SUBSIDIARY COMPANIES ANNUAL REPORT
2017-18

JOURNEY TO DIGITAL

BHARAT FORGE | KALYANI

CONTENTS

Note:

The Financial Statements are stated in the respective local currencies. The same are converted into Indian Rupees (INR) by applying the following rates:

Currency	Rate for conversion Equivalent INR
EURO	80.6222
SEK	7.8738
USD	63.9273

The Financial Statements have been prepared as per Generally Accepted Accounting Practices, in the respective countries and the same are not converted as per the Ind AS.

Bharat Forge Global Holding GmbH

Managing Director
Mr. Michael Weis
Mr. Martin Kubelback
Mr. Martin Von Werne

Registered Office
Mittelstrasse 64
58256 Ennepetal
Germany

Auditors
Dr. Wehberg Und Partner HbR
Wirtschaftsprufungsgesellschaft
Feithstrasse 177
58097 Hagen
Germany

Advisory Board
Mr. B. N. Kalyani
Mr. A. B. Kalyani
Mr. S. E. Tandale
Mr. S. G. Joglekar
Prof. Dr. Uwe Loos

Auditor’s Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, of the Bharat Forge Global Holding GmbH, Ennepetal, for the business year from January 1st to December 31st, 2017. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch“: „German Commercial Code“) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting.

Hagen, April 6th, 2018

(Börstinghaus)	(Lingnau)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Balance Sheet as at December 31st, 2017

					As at 12/31/2017
ASSETS	**Rs.**		**EUR**		**EUR**
A. Fixed Assets					
I. Intangible assets					
Trademarks, patents, licenses, and similar rigths and licenses to such rights		-		-	-
II. Tangible assets					
1. Land, land rights and buildings including buildings on third party land	41,574,611.11		515,672.00		535,365.00
2. Technical equipment and machinery	-				-
3. Other plant, factory and office equipment	2,019,666.73		25,051.00		8,297.00
4. Prepayments on tangible assets and construction in progress	-	43,594,277.84	-	540,723.00	-
					543,662.00
III. Financial assets					
1. Shares in affiliated companies	7,073,132,776.99		87,731,825.44		85,697,625.44
2. Loans to affiliated companies	269,681,259.00		3,345,000.00		4,345,000.00
3. Investments	80.62		1.00		1.00
4. Loans to associated companies	80.62		1.00		1.00
		7,342,814,197.23		91,076,827.44	90,042,627.44
		7,386,408,475.07		91,617,550.44	90,586,289.44
B. Current assets					
I. Accounts receivable and other assets					
1 Receivables from affiliated companies of which EUR 0.00 (12/31/2016: EUR 0.00) due after one year of which Rs. 159,693,210.20 EUR 1,980,813.82 (12/31/2016: EUR 1,898,637.52) to shareholders	1,860,042,590.91		23,071,096.93		16,457,003.44
2 Receivables from associated companies of which EUR 0.00 (12/31/2016: EUR 0.00) due after one year	-		-		1,400.00
3 Other assets of which EUR 0.00 (12/31/2016: EUR 0.00) due after one year	78,670,791.25		975,795.64		1,003,382.92
		1,938,713,382.16		24,046,892.57	17,461,786.36
II. Cash on hands, bank balances		81,593,284.72		1,012,044.88	2,060,775.95
		2,020,306,666.88			19,522,562.31
C. Prepaid expenses		28,889.35		358.33	-
Asset side difference from offsetting of plan assets		1,854,391.22		23,001.00	33,561.00
Total		**9,408,598,422.52**		**116,699,847.22**	**110,142,412.75**

