisions and contingent liabilities
- Note 2.2 (o) – Income taxes



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Notes to the consolidated financial statements for the year ended 31 March 2020

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

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 2020 is included in the following notes:

- Note 35 – Measurement of defined benefit obligations: key actuarial assumptions;
- Note 36 – Recognition and measurement of provision and contingencies, key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 2.2 (r) – Impairment test of non-financial assets: key assumptions underlying recoverable amounts;
- Note 2.2 (q) - Impairment of financial assets
- Note 2.2 (o) and 9 - Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 33 - Fair value measurement
- Note 35 - Shared based payments



(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 |
|---------------------------------------|------------------------|---------------------|------------------------|------------------|----------|----------|--------------------------|----------|
| Gross carrying amount | | | | | | | | |
| Balance as at 01 April 2018 | 1,025.88 | 101.13 | 938.11 | 109.87 | 198.43 | 2,373.43 | 27.38 | 2,400.80 |
| Additions | 471.87 | 57.05 | 294.80 | 54.32 | 42.36 | 920.40 | 644.01 | 1,564.39 |
| | - | - | - | (1.29) | - | (1.29) | (231.36) | (232.65) |
| Disposals | - | - | - | - | - | - | - | - |
| Balance as at 31 March 2019 | 1,497.75 | 158.18 | 1,232.91 | 162.90 | 240.80 | 3,292.53 | 440.02 | 3,732.54 |
| Balance as at 01 April 2019 | 1,497.75 | 158.18 | 1,232.91 | 162.90 | 240.80 | 3,292.53 | 440.02 | 3,732.55 |
| Additions | 1,018.61 | - | 609.34 | 85.03 | 22.13 | 1,735.12 | 265.03 | 2,000.15 |
| | (135.95) | (16.12) | (84.01) | (53.88) | - | (289.96) | (635.17) | (925.13) |
| Disposals | - | - | - | - | - | - | - | - |
| Balance as at 31 March 2020 | 2,380.40 | 142.06 | 1,758.24 | 194.06 | 262.93 | 4,737.69 | 69.88 | 4,807.58 |
| Accumulated Depreciation | | | | | | | | |
| Balance as at 01 April 2018 | 393.55 | 8.55 | 221.05 | 64.74 | 11.17 | 699.05 | - | 699.05 |
| Depreciation for the year | 267.50 | 7.13 | 135.95 | 36.98 | 24.81 | 472.37 | - | 472.37 |
| | - | - | - | (0.64) | 0.00 | (0.64) | - | (0.64) |
| Balance as at 31 March 2019 | 661.05 | 15.68 | 357.00 | 101.07 | 35.98 | 1,170.78 | - | 1,170.78 |
| Balance as at 01 April 2019 | 661.05 | 15.68 | 357.00 | 101.07 | 35.98 | 1,170.78 | - | 1,170.78 |
| Depreciation for the year | 383.55 | 6.05 | 163.21 | 47.32 | 29.02 | 629.14 | - | 629.14 |
| | (61.30) | (5.12) | (37.12) | (18.04) | 0.00 | (121.58) | - | (121.58) |
| Accumulated depreciation on disposals | - | - | - | - | - | - | - | - |
| Balance as at 31 March 2020 | 983.29 | 16.61 | 483.09 | 130.35 | 64.99 | 1,678.34 | - | 1,678.34 |
| Carrying amounts (net) | | | | | | | | |
| At 31 March 2019 | 836.70 | 142.50 | 875.91 | 61.83 | 204.82 | 2,121.77 | 440.02 | 2,561.79 |
| At 31 March 2020 | 1,397.11 | 125.45 | 1,275.15 | 63.70 | 197.94 | 3,059.35 | 69.88 | 3,129.23 |

Notes:

- a. Refer note 17 for information on property, plant and equipment pledged as security by the Group.
b. Refer note 36 for disclosure of contractual commitments for the acquisition of property, plant and equipment.
c. Deletion amount includes for re-inbursement received for fixed assets of Rs. 49.58 lacs from brands.
d. The Group has capitalized the following expenses of revenue nature to the cost of fixed asset/capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the Group.

| | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| Rent | 107.78 | 137.69 |
| Power and Fuel | 3.50 | 0.94 |
| Rates and Taxes | 10.53 | 20.30 |
| Repairs and maintenance - others (Common Area Maintenance Charge) | 9.11 | 11.81 |
| Miscellaneous Expenses | 3.60 | 13.32 |
| | <u>134.52</u> | <u>184.07</u> |



4. Intangible assets

| Reconciliation of Gross carrying amount | | | | |
|---|-----------------------|--------------------|--------|---------|
| | Business Intelligence | Computer Softwares | Total | Total |
| Gross carrying amount | | | | |
| Balance as at 01 April 2018 | - | 55.59 | 55.59 | 65.07 |
| Additions / acquired | - | 42.16 | 42.16 | 70.89 |
| Disposals | - | - | 0 | - |
| Balance as at 31 March 2019 | - | 97.75 | 97.75 | 135.96 |
| Balance as at 01 April 2019 | - | 97.75 | 97.75 | 135.96 |
| Additions / acquired | 45.16 | 1.60 | 46.76 | 57.83 |
| Disposals | - | (5.18) | -5.18 | (48.85) |
| Balance as at 31 March 2020 | 45.16 | 94.17 | 139.34 | 144.94 |
| Amortisation | | | | |
| Balance as at 01 April 2018 | - | 28.14 | 28.14 | 28.14 |
| Amortisation for the year | - | 12.15 | 12.15 | 12.15 |
| Disposals | - | - | - | - |
| Balance as at 31 March 2019 | - | 40.29 | 40.29 | 40.29 |
| Balance as at 01 April 2019 | - | 40.29 | 40.29 | 40.29 |
| Amortisation for the year | 5.40 | 16.28 | 21.68 | 21.68 |
| Disposals | - | (3.57) | -3.57 | (3.57) |
| Balance as at 31 March 2020 | 5.40 | 53.00 | 58.40 | 58.40 |
| Carrying amounts (net) | | | | |
| At 31 March 2019 | 39.77 | 57.46 | 97.23 | 95.67 |
| At 31 March 2020 | 39.77 | 41.17 | 80.94 | 86.54 |



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| 5. Investments | As at 31 March 2020 | As at 31 March 2019 |
|----------------------------------|------------------------|------------------------|
| Non-current investment | | |
| Unquoted investment | | |
| -Investment in Pasadena Retail | 100.00 | - |
| Share of (loss) in joint venture | (33.43) | - |
| | <u>66.57</u> | <u>-</u> |

| 6. Loans* | As at 31 March 2020 | Non-current | As at 31 March 2019 | Non-current |
|--|------------------------|---------------|------------------------|-----------------|
| (unsecured, considered good) | Current | | Current | |
| Security deposits | - | - | - | 6.77 |
| - from related parties (refer note no. 38) | 706.85 | 800.10 | 393.93 | 1,010.27 |
| - from others | 14.19 | 4.80 | 11.61 | 7.23 |
| Loan to employees | <u>721.04</u> | <u>804.90</u> | <u>405.54</u> | <u>1,024.27</u> |

*The Group'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 2020 | Non-current | As at 31 March 2019 | Non-current |
|--|------------------------|---------------|------------------------|--------------|
| (Unsecured, considered good) | Current | | Current | |
| Deposits with original maturity of more than 12 months # | - | 128.77 | - | 93.70 |
| Interest accrued but not due on fixed deposits | 7.37 | 0.16 | 0.70 | 6.01 |
| Advances Recoverable in cash or kind | <u>543.00</u> | <u>-</u> | <u>258.81</u> | <u>-</u> |
| | <u>550.37</u> | <u>128.93</u> | <u>259.51</u> | <u>99.71</u> |

These deposits include restricted bank deposits amounting to Rs. 121.66 (31 March 2019 : Rs. 87.55) on account of deposits pledged as security for bank guarantees and for obtaining deposits from shareholders.

| 8. Income tax assets (net) | As at 31 March 2020 | As at 31 March 2019 |
|----------------------------|------------------------|------------------------|
| Advance income tax (net) | <u>144.63</u> | <u>123.25</u> |
| | <u>144.63</u> | <u>123.25</u> |

| 9. Deferred tax assets (net) | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| Significant components of the Group's net deferred tax are as follows: | | |
| Deferred tax assets | 727.91 | 631.93 |
| Deferred tax liabilities | - | - |
| Net deferred tax assets | <u>727.91</u> | <u>631.93</u> |

| | Opening Balance | Recognised in profit or loss | Recognised in other comprehensive income | Closing Balance |
|--|-----------------|------------------------------|--|-----------------|
|--|-----------------|------------------------------|--|-----------------|

2018-2019

| | | | | |
|--|---------------|---------------|--------------|---------------|
| Deferred tax assets: | | | | |
| Deferred tax assets on: | | | | |
| Property, plant and equipments and Intangible assets | 307.64 | 36.59 | - | 344.23 |
| Provision for doubtful debts and sales return | 50.70 | 23.68 | 10.40 | 84.78 |
| Provision for employee benefits | 81.52 | 121.40 | - | 202.92 |
| Provision - others | 43.79 | (43.79) | - | - |
| Others | <u>483.66</u> | <u>137.88</u> | <u>10.40</u> | <u>631.93</u> |
| Net deferred tax asset | | | | |

| | Opening Balance | Recognised in profit or loss | Recognised in other comprehensive income | Closing Balance |
|--|-----------------|------------------------------|--|-----------------|
|--|-----------------|------------------------------|--|-----------------|

