



# MUKTA ARVIND AND ASSOCIATES

Chartered Accountants

## INDEPENDENT AUDITORS' REPORT

To the Members of Mahen Distribution Limited

Report on the Audit of the Financial Statements

### 1. Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

### 2. Basis for Opinion

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

### 3. Information Other than the Financial Statements and Auditors' Report Thereon

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

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



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

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## 6. Report on Other Legal and Regulatory Requirements

- (i) As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- (ii) As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company, As per the Board of Directors of the company, in view of the MCA Notification No. G.S.R. 583(E) dated 13 June 2017, the company is exempt from the requirements of clause (i) of section 143(3) and therefore the report on adequacy and operating effectiveness of internal financial controls is not being made.



- g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has no pending litigations as at 31 March 2019.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company
- (iii) With respect to the matter to be included in the Auditors' Report under section 197(16):

The Company is a private limited company and accordingly the requirements as stipulated by the provisions of section 197(16) of the Act are not applicable to the Company.

Place: Chandigarh  
Date: 18 May 2019

For Mukta Arvind & Associates  
Chartered Accountants  
Firm's Registration No. 018341N

  
Partner  
Membership No. 91661

**MAHEN DISTRIBUTION LIMITED**  
**Balance Sheet as at 31st March 2019**  
*(Amount in Rupees unless stated otherwise)*

Particulars	Note	As at 31st March, 2019	As at 31st March, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Non-current investments	1	8,40,03,130	8,40,03,130
Income Tax Assets	2	1,88,846	1,88,846
<b>Total non-current assets</b>		<b>8,41,91,976</b>	<b>8,41,91,976</b>
<b>Current assets</b>			
Inventories	3	2,21,25,552	3,45,24,237
Financial Assets			
-Trade receivables	4	8,24,000	10,32,235
-Cash and cash equivalents	5	16,65,236	35,74,695
Other Current Assets	6	1,00,23,777	1,08,01,108
<b>Total current assets</b>		<b>3,46,38,564</b>	<b>4,99,32,275</b>
<b>Total Assets</b>		<b>11,88,30,540</b>	<b>13,41,24,251</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Equity Share capital	7	6,00,57,000	6,00,57,000
Other Equity	8	(36,38,751)	68,87,693
<b>Total Equity</b>		<b>5,64,18,249</b>	<b>6,69,44,693</b>
<b>LIABILITIES</b>			
<b>Non-Current liabilities</b>			
Financial Liabilities			
-Borrowings	9	-	1,50,00,000
<b>Total non-current liabilities</b>		<b>-</b>	<b>1,50,00,000</b>
<b>Current liabilities</b>			
Financial Liabilities			
-Borrowings	9	1,50,00,000	-
-Trade payables	10	4,18,49,147	5,16,47,001
-Other financial liabilities	11	4,66,027	4,76,030
Other current liabilities	12	50,97,117	56,527
<b>Total current liabilities</b>		<b>6,24,12,291</b>	<b>5,21,79,558</b>
<b>Total liabilities</b>		<b>6,24,12,291</b>	<b>6,71,79,558</b>
<b>Total Equity and Liabilities</b>		<b>11,88,30,540</b>	<b>13,41,24,251</b>

The notes referred to above form an integral part of the Ind AS financial statements.

As per our report attached for the balance sheet


**For Mukta Arvind and Associates**  
Chartered Accountants  
Firm Registration No: 018341N


  
**CA Arvind Kumar**  
Partner  
Membership No: 092661

Place: Chandigarh

Dated: 18 May, 2019

For and on behalf of the Board of directors  
Mahen Distribution Limited

  
**Y Saboo**  
Director  
DIN:00012158

  
**V S Mathur**  
Director  
DIN:07910605

**MAHEN DISTRIBUTION LIMITED**

Statement of Profit and Loss for the period ended 31st March, 2019

(Amount in Rupees unless stated otherwise)