Balance Sheet as at December 31st, 2017

EQUITY AND LIABILITIES	Rs.	Rs.	EUR	EUR	As at 12/31/2017 EUR
A. Equity					
I. Share Capital		403,111,000.00		5,000,000.00	5,000,000.00
II. Capital reserves		4,955,397,407.10		61,464,428.00	57,464,428.00
III. Profit/loss brought forward		1,498,226,136.6		18,583,295.13	10,621,101.10
IV Net income for the year		277,908,222.40		3,447,043.40	7,962,194.03
		7,134,642,766.13		88,494,766.53	81,047,723.13
B. Accruals					
1. Accruals for pensions and similar obligations	122,863,959.82		1,523,947.00		1,472,701.00
2. Tax accruals	54,258,740.60		673,000.00		464,000.00
3. Other accruals	47,463,245.32		588,711.86		572,132.33
		224,585,945.74		2,785,658.86	2,508,833.33
C. Liabilities					
1. Liabilities to Banks	483,745,768.19		6,000,155.89		6,000,000.00
up to one year: EUR 857,298.75(12/31/2016- EUR 0.00)					
(Due Later than one year Rs. 414,604,575.80 EUR 5,142,701.25					
(12/31/2016 : EUR 6,000,000.00)					
2. Trade payables	18,615,646.63		230,899.76		72,622.88
up to one year: RS. 18,615,646.63 EUR 230,899.76					
- (12/31/2016: 72,622.88)					
- Due later than one year EUR 0.00 (12/31/2016 : EUR 0.00)					
3. Payables to affiliated companies	1,542,361,344.29		19,130,727.57		16,852,546.11
- up to one year: Rs. 1,542,361,344.29 EUR 19,130,727.57					
(12/31/2016: EUR 16,852,546.11))					
- Due later than one year EUR 0.00 (12/31/2015 : EUR 0.00)					
of which Rs.130,448,108.72 EUR 1,618,017.61					
(12/31/2016: EUR 2,324,109.75) to shareholders					
4. Other liabilities	4,646,951.54		57,638.61		3,660,687.30
- up to one year: Rs.4,646,951.54 EUR 57,638.61					
(12/31/2016: EUR 3,660,687.30)					
- due later than one year : EUR 0.00					
- of which Rs. 4,646,951.54 EUR 57,638.61					
(12/31/2016 EUR 3,660,687.30) relating to taxes					
of which Rs. 0.00 EUR 0.00 (12/31/2015: EUR 18.00)					
relating to social security					
		2,049,369,710.65		25,419,421.83	26,585,856.29
Total		**9,408,598,422.52**		**116,699,847.22**	**110,142,412.75**

Profit and Loss Account for the period from January 1st to December 31st, 2017

	Rs.		EUR		Previous Year EUR
1. Sales		374,123,215.43		4,640,449.10	3,784,703.18
2. Other operating income		15,949,169.76		197,826.03	4,140,494.65
		390,072,385.19		4,838,275.13	7,925,197.83
3. Personnel expenses					
a) Wages and saleries	(178,081,241.14)		(2,208,836.29)		(2,009,910.35)
b) Social security contributions and pension expenses thereof Rs. 7,207,819.79 EUR 89,402.42 (2016 : EUR 75,383.62) for pension expenses	(25,475,612.26)		(315,987.56)		(294,933.70)
		(203,556,853.40)		(2,524,823.85)	(2,304,844.05)
4. Depreciation and amortization on intangible fixed assets and tangible assets		(2,372,184.08)		(29,423.46)	(24,557.55)
5. Other operating expenses		(264,552,435.82)		(3,281,384.48)	(2,677,727.98)
		(80,409,088.11)		(997,356.66)	2,918,068.25
6. Income from Profit & Loss transfer agreements	516,721,953.96		6,409,177.05		6,057,270.06
7. Other interest and similar income thereof Rs. 5,679,804.30 EUR 70.338.00 (2016 : EUR 123,812) from affiliated companies	6,137,431.09		76,125.82		123,812.00
8. Interest and similar expenses thereof Rs. 14,905,432.34 EUR 184,880.00 (2016 :EUR 382,384.00) to affiliated companies thereof Rs. 4,543,867.19 EUR 56,360.00 (2016: EUR 61,691.00) from discounting of provisions	(38,448,565.13)		(476,897.99)		(662,131.96)
		484,410,819.92		6,008,404.88	5,518,950.10
		404,001,731.81		**5,011,048.22**	**8,437,018.35**
9. Taxes on income		(124,267,039.26)		(1,541,350.14)	(464,738.01)
10. Income after Tax		279,734,692.55		3,469,698.08	7,972,280.34
11. Other taxes		(1,826,470.13)		(22,654.68)	(10,086.31)
12. Net income for the year		**277,908,222.42**		**3,447,043.40**	**7,962,194.03**

1. General notes relating to annual accounts

Bharat Forge Global Holding GmbH has its registered office in Ennepetal and is registered at the local court in Hagen under No. HRB 6669.

Bharat Forge Global GmbH is a small enterprise according to § 267 paragraph 1 of the German Commercial Code (HGB).

The financial year comprises the period from 1st January to 31st December 2017.

2. General Information regarding content and structure of the Financial Statements

The presentation of the annual accounts was not changed compared with the previous year.

The structure of balance sheet and profit & loss account follow §§ 266 und 275 HGB. For the profit & loss account the total cost format was selected (§ 275 paragraph 2 HGB).