2019-2020

| | | | | |
|--|---------------|--------------|-------------|---------------|
| Deferred tax assets: | | | | |
| Deferred tax assets on: | | | | |
| Property, plant and equipments and Intangible assets | 344.23 | (41.07) | - | 303.16 |
| Provision for doubtful debts and sales return | - | 26.52 | - | 26.52 |
| Provision for employee benefits | 84.78 | 8.04 | 0.72 | 93.55 |
| Provision - others | 202.92 | (63.70) | - | 139.22 |
| Lease assets and liabilities | - | 152.68 | - | 152.68 |
| Others | - | 12.78 | - | 12.78 |
| Net deferred tax asset | <u>631.94</u> | <u>95.25</u> | <u>0.72</u> | <u>727.91</u> |



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

| | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| 10. Other non-current assets <i>(Unsecured, considered good)</i> | | |
| Capital advances | 83.40 | 79.57 |
| - to others | 2.99 | 162.00 |
| - Prepaid expenses | 128.33 | 218.56 |
| - CENVAT credit receivable | | |
| | <u>214.72</u> | <u>460.13</u> |
| 11. Inventories <i>(At lower of cost and net realisable value)</i> | As at 31 March 2020 | As at 31 March 2019 |
| Stock-in-trade [including goods-in-transit Rs. 116.57 (31 March 2019: Rs. 214.66)] | 21,859.01 | 20,556.94 |
| | <u>21,859.01</u> | <u>20,556.94</u> |
| 12. Trade receivables <i>(Unsecured, considered good unless otherwise stated)</i> | As at 31 March 2020 | As at 31 March 2019 |
| Trade receivables # | 354.01 | 417.77 |
| - Related parties (refer to note 38) | 689.69 | 473.84 |
| - Others | (70.78) | - |
| Less: Provision for doubtful debts | (34.60) | - |
| Less: Provision for sales returns | | |
| | <u>938.32</u> | <u>891.61</u> |
| # The Group's exposure to credit and currency risk, and loss allowances related to trade receivables are disclosed in note 33 | | |
| 13. Cash and cash equivalents | As at 31 March 2020 | As at 31 March 2019 |
| Balances with banks in | 903.13 | 261.79 |
| - current accounts * | 4.86 | 304.88 |
| Cheques, drafts on hand | 66.63 | 101.12 |
| Cash on hand | | |
| Others | 8.98 | 88.97 |
| - credit cards receivable | <u>983.60</u> | <u>756.76</u> |
| * includes Rs. Nil (31 March 2019 : Rs. 18.00) being the amount of equity shares pending allotment. | | |
| 13a. Other bank balances | As at 31 March 2020 | As at 31 March 2019 |
| Deposits with original maturity of more than 3 months and less than 12 months | <u>17.00</u> | <u>27.27</u> |
| | <u>17.00</u> | <u>27.27</u> |
| # These deposits include restricted bank deposits amounting to Rs. Nil (31 March 2019 : Rs. 26.42) on account of deposits pledged as security for bank guarantees. | | |
| 14. Other current assets <i>(Unsecured, considered good)</i> | As at 31 March 2020 | As at 31 March 2019 |
| Prepaid expenses | 15.59 | 82.88 |
| Advances for supply of goods (Refer note 38) | 602.47 | 334.28 |
| Advances to employees | 51.82 | 64.56 |
| GST credit receivable | 1,629.33 | 1,632.03 |
| VAT receivable | 7.31 | 9.21 |
| Deposit under protest | 68.86 | 123.32 |
| Other advances | <u>27.49</u> | <u>0.64</u> |
| | <u>2,402.88</u> | <u>2,246.92</u> |



Ethos Limited

Notes to the standalone financial statements for the year ended 31 March 2020

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

15. Equity share capital

| | As at 31 March 2020 | | As at 31 March 2019 | |
|---|------------------------|-----------------|------------------------|-----------------|
| | 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 |
| | 33,476,924 | 6,140.00 | 33,476,924 | 6,140.00 |
| <i>Issued, subscribed and fully paid up</i> | | | | |
| Equity shares of Rs. 10 each | (i) 18,212,812 | 1,821.28 | 16,901,713 | 1,690.17 |
| 14% cumulative compulsory convertible preference shares of Rs. 130 each | (ii) - | - | 576,923 | 750.00 |
| | 18,212,812 | 1,821.28 | 17,478,636 | 2,440.17 |

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 did not hold any voting rights. The Company declared and paid dividends in Indian Rupees. Where dividend on cumulative preference shares is not declared for a financial year the entitlement thereto was 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 was 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, all these preference shares have been converted into 576,923 equity shares of Rs. 10 each at a premium of Rs. 120 per share.

The holder of 248,373 14% cumulative compulsorily convertible preference shares of Rs 130 each (200,000 converted into equity shares on 14th November, 2019 and 48,373 converted into equity shares on 17th December, 2019) had "tag along and put option rights". Tag along rights would be triggered 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 would automatically be converted into equity shares. The holder would 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. However, the holder still has 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 (77,000 converted into equity shares on 6th November, 2019 and 38,462 converted into equity shares on 17th December, 2019) had "tag along and put option rights". Tag along rights would be triggered 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 would automatically be converted into equity shares. The holder would 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. However, the holder still has 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.

(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 2020 | | As at 31 March 2019 | |
|---|------------------------|-----------------|------------------------|-----------------|
| | Number of shares | Amount | Number of shares | Amount |
| i) Equity shares of Rs. 10 each fully paid up | | | | |
| At the beginning of the year | 16,901,713 | 1,690.17 | 15,908,564 | 1,590.86 |
| Add: issued during the year | 719,176 | 71.92 | 993,149 | 99.31 |
| Add: issued pursuant to conversion of 14% cumulative compulsory convertible preference shares | 576,923 | 57.69 | - | - |
| Add: issued on exercise of employee stock options | 15,000 | 1.50 | - | - |
| At the end of the year | 18,212,812 | 1,821.28 | 16,901,713 | 1,690.17 |
| ii) 14% cumulative compulsory convertible preference shares of | | | | |
| At the beginning of the year | 576,923 | 750.00 | 576,923 | 750.00 |
| Less: converted into equity shares during the year | (576,923) | (750.00) | - | - |
| At the end of the year | - | - | 576,923 | 750.00 |



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

| | As at 31 March 2020 | | As at 31 March 2019 | |
|--|------------------------|----------|------------------------|----------|
| | Number of shares | Amount | Number of shares | Amount |
| <i>Equity shares of Rs. 10 each fully paid up</i> | | | | |
| -KDDL Limited (holding company and ultimate holding company) | 11,133,146 | 1,113.31 | 10,394,740 | 1,039.47 |
| -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 |

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

| | As at 31 March 2020 | | As at 31 March 2019 | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 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 | 11,133,146 | 61.13 | 10,394,740 | 61.50 |
| -Mahen Distribution Limited | 2,293,150 | 12.59 | 2,293,150 | 13.57 |
| -Mr. Mukul Mahavir Agrawal | 900,976 | 4.95 | 900,976 | 5.33 |
| <i>14% cumulative compulsory convertible preference shares of Rs.</i> | | | | |
| -Sixth Sense India Opportunities – I | - | - | - | - |
| -Mr. Nikhil Vora | - | - | 248,373 | 43.05 |
| -Mr. R.K. Saboo | - | - | 115,462 | 20.00 |
| -Dream Digital Technology Private Limited | - | - | 46,155 | 8.00 |
| -Mrs. Anuradha Saboo | - | - | 7,693 | 1.33 |
| | - | - | 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 2020)*

During the five years immediately preceding 31 March 2020 ('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:

- (i) The Company had during the 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.
- (ii) 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.
- (iii) During the year ended 31 March 2020, 576,293 14% cumulative compulsory convertible preference shares of Rs. 130 each were converted into 576,923 equity shares of Rs. 10 each at a premium of Rs. 120 per share. Further, 15,000 equity shares of Rs. 10 each had been issued under employee stock option plans for which only exercise price had been received in cash.

f) *Employee stock option plan*

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

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

| | As at 31 March 2020 | | As at 31 March 2019 | |
|---|------------------------|--------|------------------------|--------|
| | 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)) | 131,250 | 13.13 | 154,250 | 15.43 |
| For 14% compulsorily convertible preference shares into 576,923 equity shares of Rs. 10 each | - | - | 576,923 | 57.69 |



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Notes to the Consolidated financial statements for the year ended 31 March 2020

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

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 15(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 36.00 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.

| | Note | As at 31 March 2020 | As at 31 March 2019 |
|---|------|------------------------|------------------------|
| 17. Borrowings | | | |
| i) Non-current borrowings | | | |
| Term-loans | (a) | 138.91 | 157.60 |
| From banks (secured) | (b) | 254.24 | 294.18 |
| From others (unsecured) | | | |
| Deposits | | | 517.00 |
| Inter corporate deposits | (c) | 35.00 | 200.00 |
| From related parties (unsecured) (refer to note 37) | (d) | 200.00 | |
| From others (unsecured) | | | |
| | (e) | 1,591.38 | 1,233.44 |
| Deposits from shareholders (unsecured) | | | |
| | | 2,219.53 | 2,402.22 |
| Total non-current borrowings (including current maturities) | | | |
| | | (643.60) | (781.76) |
| Less: Current maturities of non-current borrowings (refer to note 20) | | | |
| | | 1,575.93 | 1,620.46 |
| | | 7,981.82 | - |
| Lease Liabilities (Refer to note 38 for related parties disclosure) | | | 48.86 |
| Other Non current financial Liabilities | | 94.52 | |
| Interest Accrued but not due on deposits | | | |
| | | 9,652.27 | 1,669.31 |