Particulars	Note	For the year ended 31st March, 2019	For the year ended 31st March, 2018
<b>CONTINUING OPERATIONS</b>			
Revenue from operations	13	57,62,942	5,89,36,070
Other income	14	-	2,60,219
<b>Total Income</b>		<b>57,62,942</b>	<b>5,91,96,288</b>
<b>EXPENSE</b>			
Purchase of stock-in-trade	15	-	9,38,28,929
Changes in inventories of finished goods and stock-in-trade	16	1,23,98,685	(3,45,24,237)
Employee benefit expense	17	-	-
Finance costs	18	21,65,658	25,18,213
Other expenses	19	17,25,042	11,69,062
<b>Total expenses</b>		<b>1,62,89,385</b>	<b>6,29,91,967</b>
<b>Profit (loss) before tax from continuing operations</b>		<b>(1,05,26,443)</b>	<b>(37,95,679)</b>
<b>Tax expense:</b>			
Current tax charge		-	-
MAT Credit Entitlement		-	-
Deferred tax charge (credit)		-	-
<b>Profit/(loss) for the year</b>		<b>(1,05,26,443)</b>	<b>(37,95,679)</b>
<b>Earnings per equity share [Nominal value of Rs.10 (previous year Rs.10)]</b>			
Basic (Rs.)		(1.75)	(0.63)
Diluted (Rs.)		(1.75)	(0.63)

Significant accounting policies

The notes referred to above form an integral part of the Ind AS financial statements.

As per our report attached to the balance sheet

**For Mukta Arvind and Associates**  
Chartered Accountants  
Firm Registration No: 018341N

**CA Arvind Kumar**  
Partner  
Membership No. 091661

Place : Chandigarh

Dated: 18 May 2019

For and on behalf of the Board of directors  
Mahen Distribution Limited

**Y Saboo**  
Director  
DIN:00012158

**V S Mathur**  
Director  
DIN:07910605

**MAHEN DISTRIBUTION LIMITED**

**Cash flow statement for the year ended 31st march, 2019**  
(Amount in Rupees unless stated otherwise)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
<b>A. Cash flow from operating activities:</b>		
Net profit before tax from continuing operations	(1,05,26,443)	(37,95,679)
<b>Operating profit before working capital changes</b>		
Adjustments for:		
(Increase) / decrease in trade and other receivables	2,08,235	9,97,300
(Increase) / decrease in loans and advances	7,77,331	-
(Increase) / decrease in inventories	1,23,98,685	-
Increase / (decrease) in trade payables	(97,97,854)	(7,67,195)
Increase / (decrease) in other current liabilities	(10,003)	4,68,378
Short term provisions	-	-
<b>Cash flow from operating activities before taxes</b>	<b>(69,50,049)</b>	<b>(30,97,196)</b>
Direct taxes paid / (refunds) (net)	<b>(50,40,590)</b>	-
<b>Net cash flow from operating activities</b>	<b>(19,09,459)</b>	<b>(30,97,196)</b>
<b>B. Cash flow from investing activities:</b>		
(Increase) / decrease in Investments	-	-
<b>Net cash used in investing activities</b>	-	-
<b>C. Cash flow from financing activities:</b>		
Proceeds from issue of capital	-	-
Proceeds of long term borrowings (net of repayment)	-	-
Repayment of Demand Loan	-	-
Increase/(decrease) in short term borrowings	-	-
Increase/(decrease) in unsecured loans	-	-
Interest paid	-	-
Dividend paid	-	-
<b>Net cash used in financing activities</b>	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(19,09,459)</b>	<b>(30,97,196)</b>
<b>Opening cash and cash equivalents</b>	<b>(2,30,060)</b>	<b>28,67,136</b>
<b>Closing cash and cash equivalents</b>	<b>(21,39,519)</b>	<b>(2,30,060)</b>

**Notes:**

1 Cash and cash equivalents include:  
Balance with banks

**16,65,236** **35,74,695**

2 The cash flow statement has been prepared in accordance with "Indirect Method" as set out in Indian Accounting Standard-7 on "Statement on Cash Flows"