While preparing the notes the company takes some relief according to the rules for small enterprises.

3. Accounting and valuation principles

The annual financial statements for the financial year 2017 were prepared on the basis of the provisions of §§ 242 – 256a HGB and §§ 264 – 288 HGB. Additional rules according to limited liability company law have been considered.

The accounting and valuation principles did not change compared with the previous year.

Purchased **intangible and tangible assets** are valued at their acquisition costs. In the case of assets only used for a limited period of time the acquisition costs have been reduced by scheduled depreciation. In case of expected permanent impairment the assets are accounted at fair value. In the year of acquisition depreciation is considered pro rata temporis.

Low-value items, i.e. items, the acquisition or manufacturing costs of which do not exceed EUR 150, are fully depreciated in their year of acquisition or manufacture. If the acquisition or manufacturing costs of an individual asset amount to more than EUR 150, but no more than EUR 1,000 it is included in a collective item shown as asset addition. One fifth of such collective item is released and debited to the profit and loss account in its year of creation and during each of the following four fiscal years.

Lifetimes of depreciable fixed assets is considered as follows:

Fixed Asset	**Lifetimes**
Intangible fixed assets	3-5 years
Land and buildings	33 years
Factory and Office equipment	5-10 years
IT-equipment	3 years

Financial assets are accounted at their acquisition costs, or, in case of expected permanent impairment, at fair value.

Receivables and other accounts receivable are valued at their face value taking into account value adjustments in respect of apparent individual risks. Short-term foreign currency receivables are shown at the average middle rate as of the balance sheet date.

Share capital is accounted at nominal amount.

Provisions for **pension obligations** have been set off with respective plan assets (liability insurances) in case of being pledged**.** The capital value of these plan assets has to be accounted at fair value. Since there is no active market there is no fair value available. Moreover there are not sufficient information to achieve proper valuation according to general accepted valuation principles. Hence the liability insurances are rated at their continued acquisition costs. This represents the cover of insurance including surplus sharing.

Tax provisions and other provisions cover all apparent liabilities and risks and contract loss provisions, so far as there are. They are generally valued at the amount payable on the basis of a reasonable commercial assessment.

Short-time provisions are not discounted. Provisions with expected remaining periods of more than one year have been discounted in accordance with § 253 paragraph 2 sentence 1 HGB due to the average interest rate of the last ten years with regard to their remaining period. In case of anniversary provisions and similar obligations an interest rate according to § 253 paragraph 2 sentence 2 HGB is used which is applicable with a remaining periods of 15 years overall.

Payables are shown at their repayment values.

Short-term **foreign currency payables** are shown at the average middle rate as of the balance sheet date.

4. Notes relating to balance sheet

4.1 Pension provisions

The amount of the pension obligations not yet accrued in accordance with Article 67 EGHGB (Allocation of the adjustment amount resulting from changed valuation in accordance with BilMoG) with an original amount of kEUR 369 totals kEUR 77 as at 31st December, 2017.

Setoffs of assets and liabilities in accordance with § 246 paragraph 2 sentence 2 HGB were made for single obligations. The individual values of the provisions were offset against the corresponding assets. The present values of the assets offset amount to kEUR 176 and the acquisition cost have the same value. The repayment amounts of the liabilities to be offset amount to kEUR 154. There is a remaining as-set value from the offset against the repayment amount of the liabilities. Due to the fact that the remaining periods of obligations and corresponding assets are not fully congruent the pension provision is not balanced at the amount of the corresponding assets.

The effect according to § 253 paragraph 6 HGB amounts to kEUR 190 as of 31.12.2017. In this amount there is payout block due to law.

4.2 Payables

There were no liabilities with a residual term of more than five years as of the balance sheet date. There are liabilities of Mio. EUR 6.0 which are secured by charges on the land of an affiliated company.

4.3 Contingent liabilities and other financial commitments

There are financial commitments from leasing contracts amounting to kEUR 96, thereof kEUR 50 within the year 2017.

Guarantees existed as of 31.12.2017 as follows:

Nature	**Maturity**	**Value as of balance sheet date**
Collateral promises in favour of an affiliated company	2020 2021	kEUR 451 kEUR 1,919
		kEUR 2,370

5. Notes relating to profit and loss account

5.1 Other operative income

Income from currency conversions amounts to kEUR 72.

5.2 Other operative expenses

Losses from currency conversions amount to kEUR 211.

5.3 Interests and similar expenses

With regard to offsetting of plan assets and obligations respective income and expenses had also been offset amounting to kEUR 4, which is accounted in the financial expenses.