Ethos Limited

Notes to the Consolidated financial statements for the year ended 31 March 2020

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

Notes:

- Vehicle loans amounting to Rs. 138.91 (31 March 2019 : Rs.157.60) 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 2019 : 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.
- 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 taken in March 2014 will be repaid in 120 monthly instalments along with interest. The loan outstanding as on 31 March 2020 is Rs. 254.24 (31 March 2019 : Rs 294.18) which will be repaid as per repayment schedule.
- Inter corporate deposit from related parties carry an interest rate ranging between 8.50% to 16% (31 March 2019 : 8.50% to 16%) per annum and the same is repayable within 12-36 months (31 March 2019 : within 12-36 months) as per repayment schedule.
- Inter corporate deposit from others carry an interest rate ranging between 13.5% to 14% (31 March 2019 : 13.5% to 14%) per annum and the same are repayable as per the repayment schedule within twenty four months.
- Deposits from Shareholders carry interest rate ranging between 8% to 10.75% (31 March 2019 : 8% to 10.75%) per annum and carries a maturity period from 6 to 36 months from the respective date of deposits.

| | | As at 31 March 2020 | As at 31 March 2019 |
|--|-----|------------------------|------------------------|
| ii) Current borrowings | | | |
| Loan repayable on demand | | | |
| - From banks (secured)* | (f) | 4,241.45 | 5,230.31 |
| Other Loans | | | |
| -Intercompany deposits from others (secured) | (g) | 500.00 | - |
| -Deposits from shareholders (unsecured) | (h) | 613.70 | 73.99 |
| | | <u>5,355.15</u> | <u>5,304.30</u> |
| Lease liabilities* | | 1,908.61 | - |
| | | <u>7,263.76</u> | <u>5,304.30</u> |

* Including payable to related parties. Refer note 38

- Loan repayable on demand from IDBI Bank Limited amounting to Rs. 1544.82 (31 March 2019 : Rs. 2386.71) 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 408, 4th Main, 11th Cross, Peenya Industrial Area, 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 2020 varies from 10.75% to 11.50% (31 March 2019 : 11.25% to 12%) per annum.

Loan repayable on demand from The Jammu & Kashmir Bank Limited amounting to Rs. 859.29 (31 March 2019 : Rs. 874.89) 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 & specific 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 2020 varies from 10.70% to 11.40% (31 March 2019 : 11.40% to 12.40%) per annum.

Loan repayable on demand from Bank of Maharashtra amounting to Rs. 1837.34 lakhs (31 March 2019 : Rs. 1968.71 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 2020 is 11% (31 March 2019 : 11.50%) per annum.

- Inter corporate deposit from others carry an interest rate ranging between 10.0% to 13.5% (31 March 2019 : Nil) per annum and the same are repayable as per the repayment schedule within twelve months.
- 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 2019 : 10.00% to 10.50% per annum).

Reconciliation of movement of liabilities to cash flows arising from financing activities

| | Year ended 31 March 2020 | Year ended 31/03/2019 |
|--|-----------------------------|--------------------------|
| Balance as at the beginning of the year (including current and non-current borrowings) | 7,706.52 | 6,330.28 |
| Proceeds from non-current borrowings | 602.17 | 384.10 |
| Repayment of non-current borrowings | (784.85) | (213.32) |
| Proceeds from current borrowings having maturity period more than 3 months | 237.11 | 73.99 |
| Repayment of current borrowing having maturity period more than 3 months | (97.40) | (64.26) |
| Proceeds from/repayments of current borrowings (net) | (88.86) | 1,195.73 |
| Balance as at the end of the year (including current and non-current borrowings) | 7,574.69 | 7,706.52 |



Ethos Limited

Notes to the Consolidated financial statements for the year ended 31 March 2020

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

| 18. Provisions | As at 31 March 2020 | | As at 31 March 2019 | |
|--|------------------------|---------------|------------------------|---------------|
| | Current | Non-current | Current | Non-current |
| Provision for gratuity (Refer note 35) | 3.32 | 130.04 | 3.12 | 110.23 |
| Provision for compensated absences | 234.04 | - | 132.41 | - |
| | <u>237.36</u> | <u>130.04</u> | <u>135.53</u> | <u>110.23</u> |

| 19. Trade payables* | As at 31 March 2020 | | As at 31 March 2019 | |
|--|------------------------|-----------------|------------------------|-----------------|
| | | | | |
| - Micro, small and medium enterprises # | | 1.93 | | - |
| - Trade payables to related parties (Refer to note 38) | | 382.89 | | 338.54 |
| - Other trade payables | | 6,858.46 | | 6,521.83 |
| | | <u>7,243.28</u> | | <u>6,860.37</u> |

There are no micro, small and medium enterprises, to whom the Group 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 Group.

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| (a) The principal amount remaining unpaid to any supplier at the end of the year | 1.93 | - |
| (b) The interest due on principal amount remaining unpaid to any supplier as at the end of the 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 | - | - |
| (d) 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 | - | - |
| (e) The amount of interest accrued and remaining unpaid at the end of year | - | - |
| (f) 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 2020 | | As at 31 March 2019 | |
|--|------------------------|-----------------|------------------------|-----------------|
| | | | | |
| Current maturities of non-current borrowings (refer note 17) | | 643.60 | | 781.76 |
| Capital creditors | | 62.20 | | 105.69 |
| Salaries, wages and bonus and other employee payable | | 802.89 | | 738.56 |
| Interest accrued but not due on borrowings* | | 109.58 | | 70.15 |
| Interest Payable Others | | 4.36 | | 15.29 |
| | | <u>1,622.63</u> | | <u>1,711.45</u> |

* Refer note 38 for related parties disclosure

| 21. Other current liabilities | As at 31 March 2020 | | As at 31 March 2019 | |
|-------------------------------|------------------------|-----------------|------------------------|---------------|
| | | | | |
| Deferred revenue | | 246.09 | | 222.57 |
| Statutory dues | | 130.54 | | 116.49 |
| Advances from customers | | 653.57 | | 287.59 |
| Other Payables | | 27.64 | | 27.64 |
| | | <u>1,057.84</u> | | <u>654.29</u> |

| 22. Current tax liabilities (net) | As at 31 March 2020 | | As at 31 March 2019 | |
|-----------------------------------|------------------------|--------------|------------------------|---------------|
| | | | | |
| Provision for income tax (net) | | 38.00 | | 307.43 |
| | | <u>38.00</u> | | <u>307.43</u> |



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Ethos Limited

Notes to the Consolidated financial statements for the year ended 31 March 2020

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

23. Revenue from operations

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| Sale of products (net of applicable tax) | 44,905.72 | 43,744.10 |
| Sale of services | 879.19 | 547.16 |
| Other operating income | - | 61.64 |
| | <u>45,784.91</u> | <u>44,352.90</u> |

24. Other income

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|-----------------------------|-----------------------------|
| Interest income under the effective interest rate method on | | |
| - Fixed Deposits | 14.42 | 13.13 |
| - Security deposits at amortised cost | 96.60 | 83.71 |
| - Others | 2.91 | - |
| Provisions/liabilities no longer required written back | 110.59 | 58.87 |
| Miscellaneous | 7.25 | 1.02 |
| | <u>231.77</u> | <u>156.73</u> |

25. Purchase of stock-in-trade

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---------------------------|-----------------------------|-----------------------------|
| Purchases during the year | 34,205.38 | 34,988.34 |
| | <u>34,205.38</u> | <u>34,988.34</u> |

26. Changes in inventory of stock-in-trade

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|-------------------------|-----------------------------|-----------------------------|
| Opening inventory | 20,556.94 | 17,103.29 |
| Less: closing inventory | (21,859.01) | (20,556.94) |
| (Increase) in inventory | <u>(1,302.07)</u> | <u>(3,453.65)</u> |

27. Employee benefits expense

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|-----------------------------|-----------------------------|
| Salaries, wages and bonus | 3,031.88 | 3,031.26 |
| Contribution to provident and other funds | 176.88 | 142.48 |
| Share based payments | (18.11) | (7.81) |
| Staff welfare expenses | 126.38 | 146.59 |
| | <u>3,317.02</u> | <u>3,312.52</u> |

28. Finance costs

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| Interest expense on financial liabilities measured at amortised cost | 862.59 | 740.56 |
| Interest on lease liabilities | 1,055.31 | - |
| Interest on delay in deposit of income tax | 28.05 | 24.83 |
| | <u>1,945.95</u> | <u>765.40</u> |

29. Depreciation and amortisation expense

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| Depreciation of property, plant and equipment (Refer note 3) | 629.14 | 472.37 |
| Amortisation of other intangible assets (Refer note 3) | 21.68 | 12.15 |
| Depreciation of Right-of-use of assets (Refer note 37) | 2,812.96 | - |
| | <u>3,463.78</u> | <u>484.52</u> |