3 Refer note no.1 for significant accounting policies.


For Mukta Arvind and Associates  
Chartered Accountants  
Firm Registration No: 018341N

  
CA Arvind Kumar  
Partner  
Membership No. 091661

Place : Chandigarh  
Dated: 18 May, 2019

For and on behalf of the Board of directors

  
Y Saboo  
Director

  
V S Mathur  
Director

DIN: 00012158

DIN: 07910605

**Mahen Distribution Limited**

**Statement of changes in Equity for the year ended 31st March,2019**

**a. Equity share capital**

**Total**

Balance as at 1st April,2017				5,70,00,000
Changes in equity share capital during 2017-18				-
Balance as at 31st March,2018				5,70,00,000
Changes in equity share capital during 2019-19				-
Balance as at 31st March,2019				5,70,00,000

**b. Other Equity**

Particulars	Retained earnings	Compulsory convertible cumulative shares	convertible preference	Securities premium	Total Other Equity
Balance as at 1st April,2017	(40,71,828)		1,78,12,200	-	1,37,40,372
-Loss for the year	(37,95,679)		-	-	(37,95,679)
-Issue of equity shares on account of conversion of compulsory convertible cumulative preference shares	-		(1,78,12,200)	-	(1,78,12,200)
-Securities premium on the equity shares issued on conversion of compulsory convertible cumulative preference shares	-		-	1,47,55,200	1,47,55,200
As at 31st March,2018	(78,67,508)		-	1,47,55,200	68,87,692
-Issue of equity shares on account of conversion of compulsory convertible cumulative preference shares	-		-	-	-
-Securities premium on the equity shares issued on conversion of compulsory convertible cumulative preference shares	-		-	-	-
-Loss for the year	(1,05,26,443)		-	-	(1,05,26,443)
As at 31st March,2019	(1,83,93,951)		-	1,47,55,200	(36,38,751)

The notes referred to above form an integral part of the financial statements.

As per our report attached to the balance sheet

**For Mukta Arvind and Associates**

Chartered Accountants

Firm Registration No: 018341N



CA Arvind Kumar

Partner

Membership No. 091661

**For and on behalf of the Board of directors**

**Mahen Distribution Limited**

**Y Saboo**  
Director

**V S Mathur**  
Director

DIN:00012158 DIN:07910605

Place : Chandigarh

Dated: 18 May, 2019

MAHEN DISTRIBUTION LIMITED  
Notes forming part of the accounts as on 31st March, 2018  
(Amount in Rupees unless stated otherwise)

	As at 31st March, 2019	As at 31st March, 2018
<b>1. Long term investment</b>		
1,700,000 (previous year 1,700,000) Equity shares of Ethos Limited of Rs. 10 each fully paid up at cost	1,70,00,000	1,70,00,000
531,993 Equity shares (Previous year -531993) of Ethos Limited of Rs. 10 each fully paid up at premium of Rs 90 each (pursuant to KRL Rights Issue 2011	5,31,99,300	5,31,99,300
5157 (previous year 5157) Equity shares of Ethos Limited of Rs. 10 each fully paid up at premium of Rs 180 each	9,79,830	9,79,830
56000 Equity shares of Ethos Limited of Rs. 10 each fully paid up at premium of Rs 219 each	1,28,24,000	1,28,24,000
	<b>8,40,03,130</b>	<b>8,40,03,130</b>
<b>2. Income Tax Assets</b>		
MAT credit entitlement AY 2014-15	86,664	86,664
MAT credit entitlement AY 2015-16	1,02,182	1,02,182
	<b>1,88,846</b>	<b>1,88,846</b>
<b>3. Inventories</b>		
Finished goods for trading	2,21,25,552	3,45,24,237
Add: goods-in transit	-	-
	<b>2,21,25,552</b>	<b>3,45,24,237</b>
<b>4. Trade receivables</b> (Unsecured and considered good, unless otherwise stated)		
-Debts outstanding for a period exceeding six months, considered good	-	-
-from others	8,24,000	10,32,235
-Other debts, considered good	8,24,000	10,32,235
	<b>8,24,000</b>	<b>10,32,235</b>
<b>5. Cash and cash equivalents</b>		
Balances with banks in current accounts	16,65,236	35,74,695
	<b>16,65,236</b>	<b>35,74,695</b>
<b>6. Other Current Assets</b>		
GST Recoverable	1,00,13,967	1,07,61,730
Prepaid Expenses	9,810	19,378
	<b>1,00,23,777</b>	<b>1,08,01,108</b>