6. Other information

6.1 Employees

In 2017 the company employed 7 employees in the average.

6.2 Information about the group

Bharat Forge Limited Pune, India, is the parent company, which prepares the group accounts for the smallest part of group companies.

6.3 Information about gender equality

The percentage of women in the management and supervisory advisory board of Bharat Forge Global Holding GmbH is 0 %. It should be noted that the management currently consists of three persons. Against this background, we have planned no change in this ratio until 2022 in the management. Due to the more technical requirements for the activities in the Advisory Board, we did not intend to change the quota there either. Due to the organizational orientation of the company as a holding company, there are no management levels below the management body.

Ennepetal, 02nd February, 2018

Bharat Forge Global Holding GmbH

Michael Weis Martin Kübelbäck Marin von Werne

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Bharat Forge CDP GmbH

Managing Director
Mr. Michael Weis
Mr. Martin von Werne

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Mittelstrasse 64
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Auditors
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Wirtschaftsprufungsgesellschaft
Feithstrasse 177
58097 Hagen
Germany

Advisory Board
Mr. B. N. Kalyani
Mr. A. B. Kalyani
Mr. S. E. Tandale
Mr. S. G. Joglekar
Prof. Dr. Uwe Loos

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Bharat Forge CDP GmbH for the business year from January 1st to December 31st, 2017. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch": „German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements, complies with the legal requirements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hagen, April 6th, 2018

W U P T r e u h a n d G m b H
Wirtschaftsprüfungsgesellschaft

(Börstinghaus)	(Lingnau)
Wirtschaftsprüfer	Wirtschaftsprüfer
	(German Public Auditor)

Balance Sheet as at December 31st, 2017

ASSETS	Rs.		EUR		EUR As at 31/12/2017
A. Fixed Assets					
I. Intangible assets					
Trademarks, patents, licenses, and similar rigths and licenses to such rights		4,601,431.44		57,074.00	67,775.00
II. Tangible assets					
1. Land, land rights and buildings including buildings on third party land	559,826,742.99		6,943,828.66		7,446,403.66
2. Technical equipment and machinery	1,216,406,711.21		15,087,739.00		14,016,316.00
3. Other plant, factory and office equipment	689,154,453.87		8,547,949.00		10,148,655.00
4. Prepayments on tangible assets and construction in progress	84,853,971.40	2,550,241,879.47	1,052,488.91	31,632,005.57	2,478,315.53 34,089,690.19
III. Financial assets					
1. Shares in affiliated companies		136,178,347.71		1,689,092.43	1,570,292.43
		2,691,021,658.62		33,378,172.00	35,727,757.62
B. Current assets					
I. Inventories					
1. Raw materials, supplies and operating materials	868,318,018.21		10,770,209.92		8,773,573.16
2. Work in progress	971,961,838.24		12,055,759.31		11,703,103.40
3. Finished goods and merchandise	496,271,105.82		6,155,514.31		6,575,653.97
		2,336,550,962.27		28,981,483.54	27,052,330.53
II. Accounts receivable and other assets					
1. Trade receivables - of which EUR 0.00 (2015: Eur0.00) due after more than one year	1,942,913,368.25		24,098,987.23		18,476,497.88
2. Receivables from affiliated companies - of which EUR 0.00 (2015 0.00)due after more than one year - of which Rs.855,817,283.27 EUR 10,615,156.66 (2016: Eur 8.461.450,25) to shareholders	1,220,111,690.70		15,133,693.83		13,787,004.45
3. Other assets - of which Rs. 33,308,441.95 EUR 413,142.51 (2015: Eur 405,300.00)due after more than one year	96,808,340.16		1,200,765.30		1,048,813.18
		3,259,833,399.11		40,433,446.36	33,312,315.51
III. Cash on hands, bank balances		4,831,548.16		59,928.26	1,931.86
		5,601,215,909.54		69,474,858.16	60,366,577.90
C. Prepaid expenses		3,003,675.20		37,256.18	52,843.33
Total		**8,295,241,243.36**		**102,890,286.34**	**96,147,178.85**