Ethos Limited

Notes to the Consolidated financial statements for the year ended 31 March 2020

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

30. Other expenses

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|-----------------------------|-----------------------------|
| Power and fuel | 139.15 | 123.06 |
| Service cost expense | 110.20 | 51.43 |
| Insurance | 41.80 | 35.74 |
| Rent (net of reimbursements of Rs. 171.78 (Previous Year Rs. 214.20)) (Refer note 37) | 74.11 | 2,784.36 |
| Rates and taxes | 25.23 | 66.26 |
| Repair and maintenance - Others | 532.05 | 414.81 |
| Foreign exchange loss (net) | 167.01 | 134.61 |
| Travelling and conveyance | 277.99 | 296.08 |
| Advertisement and sales promotion (refer note 38) | 1,406.30 | 1,277.74 |
| Directors sitting fees | 14.11 | 33.27 |
| Printing and stationery | 19.30 | 17.69 |
| Recruitment expenses | 26.67 | 17.56 |
| Telephone and telex | 72.91 | 70.28 |
| Postage and telegram | 216.68 | 188.20 |
| Legal and professional fees * | 227.62 | 251.91 |
| Bank charges | 415.76 | 341.33 |
| Provision for sale Returns | 34.60 | - |
| Provision for Doubtful debts | 70.78 | - |
| Advances/deposits/Bad debts written off | 63.50 | 38.40 |
| Loss on sale of Fixed assets | 17.95 | 0.12 |
| Property, plant and equipments written off (net) | 73.43 | - |
| Service tax deposit and credit written off (Refer note 45) | 218.56 | - |
| Corporate Social Responsibility expenditure (Refer note 44) | 10.03 | - |
| Donation | 4.32 | - |
| Miscellaneous expenses | 115.35 | 87.01 |
| | 4,375.44 | 6,229.86 |

*Includes payment to auditors (excluding taxes as applicable and including payment to former Statutory auditors of Parent Company)

As auditor

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|-----------------------------|-----------------------------|
| Statutory audit | 12.10 | 12.50 |
| Limited review of special purpose quarterly results | 7.35 | 6.75 |
| In other capacity | | |
| Certification work | 2.60 | 3.40 |
| Other services | - | 2.25 |
| Reimbursement of expenses | 2.95 | 1.85 |
| | 25.00 | 26.75 |



Ethos Limited

Notes to the Consolidated financial statements for the year ended 31 March 2020

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

31. Tax expense

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|-----------------------------|-----------------------------|
| <i>a) Income tax recognised in statement of profit and loss</i> | | |
| Current tax | | |
| Current year | 296.13 | 1013.61 |
| Changes in estimates related to prior years | 23.27 | (29.93) |
| | 319.41 | 983.68 |
| Deferred tax | | |
| Attributable to— | | |
| Origination and reversal of temporary differences | (254.02) | (137.88) |
| Changes in estimates related to prior years | (24.45) | - |
| Change in Deferred tax due to change in Income tax rate | 183.22 | - |
| | (95.25) | (137.88) |
| Total tax expense recognised in the current year | 224.15 | 845.80 |

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

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| Profit before tax | | |
| Tax at the Indian tax rate of 25.168% for Company and 34.944% for Subsidiary (previous year 34.944%) | 31.54 | 762.62 |
| Effect of expenses that are not deductible in determining taxable profit | 10.57 | 51.08 |
| Effect of tax (benefit) / expense pertaining to prior years | (1.18) | 29.93 |
| Effect of increase in tax rate | 183.22 | - |
| Others | - | 2.17 |
| Income tax expenses recognised in statement of profit and loss | 224.15 | 845.80 |

The tax rate used for the current year reconciliation above is the corporate tax rate of 25.168% (previous year 34.944%) for the Parent Company and 34.944% (Previous Year 34.944%) for subsidiary 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 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| Deferred tax assets/(liabilities) | | |
| <i>Arising on income and expenses recognised in other comprehensive income</i> | | |
| -Remeasurement of defined benefit obligation | 0.72 | 10.40 |
| Total income tax recognised in other comprehensive income | 0.72 | 10.40 |
| <i>Bifurcation of the income tax recognised in other comprehensive income into:-</i> | | |
| Items that will not be reclassified to profit or loss | 0.72 | 10.40 |
| Items that may be reclassified to profit or loss | - | - |
| | 0.72 | 10.40 |

32. Earnings per share

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| A. Basic earnings per share | | |
| i Profit / (loss) for basic earning per share of Rs. 10 each | | |
| Profit / (loss) for the year | (246.41) | 1,336.85 |
| Less : dividend on convertible preference shares, net of tax | - | 126.58 |
| | (246.41) | 1,210.27 |
| ii Weighted average number of equity shares for (basic) | | |
| Opening Balance | 16,901,713 | 15,908,564 |
| Effect of fresh issue of shares | 800,532 | 452,899 |
| | 17,702,245 | 16,361,463 |
| Basic Earnings per share (face value of Rs 10 each) | (1.39) | 7.40 |
| B. Diluted earnings per share | | |
| i Profit / (loss) for diluted earning per share of Rs. 10 each | (246.41) | 1336.85 |
| ii Weighted average number of equity shares for diluted | | |
| Opening Balance* | 16,901,713 | 15,908,564 |
| Effect of fresh issue of shares* | 931,782 | 1,184,072 |
| | 17,833,495 | 17,092,636 |
| Diluted earnings per share (face value of Rs 10 each) | (1.39) | 7.40 |

* For the year ended 31 March 2020 131,250 options (previous year 154,250 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.



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 2020 | | | As at 31 March 2019 | | |
|---|----------|--------------------|------------------------|------------------|-------|------------------------|------------------|-------|
| | | | FVTPL | Amortised cost | FVOCI | FVTPL | Amortised cost | FVOCI |
| Financial assets | | | | | | | | |
| Non-current | | | | | | | | |
| Loans | (b) | 3 | - | 804.90 | - | - | 1,024.27 | - |
| Other financial assets | (b) | 3 | - | 128.93 | - | - | 99.71 | - |
| Current | | | | | | | | |
| Trade receivables | (a) | 3 | - | 938.32 | - | - | 891.61 | - |
| Cash and cash equivalents | (a) | 3 | - | 983.60 | - | - | 756.76 | - |
| Other bank balances | (a) | 3 | - | 17.00 | - | - | 27.27 | - |
| Loans | (b) | 3 | - | 721.04 | - | - | 405.54 | - |
| Other financial assets | (d) | 2 | - | 550.37 | - | - | 259.51 | - |
| Total | | | - | 4,144.17 | - | - | 3,464.66 | - |
| Financial liabilities | | | | | | | | |
| Non-current | | | | | | | | |
| Borrowings (including current maturities) | (c) | 3 | - | 2,219.53 | - | - | 2,402.22 | - |
| Other Non current financial Liabilities | | | | 94.52 | | | 48.86 | - |
| Current | | | | | | | | |
| Borrowings | (c) | 3 | - | 5,355.15 | - | - | 5,304.30 | - |
| Trade payables | (a) | 3 | - | 7,243.26 | - | - | 6,860.37 | - |
| Other financial liabilities | (a), (d) | 2 | - | 979.03 | - | - | 929.69 | - |
| Total | | | - | 15,891.49 | - | - | 15,545.43 | - |

Notes:

- (a) 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.
- (b) Fair value of non-current financial assets has not been disclosed as there is no significant differences between carrying value and fair value.
- (c) 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.
- (d) 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.

There are no transfers between Level 1, Level 2 and Level 3 during the year ended 31 March 2020 and 31 March 2019.



II. Financial risk management**(i) Risk management framework**

The Parent Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risk faced by the Group, 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 Group, 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 Parent Company's audit committee oversees how management monitors compliance with Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risk faced by the Group. 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 Group 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 Group 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 Group's receivable from customers and loans.

Trade receivables and Loans

The Group'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 Group 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 Group by credit worthiness checks. The Group 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 Group'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 Group is not exposed to concentration risks.

Cash and cash equivalents

The Group holds cash and cash equivalents of Rs. 983.60 at 31 March 2020 (31 March 2019: Rs. 756.76). The cash and cash equivalents are held with scheduled banks.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group'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 Group'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 Group will continue to consider various borrowings of leasing options to maximize liquidity and supplement cash requirements as necessary.



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 2020

| Carrying amount of liabilities | Total undiscounted contractual cash flows | Contractual cash flow | | |
|---|---|-----------------------|-----------|-------------------|
| | | Less than 1 year | 1-5 years | More than 5 years |
| Non derivative financial liabilities | | | | |
| -Borrowings(including current maturities) | 7,574.69 | 7,574.69 | 5,998.75 | 1,575.94 |
| -Trade payables | 7,243.26 | 7,243.26 | - | - |
| -Lease liabilities | 9,890.43 | 13,872.61 | 2,912.80 | 8,392.46 |
| -Capital creditors | 62.20 | 62.20 | - | 2,567.35 |
| -Salaries, wages and bonus payable | 802.89 | 802.89 | - | - |
| -Interest accrued but not due on borrowings | 204.10 | 204.10 | - | - |
| - Interest Payable Others | 4.36 | 4.36 | 94.52 | - |
| | 25,781.93 | 29,764.11 | 17,133.85 | 10,062.92 |
| | | | | 2,567.35 |

31 March 2019

| Carrying amount of liabilities | Total undiscounted contractual cash flows | Contractual cash flow | | |
|---|---|-----------------------|-----------|-------------------|
| | | Less than 1 year | 1-5 years | More than 5 years |
| Non derivative financial liabilities | | | | |
| -Borrowings(including current maturities) | 7,706.52 | 7,706.52 | 6,086.06 | 1,620.46 |
| -Trade payables | 6,860.37 | 6,860.37 | - | - |
| -Capital creditors | 105.69 | 105.69 | - | - |
| -Salaries, wages and bonus payable | 738.56 | 738.56 | - | - |
| -Interest accrued but not due on borrowings | 119.01 | 119.01 | 70.15 | 48.86 |
| -Interest payable-others | 15.29 | 15.29 | - | - |
| | 15,545.43 | 15,545.43 | 13,876.11 | 1,669.32 |
| | | | | - |

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

In a potentially inflationary economy, the Group 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 Group operates in luxury category, the demand is reasonably inelastic to changes in price. However, the Group 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 Group negotiates with its principals for change of prices. The Group also manages the risk by offering judicious product discounts to retail customers to sustain volumes. The Group 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 Group protect itself from significant product margin losses.



b) Interest rate risk

The Group 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 Group are principally denominated in rupees with a mix of fixed and floating rates of interest. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The exposure of the Group's borrowing to interest rate changes as reported to the management at the end of the reporting period are as follows:

| | As at 31/03/2020 | As at 31/03/2019 |
|--------------------------|---------------------|---------------------|
| Fixed rate borrowings | 3,333.24 | 2,476.21 |
| Floating rate borrowings | 4,241.45 | 5,230.31 |
| | <u>7,574.69</u> | <u>7,706.52</u> |

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 2020 | | |
| Interest rate (0.5% movement) | (21.21) | 21.21 |
| For the year ended 31 March 2019 | | |
| Interest rate (0.5% movement) | (26.15) | 26.15 |

c) Currency risk

The Group 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 Group. The currencies in which the Group is exposed to risk are CHF, USD, EUR, SGD. The Group evaluates this risk on a regular basis and appropriate risk mitigating steps are taken, including but not limited, entering into forward contracts.