	As at 31st March, 2019		As at 31st March, 2018	
	Number of shares	Amount	Number of shares	Amount
<b>7. Share capital</b>				
<u>Authorised</u>				
Equity shares of Rs. 10 each	73,50,000	7,35,00,000	73,50,000	7,35,00,000
12 % Cumulative preference shares of Rs. 56 each	2,30,000	1,28,80,000	2,30,000	1,28,80,000
12% Cumulative preference shares of Rs. 65 each	1,00,000	65,00,000	1,00,000	65,00,000
	<b>76,80,000</b>	<b>9,28,80,000</b>	<b>76,80,000</b>	<b>9,28,80,000</b>
<u>Issued, optionally, subscribed and paid up</u>				
Equity shares of Rs.10 each fully paid up	60,05,700	6,00,57,000	60,05,700	6,00,57,000
	<b>60,05,700</b>	<b>6,00,57,000</b>	<b>60,05,700</b>	<b>6,00,57,000</b>
<b>(a) Reconciliation of share capital outstanding as at the beginning and at the end of the year</b>				
a) Equity shares of Rs. 10 each fully paid up				
At the beginning of the year	60,05,700	6,00,57,000	57,00,000	5,70,00,000
Add: converted during the year	-	-	3,05,700	30,57,000
At the end of the year	<b>60,05,700</b>	<b>6,00,57,000</b>	<b>60,05,700</b>	<b>6,00,57,000</b>
b) i) The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share except for the members whose calls are in arrears. 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) During the quarter ended 30 September, 2017, 77000 12% Cumulative Optionally Convertible Preference Shares of Rs. 65 each fully paid up were converted into equivalent number of equity shares with effect from 23 September, 2017 at the option of the preference shareholder. During the year ended 31st March, 2018, 228700 12% Cumulative Compulsory Convertible Preference Shares of Rs. 56 each fully paid up were converted into equivalent number of equity shares with effect from 21st March, 2018 at the option of the preference shareholder. As at 31st March, 2018, nothing remains outstanding in both the classes of preference shares.				
<b>(c) Shares held by ultimate holding company/ holding company and their subsidiaries/ associates</b>				
	As at 31st March, 2019		As at 31st March, 2018	
	Number of shares	Amount	Number of shares	Amount
Equity shares of Rs. 10 each fully paid up				
KDDL Limited (holding company / ultimate holding company)	59,28,700	5,92,87,000	59,28,700	5,92,87,000
<b>(d) Details of shareholders holding more than 5% shares of the Company</b>				
	As at 31st March, 2019		As at 31st March, 2018	
	Number of shares	% holding	Number of shares	% holding
Equity shares of Rs. 10 each fully paid up held by KDDL Limited	59,28,694	98.72	59,28,694	98.72
<b>8. Other Equity</b>	As at 31st March, 2019		As at 31st March, 2018	
<u>(i) Compulsory Convertible Cumulative Preference Shares</u>				
Balance at beginning of the year	-		1,78,12,200	
Issue of equity shares on account of conversion	-		(1,78,12,200)	
Balance at the end of the year	-		-	
<u>(ii) Retained Earnings</u>				
Balance at beginning of the year	(78,67,507)		(40,71,828)	
Add: Profit / (loss) for the year	(1,05,28,443)		(37,95,679)	
Balance at the end of the year	<b>(1,83,93,951)</b>		<b>(78,67,507)</b>	
<u>(iii) Securities Premium Reserve</u>				
Balance at beginning of the year	1,47,55,200		-	
Add: Issue of equity shares on account of conversion of 12% Cumulative Compulsory Convertible Preference	-		1,47,55,200	
Balance at the end of the year	<b>1,47,55,200</b>		<b>1,47,55,200</b>	
<b>Total</b>	<b>(36,38,751)</b>		<b>68,87,693</b>	
		Current	Non Current	
		As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
<b>9. Borrowing</b>				
VBL Innovations Private Limited*		1,50,00,000	-	1,50,00,000
		<b>1,50,00,000</b>	<b>-</b>	<b>1,50,00,000</b>