Balance Sheet as at December 31st, 2017

EQUITY AND LIABILITIES	Rs.		EUR		*As at 31/12/2017* EUR
A. Equity					
I. Share Capital		40,311,100.00		500,000.00	500,000.00
II. Capital reserves		3,359,404,194.48		41,668,475.86	41,668,475.86
III. Profit/loss brought forward		-		-	-
		3,399,715,294.48		42,168,475.86	42,168,475.86
B. Accruals					
1. Accruals for pensions and similar obligations	485,836,955.69		6,026,094.00		5,383,558.00
2. Other accruals	405,272,719.82		5,026,812.96		5,425,906.41
		891,109,675.51		11,052,906.96	10,809,464.41
C. Liabilities					
1. Liabilities to Banks	1,216,482,853.23		15,088,683.43		17,877,765.97
- upto one year: Rs. 663,644,910.14 Eur 8,231,540.57 (2016 Eur9,877,765.97)					
- due later than one year:Rs.552,837,943.09 Eur 6,857,142.86 (2016 :Eur8,000,000.00)					
2. Advance payments received for orders	774,698.72		9,609.00		
Upto one year: Rs. 774,698.72 EUR 9,609.00 (2016:EUR0.00)					
Due later than one year EUR0.00 (2016: EUR 0.00)					
3. Trade payables	1,938,540,096.03		24,044,743.21		17,474,512.61
- up to one year: Rs.1,938,540,096.03 EUR: 24,044,743.21 (2016: EUR 17,474,512.61)					
Due later than one year : Rs.0.00 Eur0.00(2016: Eur 0.00)					
4 Payables to affiliated companies	787,776,942.69		9,771,216.15		6,841,472.14
up to one year: Rs. 787,776,942.69 EUR 9,771,216.15 (2016: EUR 6,841,472.14)					
due later than one yearEUR 0.00 (2016 : EUR 0.00)					
of which Rs. 789,592,873.09 EUR 9,793.740.10 (2016:EUR 6,511,701.08) to shareholders					
of which INR 12,784,917.71 EUR 158,578.13 (2016 :EUR 103,392.06) from supplies & services					
5 Other liabilities	60,840,070.26		754,631.73		974,529.16
- up to one year: Rs.60,840,070,26 EUR : 754,631.73 (2015 :EUR 974,529.16)					
Due later than one year Rs.0.00 Eur 0.00 (2016 : Eur 0.00)					
- of which Rs.27,017,990.73 EUR 335,118.50 (2016 : EUR 362,469.09) taxes					
- of which Rs. 2,902.40 EUR 36.00 (2016 EUR 1,299.00 relating to social security					
		4,004,414,660.93		49,668,883.52	43,168,279.88
D. Deferred Income		1,612.44		20.00	958.70
Total		**8,295,241,243.36**		**102,890,286.34**	**96,147,178.85**

Profit and Loss Account for the period from January 1st to December 31st, 2017

	Rs.		EUR		Previous Year Eur
1. Sales		13,796,795,711.59		171,128,990.67	156,995,362.04
2. Increase/Decrease in finished good inventories and work-in-process		(5,440,688.39)		(67,483.75)	2,439,286.69
3. Production for own plant and equipment capitalised		24,176,835.38		299,878.14	733,121.12
		13,815,531,858.58		171,361,385.06	160,167,769.85
4. Other operating income thereof INR 226,616.91 EUR2,810.85 (2016:EUR 239.66) from currency conversion		109,649,530.57		1,360,041.41	1,363,384.61
		13,925,181,389.15		172,721,426.47	161,531,154.46
5. Cost of materials					
a) Cost of raw materials, consumables, supplies and purchased merchandise	(6,392,341,068.02)		(79,287,604.01)		(71,545,109.24)
b) Cost of purchased services	(2,276,150,733.66)		(28,232,307.40)		(29,136,039.65)
		(8,668,491,801.68)		(107,519,911.41)	(100,681,148.89)
		5,256,689,587.47		65,201,515.06	60,850,005.57
6. Personnel expenses					
a) Wages and salaries	(2,345,033,666.54)		(29,086,699.03)		(28,435,826.54)
b) Social security contributions and pension expenses thereof Rs. 34,376,761.07 EUR 426,393.24 (2016: EUR 98,304.09) for Pension Expenses	(486,532,493.08)		(6,034,721.12)		(5,419,124.72)
		(2,831,566,159.62)		(35,121,420.15)	(33,854,951.26)
7. Depreciation and amortization on intangible fixed assets and tangible assets		(733,718,726.43)		(9,100,703.36)	(8,723,701.71)
8. Other operating expenses thereof INR 1,982,126.62 EUR:24,585.37 (2016: EUR 16,315.30) from currency conversion		(1,396,245,867.82)		(17,318,379.65)	(15,656,869.82)
		295,158,833.60		3,661,011.90	2,614,482.78
9. Income from Profit & Loss transfer agreements	22,823,060.45		283,086.55		807,339.38
10. Other interest and similar income thereof Rs. 375,013 EUR 4,651.49 (2016 :EUR 1,575.00) from affiliated companies thereof Rs. 783,630.85 EUR 9,719.79 (2016 : EUR 5,095.60) from discounting	1,156,628.66		14,346.28		6,751.66
11. Depreciation on financial assets	(994,819.90)		(12,339.28)		(12,712.50)
12. Interest and similar expenses thereof INR0.00 EUR 0.00 (2016: EUR 11,195.00) to affiliated companies thereof Rs. 21,003.477.86 EUR 269,517.30 (206: EUR 253,207.50) from discounting provisions	(59,705,139.46)		(740,554.58)		(656,188.74)
		(36,720,270.25)		(455,461.03)	145,189.80
		258,438,563.35		**3,205,550.87**	**2,759,672.58**
13. Taxes from Income		-		-	-
14. Income after Taxes		258,438,563.35		3,205,550.87	2,759,672.58
15. Other taxes		(26,082,237.07)		(323,511.85)	(247,971.50)
16. Income from loss transfer		-			
17. Expenses from Profit & Loss Transfer Agreements		(232,356,326.28)		(2,882,039.02)	(2,511,701.08)
18. **Net income for the year**		-		-	-