Exposure to currency risk

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

| | CHF | USD | SGD | EUR |
|--|-----------------|--------------|--------------|--------------|
| 31 March 2020 | | | | |
| Trade payables | 1,564.78 | 63.97 | 73.84 | 81.04 |
| Net exposure of recognised financial liability | <u>1,564.78</u> | <u>63.97</u> | <u>73.84</u> | <u>81.04</u> |
| 31 March 2019 | | | | |
| Trade payables | 1,595.25 | 18.38 | 5.86 | 28.80 |
| Net exposure of recognised financial liability | <u>1,595.25</u> | <u>18.38</u> | <u>5.86</u> | <u>28.80</u> |

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 2020 | | | | |
| CHF (1% movement) | (15.65) | 15.65 | (11.71) | 11.71 |
| SGD (1% movement) | (0.74) | 0.74 | (0.55) | 0.55 |
| EUR (1% movement) | (0.81) | 0.81 | (0.61) | 0.61 |
| USD (1% movement) | (0.64) | 0.64 | (0.48) | 0.48 |
| 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 |

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

34. Capital Management

(i) Risk management

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

| | 31 March 2020 | 31 March 2019 |
|-----------------------------------|---------------|---------------|
| Total liabilities | 27,245.16 | 16,752.91 |
| Less: cash and cash equivalents | (983.60) | (756.76) |
| Adjusted net debt | 26,261.56 | 15,996.15 |
| Total equity | 15,221.72 | 13,388.37 |
| Adjusted net debt to equity ratio | <u>1.73</u> | <u>1.19</u> |

(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 2020 | 31 March 2019 |
|-------|---------------|---------------|
| | - | 553.12 |
| Total | <u>-</u> | <u>553.12</u> |



35 Employee benefits**I. Assets and liabilities relating to employee benefits**

| | As at 31 March 2020 | As at 31 March 2019 |
|------------------------------------|------------------------|------------------------|
| <i>Non-current</i> | | |
| Liability for gratuity | 130.04 | 110.23 |
| Liability for compensated absences | - | - |
| | <u>130.04</u> | <u>110.23</u> |
| <i>Current</i> | | |
| Liability for gratuity | 3.32 | 3.12 |
| Liability for compensated absences | 234.04 | 132.41 |
| | <u>237.36</u> | <u>135.53</u> |
| | <u>367.40</u> | <u>245.76</u> |

For details about the related employee benefit expenses, refer to note no. 38.

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 Group 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 Group 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 Group 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 Group does not expect any significant liquidity risks.

b) Reconciliation of present value of defined benefit obligation

| | As at 31 March 2020 | As at 31 March 2019 |
|---|------------------------|------------------------|
| Balance at the beginning of the year | 147.21 | 99.87 |
| Benefits paid | (12.83) * | (11.47) |
| Current service cost | 27.74 | 22.80 |
| Interest cost | 11.04 | 7.49 |
| Actuarial (gains) / losses on experience adjustments recognised in other comprehensive income | 0.52 | 28.53 |
| Balance at the end of the year | 173.68 | 147.21 |

* Include Rs. 8.98 directly paid by the Parent Company

c) Reconciliation of the present value of plan assets

| | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| Balance at the beginning of the year | 33.86 | 38.32 |
| Contributions paid into the plan | 10.10 | 5.38 |
| Interest income | 2.54 | 2.87 |
| Benefits paid | (3.85) | (11.47) |
| Return on plan assets recognised in other comprehensive income | (2.33) | (1.23) |
| Balance at the end of the year | 40.32 | 33.87 |

d) Expense recognised in profit or loss

| | As at 31 March 2020 | As at 31 March 2019 |
|----------------------|------------------------|------------------------|
| Current service cost | 27.74 | 22.80 |
| Interest income | (2.54) | (2.87) |
| Interest cost | 11.04 | 7.49 |
| | <u>36.24</u> | <u>27.41</u> |

e) Remeasurements recognised in other comprehensive income

| | As at 31 March 2020 | As at 31 March 2019 |
|---|------------------------|------------------------|
| Actuarial (gain) / loss on defined benefit obligation | 0.52 | 28.53 |
| Return on plan assets less / (greater) than discount rate | 2.33 | 1.23 |
| | <u>2.85</u> | <u>29.76</u> |

f) Plan assets

100% of the plan assets are managed by LIC

g) Actuarial assumptions

| | As at 31 March 2020 | As at 31 March 2019 |
|---------------------------------------|------------------------|------------------------|
| Discount rate (per annum) | 6.91% p.a. | 7.50% p.a. |
| Future salary growth rate (per annum) | 5.00% p.a. | 5.00% p.a. |
| Retirement age | 55 years | 55 years |

Assumptions regarding future mortality are based on Indian Assured Lives Mortality (IALM) (2012-14) rates.



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 2020 | | As at 31 March 2019 | |
|---|------------------------|----------|------------------------|----------|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | (9.12) | 9.89 | (19.82) | 16.89 |
| Future salary growth rate (1% movement) | 8.94 | (8.30) | 19.82 | (17.05) |

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 2020 | As at 31 March 2019 |
|---------------|------------------------|------------------------|
| Within 1 year | 3.32 | 4.51 |
| 1-2 year | 3.29 | 4.15 |
| 2-3 year | 14.70 | 4.33 |
| 3-4 year | 17.25 | 4.19 |
| 4-5 year | 3.17 | 4.11 |
| 5-10 years | 131.94 | 125.92 |

III. Defined contribution plans

The Group makes contribution, determined as a percentage of employee salaries, in respect of qualifying employees towards Provident fund, which is a defined contribution plan. The Group has no obligation other than to make the specified contributions. The Group has recognised Rs. 135.90 (previous year Rs. 106.10) 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 2020, the Parent 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 Parent Company. Each option comprises one underlying equity share.

As per the Scheme, the Performance Evaluation and Guidance-cum- Nomination and Remuneration Committee (formerly known as 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 Parent 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 Performance Evaluation and Guidance-cum- Nomination and Remuneration Committee (formerly known as Compensation Committee) shall declare such date as and when it is triggered.

The Parent Company has in its Performance Evaluation and Guidance-cum- Nomination and Remuneration Committee (formerly known as 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 Performance Evaluation and Guidance-cum- Nomination and Remuneration Committee (formerly known as 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 2020 | | During the year ended 31 March 2019 | |
|--|--|---|--|---|
| | Options (numbers) | Weighted average exercise price per option (Rs.) | Options (numbers) | Weighted average exercise price per option (Rs.) |
| Ethos Employee Stock Option Scheme - 2013 | | | | |
| Option outstanding at the beginning of the year | 150,750 | 120 | 168,250 | 120 |
| Granted during the year | - | - | - | - |
| Vested during the year | - | - | - | - |
| Exercised during the year | 15,000 | 120 | - | - |
| Lapsed during the year | 8,000 | 120 | 17,500 | 120.00 |
| Options outstanding at the end of the year | 127,750 | 120 | 150,750 | 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 | 127,750 | 120 | 150,750 | 120 |
| Ethos Employee Stock Option Scheme - 2013 | | | | |
| 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 |

d) Expense recognized in statement of profit and loss

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| Expense arising from equity-settled share based payment transaction (including options lapsed during the year) | (18.11) | (7.81) |

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 2020 | As at 31 March 2019 |
|---|------------------------|------------------------|
| 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.



36. **Contingent liabilities, commitments and other matters**
(to the extent not provided for)

| | | As at 31 March 2020 | As at 31 March 2019 |
|------|--|------------------------|------------------------|
| i) | Claims against the Company not acknowledged as debts, under dispute | | |
| | a) Income Tax matters | 314.05 | 94.30 |
| | b) Value Added Tax matters | 1.32 | 1,000.71 |
| | c) Customs duty matters | 17.85 | - |
| | | 333.22 | 1,095.01 |
| 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 |
| iii) | Commitments | | |
| | -Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 306.82 | 188.96 |
| | -amount payable under non- cancellable leases | - | 7,241.80 |
| | | 306.82 | 7,430.76 |
| iv) | In addition, the Group is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The Group'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. | | |
| v) | 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 Group 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 Group will not be material. | | |



ETHOS LIMITED**Notes to the consolidated financial statements for the year ended 31 March 2020***(All amounts in ₹ lakhs, except for share data and if otherwise stated)***37 Leases****A. Group as a lessee**

The Group has lease contracts for various retail stores to be used for its operations. The Leases generally have lease terms 3 - 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning or sub leasing the leased assets.