\* Unsecured Loan from VBL Innovations Private Limited carry an interest rate of 14% ( 31st March 2018 - 14%) per annum and is repayable within 6 months



	As at 31st March, 2019	As at 31st March, 2018
<b>10. Trade payable</b>		
Other trade payables		
- Total outstanding dues to micro and small enterprises #	-	-
- To related parties	4,17,77,147	5,15,75,001
- Others	72,000	72,000
	<u>4,18,49,147</u>	<u>5,16,47,001</u>

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

Particulars	As at 31st March 2019	As at 31st March 2018
(a) The principal amount remaining unpaid to any supplier at the end of the year	-	-
(b) The interest due on principal amount remaining unpaid to any supplier as at the end of year	-	-
(c) The amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act"); along with the amount of payment made to the supplier beyond the appointed day during the year	-	-
(e) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED act	-	-
(f) The amount of interest accrued and remaining unpaid at the end of year	-	-
(g) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expense under the MSMED Act	-	-
	As at 31st March, 2019	As at 31st March, 2018
<b>11. Other financial liabilities</b>		
Interest due but not paid	4,66,027	4,66,030
Expenses payable	-	10,000
	<u>4,66,027</u>	<u>4,76,030</u>
<b>12. Other current liabilities</b>		
TDS Payable	66,317	56,527
Advances from customers	50,30,800	-
	<u>50,97,117</u>	<u>56,527</u>



**MAHEN DISTRIBUTION LIMITED**
**Notes forming part of the accounts as on 31st March, 2019**
**(Amount in Rupees unless stated otherwise)**

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
<b>13. Revenue from operations</b>		
Sales(net)	57,62,942	5,89,36,070
	<b>57,62,942</b>	<b>5,89,36,070</b>
<b>Foot notes:</b>		
<b>(i) Sale of products (net) - Traded goods</b>		
Sales of traded goods (net)		
Watches	57,62,942	5,89,36,070
Others	-	-
Total	<b>57,62,942</b>	<b>5,89,36,070</b>
<b>14. Other income</b>		
Exchange Rate Difference	-	30,118
Liabilities no longer payable written back	-	2,30,000
Rounding Off	-	101
	<b>-</b>	<b>2,60,219</b>
<b>15. Purchase of stock-in-trade</b>		
Finished goods for trading	-	9,38,28,929
	<b>-</b>	<b>9,38,28,929</b>
<b>Foot notes:</b>		
<b>(i) Purchase of stock-in-trade</b>		
Watches	-	10,18,92,472
Less: Purchase Return	-	80,63,543
Less: Deemed Credit	-	-
Total	<b>-</b>	<b>9,38,28,929</b>
<b>16. Changes in inventories of finished goods,work-in-progress and Stock-in-trade</b>		
Opening stock		
Finished goods for trading	3,45,24,237	-
	<b>3,45,24,237</b>	<b>-</b>
Closing Stock		
Finished goods for trading	2,21,25,552	3,45,24,237
	<b>1,23,98,685</b>	<b>(3,45,24,237)</b>
* During the year inventory has been written off to the extent of Rs. 67,61,788/- to bring them at par with their net realisable value		
<b>17. Employee benefit expenses</b>		
Salaries	-	-
	<b>-</b>	<b>-</b>
<b>18. Financial costs</b>		
Interest Expenses	21,27,824	24,73,785
Bank charges	37,834	44,428
	<b>21,65,658</b>	<b>25,18,213</b>
<b>19. Other expenses</b>		
Rent	15,00,000	8,98,608
Audit fees	1,05,000	80,000
Insurance	53,181	1,34,849
Rates, Taxes & Fees	9,232	12,346
Business Support Services	57,629	43,259
	<b>17,25,042</b>	<b>11,69,062</b>