1. General

The company is registered with the name “Bharat Forge CDP GmbH“ in the commercial register of Hagen Local Court (*Amtsgericht*) under No. HRB 10053. The registered office of the company is Ennepetal.

Bharat Forge CDP GmbH, Ennepetal, is a large-sized capital company pursuant to Section 267 subsection 3 of the German Commercial Code (*HGB*).

The fiscal year is the period between 1 January and 31 December 2017.

2. General Information on the Contents and Structure of the Financial Accounts

No changes have been made to the presentation of the financial accounts.
The structure of the balance sheet and of the profit and loss account is the one required pursuant to Sections 266 and 275 *HGB*. For the profit and loss account, the cost-of-production method in the meaning of Section 275 subs. 2 *HGB* was selected in an unchanged manner.

3. Fundamental Balance Sheet Preparation and Valuation Principles

The financial accounts as of 31 December 2017 were prepared to meet the requirements of Sections 242 through 256a, and Sections 264 through 278 *HGB*. Any supplementary provisions of the German law (*GmbHG*) concerning the *Gesellschaft mit beschränkter Haftung* (limited liability company) concerning the financial accounts were also complied with.

The fundamental balance sheet preparation and valuation principles were applied in an unchanged manner compared to the previous year.

Purchased **intangible assets** are recognized at cost. Assets that can only be used for a certain period are recognized at cost, reduced by depreciation and amortisation. The usual useful life to be assumed is three years unless the type of asset requires a deviating period of use.

Property, plant and equipment are generally recognised at purchase or production costs, reduced by depreciation and amortisation based on the usual useful life. The production costs of facilities we have built on our own do not only include directly attributable costs but also required overhead costs.

Since 2010, we have been using the straight-line method for the depreciation and amortization of additions to assets. Low-value economic assets, i.e. objects with purchase or production costs up to and equal to 150 euros are fully amortized in the year of addition. A collective account is established for added assets in one fiscal year if the purchase or production costs for any single asset exceeding 150 euros, but are not higher than 1000 euros. The respective collective account is released through profit and loss with a fifth of the amount in the year of acquisition and the next four fiscal years. Depreciation and amortisation of additions are made *pro rata temporis*. Any own work capitalized to be recognized are valuated at cost including reasonable portions of material and manufacturing overhead costs and depreciation and amortisation due to manufacturing.

The useful lives are based on the different groups of investments below:

Asset	**Period of utilisation**
Intangible assets	3 years
Buildings	25 - 33 years
External facilities	8 - 33 years
Technical equipment and machines	5 -10 years
Tools	3 years
Fixtures, fittings and office equipment	5 -10 years
EDP equipment	3 years

Financial assets are recognized at purchase costs.

Should the value of objects of fixed assets which has been determined pursuant to the principles defined above, exceed the fair value to be recognized on the reporting date, it is subject to an extraordinary write-down or value impairment if its value is expected to be permanently impaired.

Inventories are assessed at purchase or production costs or in accordance with the application of permitted calculation simplification methods or on the basis of the lower fair values. The production costs do not only include directly attributable costs but also production costs and required overhead costs. No interest for third-party capital is recognized. Administration costs are only included in the determination of production costs if they are the direct result of manufacturing. The risk from storage and marketability is managed by reasonable deductions. Sales and administration costs were not included in the loss-free assessment of consignment goods.