The Group has certain leases with lease terms of 12 months or less and leases with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The carrying amounts of right-of-use assets recognised and the movements during the year:

| Particulars | Stores |
|---|-----------|
| As at April 01, 2019 | 11,949.32 |
| Additions | 112.63 |
| Reclassified from prepaid expenses (if any) | 570.35 |
| Deletions/Modification | 128.11 |
| Depreciation expense | 2,812.96 |
| As at March 31, 2020 | 9,691.23 |

The carrying amounts of lease liabilities and the movements during the year:

| Particulars | Stores |
|-------------------------------|-----------------|
| As at April 01, 2019 | 11,949.32 |
| Additions | 112.63 |
| Accretion of interest | 1,055.31 |
| Deletions/Modification | 128.11 |
| Payments | 3,098.73 |
| As at March 31, 2020 | 9,890.42 |
| Current lease liabilities | 1,908.61 |
| Non-current lease liabilities | 7,981.82 |
| Total | 9,890.42 |

The details regarding the maturity analysis of lease liabilities as at March 31, 2020 on an undiscounted basis:

| Particulars | Stores |
|---|------------------|
| Within one year | 2,912.80 |
| After one year but not more than five years | 8,392.46 |
| More than five years | 2,567.35 |
| Total | 13,872.61 |

Considering the lease term of the leases, the effective interest rate for lease liabilities is 11.63%.

The Group does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

The following are the amounts recognised in profit or loss:

| Particulars | Stores |
|---|-----------------|
| Depreciation expense of right-of-use assets | 2,812.96 |
| Interest expense on lease liabilities | 1,055.31 |
| Expense relating to short-term leases (included in other expenses)* | 245.89 |
| Expense relating to leases of low-value assets (included in other expenses) | - |
| Total amount recognised in profit or loss | 4,114.16 |

The Company had total cash outflows for leases of INR 3,114.15 during the year ended March 31, 2020.

* Gross of reimbursement received of Rs. 171.78



38. 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) |
| Joint Venture | Pasadena Retail Private Limited |

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 | VBL Innovations Private Limited Vardhan Properties & Investment Limited Anacott Trading SA |
| 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 Saveeka Family Trust |
| Key Management Personnel and relatives | Mr. Y. Saboo (Managing Director) Relatives of Managing Director Mr. Pranav Shankar Saboo (CEO) Mr. R K Saboo Mr. Jai Vardhan Saboo Mrs. Malvika Saboo Mrs. Usha Devi Saboo Mrs. Anuradha Saboo Mr. C. Raja Sekhar (CFO) Mr. Anil Dhiman (CS) |
| Directors | Mr. Anil Khanna Mr. N. Subramanian Mr. Sundeeep Kumar Mrs. Neelima Tripathi Mr. Dilpreet Singh Mr. Mohaimin Altaf |
| Relatives of Director | Mrs Alka Khanna (Wife of Mr Anil Khanna) Mrs Poonam Prakash (Sister of Mr Anil Khanna) Mr Apoorv Tripathi (Son of Mrs Neelima Tripathi) Mrs Nighat Altaf (Mother of Mr. Mohaimin Altaf) |



III. Transactions with related parties

| Nature of transactions | As at | As at |
|--|---------------|---------------|
| | 31 March 2020 | 31 March 2019 |
| a) Purchase of goods | | |
| - Pylania SA | 273.41 | 1,593.39 |
| - Anacott Trading SA | - | 1,593.39 |
| - Mr. Y. Saboo | 268.41 | - |
| | 5.00 | - |
| b) Sales of goods | | |
| - KDDL Limited | 60.19 | 77.43 |
| - Saboo Ventures LLP | 4.54 | 6.70 |
| - Mr. R K Saboo | - | 58.07 |
| - Mr. Y. Saboo | 16.77 | 12.66 |
| - Mr. Pranav Shankar Saboo | 9.18 | - |
| - Jai Vardhan Saboo | 3.81 | - |
| - Satvika Saboo | 14.32 | - |
| - Mohaimin Altaf | 0.37 | - |
| - Nigat Altaf | 4.56 | - |
| | 6.64 | - |
| c) Employee benefits* | 238.27 | 242.94 |
| Short-term employee benefits | | |
| - Mrs. Anuradha Saboo | 6.44 | 6.36 |
| - Mr. Raja Sekhar | 79.41 | 92.53 |
| - Mr. Anil Dhiman | 10.50 | 8.85 |
| - Mr. Pranav Shankar Saboo | 141.92 | 135.20 |
| * Excluding provision for leave encashment, gratuity and bonus, as they are determined on an actuarial basis for the Company as a whole. | | |
| d) Interest expenses | | |
| - Mr. R K Saboo | 91.84 | 71.12 |
| - Vardhan Properties & Investment Limited | 9.05 | 8.37 |
| - Dream Digital Technology Private Limited | 6.26 | 1.00 |
| - Mr. Y Saboo | 6.14 | 12.25 |
| - Saboo Ventures LLP | 8.08 | 3.76 |
| - Saboo Housing Projects LLP | 40.11 | 40.00 |
| - Mr. Anil Khanna | 0.53 | 0.70 |
| - Mrs. Alka Khanna | 2.60 | 2.18 |
| - Mrs. Poonam Prakash | 0.63 | 0.67 |
| - Mrs. Usha Devi Saboo | 0.69 | 0.86 |
| - Mr C Raja Sekhar | 10.06 | 1.34 |
| - Mrs. Anuradha Saboo | 6.49 | - |
| | 1.18 | - |
| e) Rent expense | | |
| - KDDL Limited | 36.96 | 14.50 |
| - Mr. Y Saboo | 15.83 | 7.57 |
| | 21.14 | 6.93 |
| f) Rent Received | | |
| - Mahen Distribution Limited | 10.15 | 15.00 |
| | 10.15 | 15.00 |
| g) Publicity and advertisement | | |
| - KDDL Limited | 5.20 | 30.13 |
| - Pylania SA | 5.20 | 6.00 |
| | - | 24.13 |
| h) Reimbursement of expenses incurred on behalf of Ethos Limited | | |
| - KDDL Limited | 9.98 | 184.23 |
| | 9.98 | 184.23 |
| i) Reimbursement received for expenses | | |
| - KDDL Limited | 22.38 | 24.97 |
| - Mahen Distribution Limited | 0.62 | - |
| - Pylania SA | 4.80 | 0.58 |
| - Pasadena Retail Private Limited | - | 24.39 |
| - Anacott Trading | 13.65 | - |
| | 3.32 | - |
| j) Sale of Property, plant and equipment | | |
| - KDDL Limited | 4.76 | 0.21 |
| | 4.76 | 0.21 |
| k) Purchase of Property, plant and equipment | | |
| - KDDL Limited | 0.09 | 46.31 |
| - Pylania SA | 0.09 | 41.90 |
| | - | 4.41 |
| l) Consultancy fees paid | | |
| - Apoorv P. Tripathi (Advocate) | 4.29 | 2.64 |
| | 4.29 | 2.64 |
| m) Director Fees | | |
| -Mr. Y Saboo | 14.11 | 33.27 |
| -Mr. Anil Khanna | 3.38 | 4.50 |
| -Mr. N. Subramanian | 3.31 | 8.78 |
| -Mr. Sundeeep Kumar | 2.57 | 8.25 |
| -Mrs. Neelima Tripathi | 0.98 | 3.86 |
| -Mr. Dilpreet Singh | 0.35 | 0.97 |
| -Mr. Mohaimin Altaf | 1.37 | 3.86 |
| | 2.16 | 3.05 |



| Nature of transactions | As at 31 March 2020 | As at 31 March 2018 |
|---|------------------------|------------------------|
| n) Loan taken | 571.00 | - |
| - Mr R K Saboo | 180.00 | - |
| - Vardhan Properties & Investment Limited | 200.00 | - |
| - Mr. Y Saboo | 140.00 | - |
| - Mrs. Usha Devi Saboo | 11.00 | - |
| - C Raja Sekhar | 20.00 | - |
| - Anuradha Saboo | 20.00 | - |
| l) Loan repaid | 82.00 | 70.00 |
| - Dream Digital Technology Private Limited | 75.00 | - |
| - Saboo Housing Projects LLP | 7.00 | - |
| - Mr. R K Saboo | - | 70.00 |
| p) Investment made during the year | 100.00 | - |
| - Pasadena Retail Pvt Ltd | 100.00 | - |
| s) Financial guarantee expenses | 0.45 | 0.75 |
| - KDDL Limited | 0.45 | 0.75 |
| t) Equity shares issued / converted* | 88.03 | 17.12 |
| - KDDL Limited | 73.84 | 17.12 |
| - Mr. Y Saboo | 1.92 | - |
| - Mr. R K Saboo | 4.62 | - |
| - Mrs. Anuradha Saboo | 4.23 | - |
| - Mr. N Subramanian | 1.92 | - |
| - Mr. Jai Vardhan Saboo | 1.50 | - |
| * Including fresh equity shares allotted & 14% cumulative convertible preference shares | | |
| u) Share premium received | 2,229.20 | 482.87 |
| - KDDL Limited | 2,051.15 | 482.87 |
| - Mr. R K Saboo | 55.39 | - |
| - Mr. Y Saboo | 23.08 | - |
| - Mrs. Anuradha Saboo | 50.77 | - |
| - Mr. N. Subramanian | 23.08 | - |
| - Mr. Jai Vardhan Saboo | 16.50 | - |
| - Dream Digital Technology Private Limited | 9.23 | - |
| IV. Outstanding balances as at year end | | |
| Particulars | As at 31 March 2020 | As at 31 March 2019 |
| Payables | 103.88 | 275.84 |
| - Dream Digital Technology Private Limited | 0.68 | - |
| - KDDL Limited | 37.85 | 166.25 |
| - Vardhan Properties & Investment Limited | 4.96 | - |
| - Pylania SA | - | 100.71 |
| - Saboo Ventures LLP | 8.98 | 8.88 |
| - Anacott Trading SA | 51.41 | - |
| Lease liabilities | 50.46 | - |
| - KDDL Limited | 50.46 | - |
| Director Fees Payable | 1.97 | - |
| - Anil Khanna | 0.61 | - |
| - N. Subramanian | 0.49 | - |
| - Sundeep Kumar | 0.20 | - |
| - Neelima Tripathi | 0.04 | - |
| - Dilpreet Singh | 0.29 | - |
| - Mohaimin Altaf | 0.33 | - |
| Receivables / Advances | 373.37 | 417.77 |
| - KDDL Limited | 4.30 | - |
| - Pasadena Retail Private Limited | 15.35 | - |
| - Mahen Distribution Limited | 329.02 | 417.77 |
| - Mr. Y saboo | 5.83 | - |
| - Mr. R K Saboo | 13.95 | - |
| - Mr. Pranav Shankar Saboo | 4.49 | - |
| - Ms. Sarvika saboo | 0.43 | - |
| Investments | 100.00 | - |
| - Pasadena Retail Private Limited | 100.00 | - |
| Security deposit given | 6.77 | 6.77 |
| - KDDL Limited | 6.77 | 6.77 |



| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| 12% Cumulative compulsory convertible preference shares | - | 201.00 |
| - KDDL Limited | - | 25.00 |
| - VBL Innovations Private Limited | - | 26.00 |
| - Dream Digital Technology Private Limited | - | 10.00 |
| - Mr R K Saboo | - | 60.00 |
| - Mr Y Saboo | - | 25.00 |
| - Mrs Anuradha Saboo | - | 55.00 |
| Equity Share Capital | 1,423.29 | 1,336.76 |
| - Mahen Distribution Limited | 229.32 | 229.32 |
| - KDDL Limited | 1,113.31 | 1,039.47 |
| - Mr Y Saboo | 14.44 | 12.51 |
| - Mr C Raja Sekhar | 1.06 | 1.06 |
| - Mr R K Saboo | 13.71 | 9.09 |
| - Mrs Anuradha Saboo | 6.50 | 2.27 |
| - Saboo Ventures LLP | 32.27 | 32.27 |
| - Vardhan Properties & Investment Limited | 5.00 | 5.00 |
| - Mr N Subramanian | 7.06 | 5.14 |
| - Mr Anil Khanna | 0.63 | 0.63 |
| Unsecured loans | 1,212.65 | 723.66 |
| - Dream Digital Technology Private Limited | 24.99 | 100.00 |
| - Vardhan Properties & Investment Limited | 210.00 | 10.00 |
| - Mr R K Saboo | 180.00 | - |
| - Mr Y Saboo | 140.00 | - |
| - Saboo Ventures LLP | 400.00 | 400.00 |
| - Saboo Housing Projects LLP | - | 7.00 |
| - Mr Anil Khanna | 20.00 | 20.00 |
| - Mrs Alka Khanna | 5.61 | 5.61 |
| - Mrs Poonam Prakash | 6.54 | 6.54 |
| - Mrs Usha Devi Saboo | 96.00 | 85.00 |
| - Saveeka Family Trust | 50.00 | 50.00 |
| - C Raja Sekhar | 59.51 | 39.51 |
| - Anuradha Saboo | 20.00 | - |
| 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* | 4.82 | 71.50 |
| Short-term employee benefits | | |
| - Mr Raja Sekhar | 1.90 | 21.50 |
| - Mr Pranav Shankar Saboo | 1.82 | 50.00 |
| - Mr Anil Dhimani | 0.59 | - |
| - Mrs Anuradha Saboo | 0.51 | - |
| * Excluding provision for leave encashment, gratuity and bonus, as they are determined on an actuarial basis for the Company as a whole. | | |
| Guarantees taken by the company | 16,971.96 | 17,131.72 |
| - KDDL Limited | 5,889.24 | 5,929.18 |
| - Mr R K Saboo | 4,939.24 | 4,979.18 |
| - Mr Y Saboo | 5,889.24 | 5,929.18 |
| - Mrs Usha Saboo | 254.24 | 294.18 |

V.

Other transactions

1. Security being provided by Directors and relatives of directors for long term loan taken from Indiabulls Housing Finance Limited by providing exclusive mortgage and charge on their personal property for this loan.
2. Security being provided by KDDL limited (Holding Company) for short term loan taken from IDBI Bank Limited by providing exclusive mortgage and charge on all the immovable fixed assets of the tool room unit (Eigen) of KDDL Limited (Holding Company) at 408, 4th Main, 11th Cross, Peenya Industrial Area, Bangalore.
3. Security being provided by KDDL limited (Holding Company) for short term loan taken from The Jammu & Kashmir Bank Limited by providing 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 & specific machinery and office equipment of the Parvanoo unit of KDDL Limited.
4. Security being provided by Managing Director of the Company for loan taken from Bank of Maharashtra by pledging 360,000 shares of KDDL limited held by him.

VI.

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.

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 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| Sales (gross including Sales tax / Goods and services tax) | 53,190.39 | 51,531.13 |
| Less: Sales tax / GST | (7,405.48) | (7,239.87) |
| Net sales | 45,784.91 | 44,291.26 |

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

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The figures of previous year were audited by B S R & Co. LLP, Chartered Accountants and has been taken as per the figures audited by them and relied upon by the current statutory auditors.



ETHOS LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2020

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

41 Segment information

Operating segments

Basis for segmentation

An operating segment is a component of the Group 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 Group's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Group's Chairman and Managing Director to make decisions about resources to be allocated to the segments and assess their performance.

The Group has two reportable segments, as described below, which are the Group's strategic business units. These business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the business units, the Group's Chairman and Managing Director reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

| Reportable segments | Operations |
|--------------------------------------|------------------------------------|
| Watch and accessories | Trading of watches and accessories |
| Marketing and other support services | IT based business solutions |

Information about reportable segments

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit (before tax), as included in the internal management reports that are reviewed by the Group's Chairman and Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

| S.No. | Particulars | Year Ended | Year Ended |
|-------|---|------------------|------------------|
| | | 31 March | 31 March |
| | | (Audited) | (Audited) |
| | | 2020 | 2019 |
| 1 | Segment revenue | | |
| | a) Watch and Watch Accessories | 45,784.91 | 44,178.59 |
| | b) Marketing Support and other Services | 802.81 | 871.88 |
| | Total | 46,587.72 | 45,050.47 |
| | Less: Inter segment revenue | (802.81) | (697.57) |
| | Revenue from operations | 45,784.91 | 44,352.90 |
| 2 | Segment results profit/(loss) before tax and interest from each segment) | | |
| | a) Watch and Watch Accessories | 1,512.56 | 2,508.50 |
| | b) Marketing Support and other Services | 297.21 | 342.71 |
| | Total | 1,809.77 | 2,851.21 |
| | Add: Interest Income | 113.93 | 96.84 |
| | Less: Interest cost | 1,945.95 | 765.40 |
| | Profit/(loss) before tax | (22.25) | 2,182.65 |
| 3 | Segment Assets | | |
| | a) Watch and Watch Accessories | 41,331.59 | 29,068.44 |
| | b) Marketing Support and other Services | 42.90 | 189.99 |
| | c) Unallocated assets | 1,092.41 | 882.86 |
| | Total Segment assets | 42,466.90 | 30,141.28 |
| 4 | Segment liabilities | | |
| | a) Watch and Watch Accessories | 9,495.14 | 8,530.31 |
| | b) Marketing Support and other Services | 38.47 | 74.36 |
| | c) Unallocated liabilities | 17,711.57 | 8,148.24 |
| | Total Segment liabilities | 27,245.18 | 16,752.91 |
| 5 | Capital expenditure | | |
| | a) Watch and Watch Accessories | 1,381.96 | 1,299.26 |
| | b) Marketing Support and other Services | 0.98 | - |
| | | 1,382.94 | 1,299.26 |
| | Depreciation and amortisation | | |
| | a) Watch and Watch Accessories | 3,457.56 | 477.34 |
| | b) Marketing Support and other Services | 6.22 | 7.18 |
| | | 3,463.78 | 484.52 |
| | Provision for doubtful debts | | |
| | a) Watch and Watch Accessories | 70.78 | - |
| | b) Marketing Support and other Services | - | - |
| | | 70.78 | - |



ETHOS LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2020

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

42 COVID-19 Impact

World Health Organisation (WHO) declared outbreak of Coronavirus Disease (Covid-19) a global pandemic on 11 March 2020. Consequent to this, Government of India declared lockdown on March 23, 2020 and the Company temporarily suspended the operations in all the units of the Company in compliance with the lockdown instructions issued by the Central and State Governments. Covid-19 has impacted the normal business operations of the Company by way of supply chain disruption, unavailability of personnel, closure/lock down of stores of the Group etc. during the lock-down period which has been extended till 17 May 2020. However, the Group has opened its stores at different locations across the country during the unlock of lockdown 1.0 from June 08, 2020 as per the guidelines issued by the Government of India.

The Group has made detailed assessment of its liquidity position for the next year and the recoverability and carrying value of its assets comprising property, plant and equipment, intangible assets, right-of-use assets, investments, inventory and trade receivables. Based on current indicators of future economic conditions, the Group expects to recover the carrying amount of these assets. The situation is changing rapidly giving rise to inherent uncertainty around the extent and timing of the potential future impact of the COVID-19 which may be different from that estimated as at the date of approval of these consolidated Ind AS financial statements. The Group will continue to closely monitor any material changes arising of future economic conditions and impact on its business.