## 20 . Related parties

### a. Related parties and nature of related party relationship, where control exists:

Description of Relationship	Name of the Party
Holding / Ultimate Holding Company	KDDL Limited

### b. Other related parties with whom transactions have taken place:

Description of Relationship	Name of the Party
Fellow Subsidiaries	Ethos Limited
Entities over which significant influence is exercised by the Key Management Personnel	VBL Innovations Private Limited
Directors	Mr.Y.Saboo

### c. Transactions with related parties

Nature of transactions	As at 31 March 2019	As at 31 March 2018
a) Sales of goods	-	-
- Ethos Limited	-	-
b) Purchase of goods	-	10,09,27,645
- Ethos Limited		10,09,27,645
c) Rent Paid	15,00,000	8,45,000
- Ethos Limited	15,00,000	8,45,000
d) Interest expenses	22,37,264	22,37,264
- VBL Innovations Private Limited	22,37,264	22,37,264
e) Expenses Paid	57,629	96,867
- Ethos Limited	57,629	96,867
f) Equity Share Capital issued/ Converted	-	30,57,000
- KDDL Limited		22,87,000
- Mr. Y.Saboo		7,70,000
g) Share Premium Received	-	1,47,55,200
- KDDL Limited		1,05,20,200
- Mr. Y.Saboo		42,35,000

### d. Outstanding balances as at year end

Particulars	As at 31 March 2019	As at 31 March 2018
Borrowing/ Payables	5,67,77,147	6,65,75,003
- Ethos Limited	4,17,77,147	5,15,75,003
- VBL Innovations Private Limited	1,50,00,000	1,50,00,000
Investments	8,40,03,130	8,40,03,130
- Ethos Limited	8,40,03,130	8,40,03,130
Equity Share Capital	6,00,56,950	6,00,56,950
- KDDL Limited	5,92,86,940	5,92,86,940
- Mr. Y.Saboo	7,70,010	7,70,010



# **Mahen Distribution Limited**

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

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

## **21 Financial instruments - fair values and risk management**

2.1 Financial instruments - fair values and risk management							
I.	Financial instruments by category and fair values	Note	Level of hierarchy	As at 31 March 2019		As at 31 March 2018	
				FVTPL	FVOCI	FVTPL	FVOCI
Financial assets							
Non-current							
	Investments		3	-	-	-	-
	Loans		3	-	-	-	-
	Other financial assets		3	-	-	-	-
Current							
	Trade receivables	(a)	3	-	8,24,000	-	10,32,235
	Cash and cash equivalents	(a)	3	-	16,65,236	-	35,74,695
Total				-	24,89,235	-	46,06,930
Financial liabilities							
Non-current							
	Borrowings	(b)	3	-	-	-	1,50,00,000
Current							
	Borrowings	(a)	3	-	1,50,00,000	-	-
	Trade payables	(a)	3	-	4,18,49,147	-	5,16,47,001
	Other financial liabilities	(a)	3	-	4,66,027	-	4,76,030
Total				-	5,73,15,174	-	6,71,23,031

### **Note:**

(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) 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.

There are no transfers between Level 1, Level 2 and Level 3 during the year ended 31 March 2019 and 31 March 2018.



## Mahen Distribution Limited

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

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

### II. Financial risk management

#### (i) Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to effect changes in market conditions and Company's activities.