Receivables and other assets are assessed at cost, reduced by reasonable value impairment for visible individual risks. General credit risks are accounted for by a flat-rate allowance.

Prepaid expenses/prepayments and accrued income generally include the expenses incurred before the reporting date if they represent expenses for a defined period thereafter.

The **subscribed capital** is assessed with its nominal value.

The value of **provisions for pensions** is recognised using actuarial calculations based on the Projected Unit Credit Method under application of Prof. Dr. Klaus Heubeck's expectancy tables "Richttafeln 2005 G" below:

- Imputed interest rate:	3.68 % p.a.
- Accrual tendency:	2.00 % p.a.
- BBG tendency:	2.00 % p.a.
- Pensions tendency:	2.00 % p.a.
- Fluctuation:	1.00 % p.a.

Other provisions take all visible risks, uncertain liabilities and expected losses from pending transactions, if any, into account. They are generally assessed with the amount of settlement required on the basis of prudent business judgement.

Provisions with a remaining term of more than one year are discounted at the mean market interest rate pursuant to Section 253 subs. 2 first sentence *HGB* of the past seven business years resulting corresponding to their remaining term. Provisions for anniversaries and other long-term liabilities are valuated using the interest rate pursuant to Section 253 subs. 2, 2nd sentence *HGB* determined with a flat rate resulting from a remaining assumed term of 15 years.

The semi-retirement obligations were recognized on a net basis with the fair value of the securities deposit in order to secure the employees' semi-retirement entitlements from insolvency risks.

Liabilities are recognized with their settlement amounts. Liabilities in foreign currencies were translated at the mean spot exchange rate prevailing on the reporting date pursuant to Section 256a *HGB*.

Other provisions are assessed with the expected amount of settlement on the basis of prudent business judgement. They take all visible risks and uncertain liabilities in account. Medium- and long-term liabilities have been discounted pursuant to Section 253 subs. 2, first sentence, *HGB*.

Liabilities are recognized with their settlement amounts. Liabilities in foreign currencies were translated at the mean spot exchange rate prevailing on the reporting date pursuant to Section 256a *HGB*.

4. Information on the Balance Sheet and Profit and Loss Account

4.1 Fixed assets

The composition and development of the fixed assets have been depicted in detail in the fixed asset schedule below :

Bharat Forge CDP, GmbH, Enneptal

Assets analysis as at 31st December, 2017

	Historical acquisition or manufacturing costs					Depreciation				Book value	Book value
	1/1/2017	Additions	Disposals	Reclassification	12/31/2017	1/1/2017	Additions	Disposals	12/31/2017	12/31/2017	12/31/2016
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets											
Purchased concessions, industrial & similar rights and aasets and licenses in such rights & assets	1,554,167.05	41,966.67	-	6,995.00	1,603,128.72	1,486,392.05	59,662.67	-	1,546,054.72	57,074.00	67,775.00
			-				-	-	-		
	1,554,167.05	41,966.67	0.00	6,995.00	1,603,128.72	1,486,392.05	59,662.67	0.00	1,546,054.72	57,074.00	67,775.00
II. Tangible assets											
1. Land, land rights and Buildings, including buildings on third party land	12,879,610.55	173,983.49	59,250.28	85,692.28	13,080,036.04	5,433,206.89	762,250.77	59,250.28	6,136,207.38	6,943,828.66	7,446,403.66
2. Technical equipment and machinery	38,949,933.91	2,917,416.39	180,276.67	1,165,750.14	42,852,823.77	24,933,617.91	3,011,743.53	180,276.67	27,765,084.77	15,087,739.00	14,016,316.00
3. Other plant, factory and office equipment	34,952,440.61	2,709,173.63	224,195.04	333,812.68	37,771,231.88	24,803,785.61	4,638,667.31	219,170.04	29,223,282.88	8,547,949.00	10,148,655.00
4. Payments in Advance & construction in progress	2,933,257.67	832,695.90	37,893.34	(1,592,250.10)	2,135,810.13	454,942.14	628,379.08	-	1,083,321.22	1,052,488.91	2,478,315.53
III. Financial Assets											
Shares in affiliated companies	1,570,292.43	118,800.00	-	-	1,689,092.43	-	-	-	-	1,689,092.43	1,570,292.43
	91,285,535.17	6,752,069.41	501,615.33	(6,995.00)	97,528,994.25	55,625,552.55	9,041,040.69	458,696.99	64,207,896.25	33,321,098.00	35,659,982.62
Total	**92,839,702.22**	**6,794,036.08**	**501,615.33**	**(0.00)**	**99,132,122.97**	**57,111,944.60**	**9,100,703.36**	**458,696.99**	**65,753,950.97**	**33,378,172.00**	**35,727,757.62**

4.2 Receivables and other assets

The other assets legally incurring after the reporting date include entitlements to electricity and energy tax refund claims in the amount of kEUR 325 which are recognized as anticipative items.