- 43 The Parent Company has elected to exercise the option permitted under Section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Parent Company has recognised provision for taxation and re-measured its deferred tax assets basis the rate prescribed in the said Section. The impact of such change is recognized in statement of profit and loss.

- 44 In light of Section 135 of the Companies Act, 2013, the Parent Company has incurred expenses on Corporate Social Responsibility (CSR) aggregating to Rs. 10.03 (March 31, 2019: Rs. Nil) for CSR activities carried out during the current year.

| | 31 March 2020 | 31 March 2019 |
|--|---------------|---------------|
| a) Gross amount required to be spent by the Parent Company during the year | 9.85 | - |
| b) Amount spent during the year on the following in cash : | 10.03 | - |
| 1. Construction/ acquisition of any asset | | |
| 2. On purposes other than (i) above | | |
| Education and Health | 10.03 | - |

- 45 Regarding service tax matter pending with CESTAT, Chandigarh, the Group has assessed legal position in the matter pursuant to judgement of Hon'ble Delhi High Court in the case of Lally Automobiles Pvt. Ltd. Versus Commissioner cited as 2018 (17) G.S.T.L. 422 (Del.) which is further upheld by the Hon'ble Supreme Court vide order dated 01.04.2019 in favour of revenue.

Accordingly, the Parent Company has opted Sabka Vishwas (Legacy Dispute Resolution) Scheme during the current year. As per the scheme, keeping in view of the amount involved, 50% of the disputed amount was required to be deposited to avail immunity from interest & penalty. The Parent Company has written off the amount of payment made under the scheme of Rs 170.00 during the year. In addition to this, Parent Company has provided Rs. 48.56 during the current year and Rs. 24.20 in the earlier years. Accordingly, profits in the current year has been reduced by Rs. 218.56.

46 Interest in Joint Venture

The Group has a 50% interest in Pasadena Retail Private Limited, a joint venture. The Group's interest in Pasadena Retail Private Limited is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its Ind AS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

| | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| Total Assets | 480.65 | - |
| Total Liabilities | (414.07) | - |
| Equity | 66.57 | - |
| Proportion of the Group's ownership | | |
| Share in Equity | 66.57 | - |
| Add: Goodwill | - | - |
| Carrying value of the investment | 66.57 | - |
| Revenue from operations | 291.68 | - |
| Other income | 1.54 | - |
| | 293.22 | - |
| Purchase of stock-in-trade | 699.51 | - |
| Changes in inventory of stock-in-trade | (469.94) | - |
| Finance costs | 35.71 | - |
| Depreciation and amortization expense | 47.37 | - |
| Other expenses | 47.42 | - |
| | 360.07 | - |
| Loss before income tax | (66.85) | - |
| Group's share of loss for the year (Share 50%) | (33.43) | - |



ETHOS LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2020

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

- 47 During the current year, the store heads of two stores operated by the Parent Company have embezzled inventory of Rs. 60.79 by fictitiously billing watches under credit sale, reporting watches under layaway and pilfering physical inventory. The Parent Company has discovered the fraud when it has decided to close down one of the store and at the time of shifting the physical stock from the store due for closure to another store the stock as per books did not tally with the physical stock available for transfer. The Parent Company has lodged police complaint and initiated legal action to recover the loss, pending which, the Parent Company has written off an amount of Rs. 33.25, net of insurance claim recoverable of Rs. 27.54 under fidelity insurance cover. Further, the Parent Company has withheld an amount of Rs. 6.47 payable to these employees as on date.

- 48 Additional Information, As required under Schedule III to the Companies Act, 2013, of Entities Consolidated as Subsidiaries or Joint Venture

| Name of the Entity in the Group | Net Assets i.e. total assets minus total liabilities | | Share in profit or loss | | Share in other comprehensive income | | Share in total comprehensive income | |
|--|---|-----------|----------------------------|----------|---|--------|--|----------|
| Parent | | | | | | | | |
| Ethos Limited | | | | | | | | |
| As at March 31, 2020 | 100% | 15,255.14 | -2% | 4.12 | 100% | -2.13 | -1% | 1.99 |
| As at March 31, 2019 | 98% | 13,171.27 | 84% | 1,119.50 | 100% | -19.36 | 84% | 1,100.14 |
| Subsidiaries | | | | | | | | |
| Cognition Digital LLP | | | | | | | | |
| As at March 31, 2020 | 2% | 277.45 | -77% | 190.41 | - | - | -77% | 190.41 |
| As at March 31, 2019 | 2% | 260.04 | 16% | 217.33 | - | - | 16% | 217.33 |
| Joint Venture (Investments as per the equity method)* | | | | | | | | |
| Pasadena Retail Private Limited | | | | | | | | |
| As at March 31, 2020 | 0% | 66.57 | 14% | -33.43 | - | - | 13% | -33.43 |
| As at March 31, 2019 | 0% | - | - | - | - | - | - | - |
| Eliminations/adjustments | | | | | | | | |
| As at March 31, 2020 | -2% | -377.44 | 165% | -407.51 | - | - | 164% | -407.51 |
| As at March 31, 2019 | 0% | -42.94 | 0% | 0.02 | - | - | 0% | 0.02 |
| Total As at March 31, 2020 | 100% | 15,221.72 | 100% | -246.41 | 100% | -2.13 | 100% | -248.54 |
| Total As at March 31, 2019 | 100% | 13,388.37 | 100% | 1,336.85 | 100% | -19.36 | 100% | 1,317.49 |

* Amounts given here in respect of joint venture is the share of the group in the net assets of the joint venture.

- 49 Details of subsidiary and joint venture with ownership % and place of business :

Subsidiary

| | |
|--|-----------------------|
| Name of the entity | Cognition Digital LLP |
| Principal Place of Business | India |
| Proportion of Ownership as at March 31, 2020 | 99.99% |
| Proportion of Ownership as at March 31, 2019 | 99.99% |
| Method used to account for the investment | At cost |

Joint venture

| | |
|--|---------------------------------|
| Name of the entity | Pasadena Retail Private Limited |
| Principal Place of Business | India |
| Proportion of Ownership as at March 31, 2020 | 50.00% |
| Proportion of Ownership as at March 31, 2019 | - |
| Method used to account for the investment | At cost |



ETHOS LIMITED
Notes to the consolidated financial statements for the year ended 31 March 2020
(All amounts in ₹ lakhs, except for share data and if otherwise stated)

- 50 The Consolidated Ind AS financial statements of the Company for the year ended March 31, 2019, included in these consolidated Ind AS financial results have been restated as at March 31, 2019. These adjustments to the consolidated Ind AS financial results have been made to the comparative consolidated Ind AS financial statements presented as at March 31, 2019.

| Particulars | As at 31 March 2019 Restated | As at 31 March 2019 Published | Adjustment | |
|--|------------------------------------|-------------------------------------|------------|--------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Financial assets | | | | |
| - Other financial assets | 99.71 | 120.97 | -21.26 | (A) |
| Current assets | | | | |
| Financial assets | | | | |
| - Trade receivables | 891.61 | 814.05 | 77.56 | (B) |
| - Cash and cash equivalents | 756.76 | 855.68 | -98.92 | (B), (C) |
| - Other Bank Balances | 27.27 | - | 27.27 | (A) |
| - Other financial assets | 259.51 | 6.71 | 252.80 | (A), (G) |
| Other current assets | 2,246.92 | 2,225.56 | 21.36 | (C) |
| Non-current liabilities | | | | |
| Financial liabilities | | | | |
| - Borrowings | 1,620.46 | 1,409.65 | 210.81 | (D) |
| - Other Non-current financial Liab | 48.86 | - | 48.86 | (E) |
| - Provisions | 110.23 | 238.62 | -128.39 | (F) |
| Current liabilities | | | | |
| Financial liabilities | | | | |
| - Trade payables | | | | |
| - total outstanding dues of creditors other than micro enterprises and small enterprises | 6,860.36 | 6,653.36 | 207.00 | (G), (H), (I), (J) |
| - Other financial liabilities | 1,711.45 | 1,946.95 | -235.50 | (D), (E), (H), (I) |
| Other Current Liabilities | 654.29 | 626.65 | 27.64 | (J) |
| Provisions | 135.53 | 7.14 | 128.39 | (F) |

A) Reclassification of current fixed deposits with banks to other bank balances (in financial assets) from non-current other financial assets and reclassification of interest on fixed deposit from current other financial assets to non-current other financial assets.

B) Reclassification of trade receivables from cash and cash equivalents

C) Reclassification of amount recoverable from bank to other current assets from cash and cash equivalents

D) Reclassification of long-term loan to long term borrowings from other financial liability

E) Reclassification of interest payable on deposits from current financial liabilities to non-current financial liabilities

F) Reclassification of provision for compensated absences from non-current to current

G) Reclassification of Reimbursement of vendors from Trade Payable to other current financial assets (Advances Receivable in Cash & Kind)

H) Reclassification of interest payable on inter corporate loan from Trade payable to other financial liabilities

I) Regrouping of interest payable from trade payable to other financial liabilities.

J) Regrouping of security deposit from trade payable to other current liabilities.

For S.R. BATLIBOI & CO. LLP
Chartered Accountants
Firm Registration No: 301003E/E300005

Anil Gupta
Partner
Membership No.



Place: New Delhi
Date: 25 June 2020

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

Y. Saboo
Managing Director
DIN 00012158

C. Raja Sekhar
Chief Financial Officer

Anil Dhillon
Company Secretary

Place: New Delhi
Date: 25 June 2020

Anil Khanna
Director
DIN 00012232

Pranav Shankar Saboo
Chief Executive Officer