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

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

#### (ii) Credit risk

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

##### Trade receivables

The Company's retail business is pre-dominantly on cash and carry basis which is largely through credit-card collections. The credit risk on such collections is minimal, since they are primarily owned by customers' card issuing banks. The Company has adopted a policy of dealing with only credit worthy counterparties in case of institutional customers and the credit risk exposure for institutional customers is managed by the Company by credit worthiness checks.

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

##### Cash and cash equivalents

The Company holds cash and cash equivalents of Rs. 1,665,236 at 31 March 2019 (31 March 2018: Rs. 3,574,695). The cash and cash equivalents are held with scheduled banks.

#### (iii) Liquidity risk

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

Management manages the liquidity risk by monitoring cash flow forecasts on a periodic basis and maturity profiles of financial assets and liabilities. This monitoring takes into account the accessibility of cash and cash equivalents.



**Mahen Distribution Limited****Notes to the financial statements for the year ended 31 March 2019***(All amounts in ₹ lakhs, except for share data and if otherwise stated)***22 Exposure to liquidity risk**

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

**31 March 2019**

	Carrying amount	Total	Contractual cash flow		
			Less than 1 year	1-5 years	More than 5 years
Non derivative financial liabilities					
-Borrowings(including current maturities)	1,50,00,000	1,50,00,000	1,50,00,000	-	-
-Trade payables	4,18,49,147	4,18,49,147	4,18,49,147	-	-
-Interest due but not paid	4,66,027	4,66,027	4,66,027	-	-
-Expenses payable	-	-	-	-	-
	<b>5,73,15,174</b>	<b>5,73,15,174</b>	<b>5,73,15,174</b>	<b>-</b>	<b>-</b>

**31 March 2018**

	Carrying amount	Total	Contractual cash flow		
			Less than 1 year	1-5 years	More than 5 years
Non derivative financial liabilities					
-Borrowings(including current maturities)	1,50,00,000	1,50,00,000		1,50,00,000	
-Trade payables	5,16,47,001	5,16,47,001	5,16,47,001		
-Interest due but not paid	4,66,030	4,66,030	4,66,030		
-Expenses payable	10,000	10,000	10,000		
	<b>6,71,23,031</b>	<b>6,71,23,031</b>	<b>5,21,23,031</b>	<b>1,50,00,000</b>	<b>-</b>

**23 Market Risk****Product price risk**

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



## Mahen Distribution Limited

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

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

b) Currency risk

There is no financial liability designated in foreign currency.

### Capital Management

(i) Risk management

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

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

Total liabilities  
Less: cash and cash equivalents  
Adjusted net debt  
Total equity  
Adjusted net debt to equity ratio

31 March 2019	31 March 2018
6,24,12,291	13,41,24,251
(16,65,236)	(35,74,695)
6,07,47,055	13,05,49,555
5,64,18,249	6,69,44,693
1.08	1.95

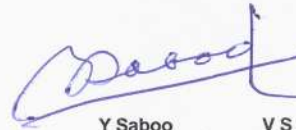
For Mukta Arvind and Associates  
Chartered Accountants  
Firm Registration No. 018341N


CA Arvind Kumar  
Partner  
Membership No. 091661

Place : Chandigarh

Dated: 18 May, 2019

For and on behalf of the Board of directors

  
Y Saboo  
Director

  
V S Mathur  
Director

DIN: 00012158

DIN: 07910605

## Mahen Distribution Limited

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

### I. Reporting entity

Mahen Distribution Limited ('MDL' or 'the Company'), a subsidiary of KDDL Limited, is a limited liability company and was incorporated on 28<sup>th</sup> May 2009. The Company's business consists of trading of watches, accessories and luxury items.

### II. Significant accounting policies

#### a) Basis of preparation

##### i) Statement of compliance

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

The Company's financial statements upto and for the year ended 31 March 2018 were prepared in accordance with the Companies (Accounting Standards) Rules, 2006, notified under section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

As these are Company's first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First time adoption of Indian Accounting Standards has been applied. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP.

The financial statements were authorized for issue by the Company's Board of Directors on 18<sup>th</sup> May, 2019.

##### ii) Functional and presentation currency

The functional currency of the Company is the Indian rupee. These financial statements are presented in Indian rupees.

##### iii) Basis of measurement

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

Items	Measurement basis
Certain financial assets and liabilities (including derivative instruments)	Fair value

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

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



**v) Measurement of fair values**

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

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

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

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

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

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

**b) 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.

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

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

**d) Contingent liabilities and contingent assets**

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

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

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



**e) Revenue**

The Company has initially applied Ind AS 115 from 1 April 2018.

**Revenue recognition under Ind AS 18 (applicable before 1 April 2018)**

*Sale of products and rendering of services*

Revenue from contract with customers for sale of products and rendering of services is recognised when the Company satisfies performance obligation by transferring promised goods and services to the customer. Performance obligations are satisfied at the point of time when the customer obtains controls of the asset. Revenue is measured based on transaction price, which is the fair value of the consideration received or receivable, stated net of discounts, returns and value added tax. Transaction price is recognised based on the price specified in the contract, net of the estimated sales incentives/ discounts.

**Revenue recognition under Ind AS 115 (applicable from 1 April 2018)**

Under Ind AS 115, the company recognized revenue when (or as) a performance obligation was satisfied, i.e. when 'control' of the goods underlying the particular performance obligation were transferred to the customer.

Further, revenue from sale of goods is recognized based on a 5-Step Methodology which is as follows:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

**Use of significant judgements in revenue recognition**

- a) The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products / services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.
- b) Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as discounts. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.
- c) The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract.
- d) The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.



*Sale of services*

The Company offers services in fixed term contracts and short term arrangement. Revenue from service is recognized when obligation is performed or services are rendered.

The effect of initially applying Ind AS 115 is described in Note 2(b).

**f) 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.

**g) Borrowing Costs**

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

**h) Income taxes**

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

*Current tax*

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

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

*Deferred tax*

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

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



Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

**i) Leases**

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

*Finance leases*

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

*Operating leases*

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

**j) Financial instruments**

*i. Recognition and initial measurement*

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

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

*ii. Classification and subsequent measurement*

Financial assets

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

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

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

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and



- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

*Financial assets: Subsequent measurement and gains and losses*

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

*Financial liabilities: Classification, subsequent measurement and gains and losses*

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

*iii. De-recognition*

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers



nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

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

#### Financial liabilities

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

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

#### *iv. Offsetting*

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

#### *v. Derivative financial instruments*

The Company holds derivative financial instruments to hedge its foreign currency risk exposures. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liability when the fair value is negative

### **k) Impairment**

#### *i. Impairment of financial asset*

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

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

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

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

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

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

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



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

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

*Measurement of expected credit losses*

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

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

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

*Write-off*

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

*ii) Impairment of non-financial assets*

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

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

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

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



**l) Foreign currency transactions**

*Initial recognition*

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

*Measurement at the reporting date*

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

**m) Operating segments**

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

**n) Cash and cash equivalents**

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

**o) Cash flow statement**

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

**p) Earnings per share**

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



**q) Recent Accounting pronouncements**

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind AS which the Company has not applied as they are effective from 1 April 2019:

**Ind AS 116 – Leases**

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

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

*Leases in which the Company is a lessee*

The Company will recognise new assets and liabilities for its operating leases of offices, factory facilities, Plant and equipment and Computers (see Note 40). The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

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

In addition, the Company will include the payments due under the lease in its lease liability and apply Ind AS 36, Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment.

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

*Leases in which the Company is a lessor*

The Company will reassess the classification of sub-leases in which the Company is a lessor. Based on the information currently available, the Company expects that it will reclassify two sub-leases as a finance lease.

No significant impact is expected for other leases in which the Company is a lessor.

*Transition*

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

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

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

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this



pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

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

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

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

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

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

#### **Ind AS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Company does not expect any impact from this amendment.