4.3 Accruals/Provisions for pensions

The portion of pension provisions not yet carried as liabilities due to the application of Article 67 subs. 1 *EGHGB, the* Introductory Law to the Commercial Code (the distribution of the adjustment amount resulting from the assessment pursuant the German Accounting Modernisation Act, *BilMoG*) in the original amount of kEUR 1,181 in total still amounts to kEUR 551 at 31 Dec. 2017.

The effect resulting from Section 253 subs. 6 *HGB* amounts to kEUR 1,072 as of 31 Dec. 2017, which is subject to a distribution ban in this amount.

Provisions for pensions are kEUR 6,026 on the reporting date.

4.4 Other provisions

The other provisions include the following major items:

	kEUR
Staff	2,846
Customers	1,119
Suppliers	605
Others	457
	5,027

4.5 Liabilities

Bank loans and overdrafts include kEUR 6,857 with a remaining term of one to five years, and kEUR 8,232 with a remaining term of one year and less.

The liabilities owed to banks in the amount of kEUR 8,000 result from loan agreements and are secured by land charges. There are land charges in the amount of kEUR 17,600 in favour of the credit institution mentioned above, of which kEUR 6,000 base on liability relations for the benefit of Bharat Forge Global Holding GmbH. Furthermore, two banks are owed current account liabilities of kEUR 7,089, which are secured by an agreement in favour of these banks by which all inventories and trade receivables are deemed transferred as security.

4.6 Subdivision of revenue from sales

Sales revenue are divided in Germany and other countries as follows:

	2017	2016	Change
	kEUR	**kEUR**	**kEUR**
In Germany	63,224	58,698	+ 4,526
Abroad	107,905	98,297	+ 9,608
	171,129	156,995	+ 14,134

4.7 Expenses and income from other periods

Other operational expenses include kEUR 959 of revenue which is to be allocated to previous fiscal years. This amount includes revenue from the release of reserves of kEUR 584.

Other operational expenses include kEUR 260 of expenses which had to be allocated to previous fiscal years, of which kEUR 80 from the entitlement to the option of accumulation under the pension scheme provisions pursuant to Art. 67 *EGHGB*.

4.8 Income Statement

Expenses and income in the amount of kEUR 10 have been accounted for in the financial result.

5. Other information

5.1 Liability relations and other financial obligations

Other financial obligations incur from rental/leasing agreements in the total amount of kEUR 3,570/kEUR 215, of which kEUR 661/kEUR 116 are due for payment during the year 2018.

On 25 May 2015, a special collective wage agreement named „Securing the Future“ was entered into between the former CDP Bharat Forge GmbH, the North Rhine-Westphalia association for the metal and electric industries (*Verband der Metall- und Elektroindustrie Nordrhein-Westfalen e.V.*) and the Industrial Union for Metalworkers, Regional Headquarters of North Rhine-Westphalia with effect for the years 2015-2020. This decision was based on the strong impact of market price demands and the resolution to reduce staff costs in mutual agreement with the employees.

The agreement provides for the employees to oblige themselves to work longer hours which are not paid from July 2015 through June 2018 and renouncing some part of the time credits from flexitime. By counteraction, the employer agrees to enact a number of measures, such as the waiver of dismissals on operational grounds, the employment of trainees under permanent agreements, some investments of a certain extent, or the granting of a participation in the results in favour of the employees when a specified return on sales is achieved. The participation in the results mentioned above has an upper limit of EUR 3.2 million.

The parent company Bharat Forge Global Holding GmbH has been granted a loan from a bank in the amount of EUR 6.0 million. The company is liable for these amounts with registered land charges. The economic situation and the prospects of proceeds are such that the loans will not have to be acceded; a detailed insight into the planning documentation exists. The covenants specified in the loan agreements were complied with.

5.2 Staff

The following average number of employees per year was employed in the company:

	2017	Previous Year
Production workers	384	378
Salaried employees	120	128
Trainees	43	40
	547	546

5.3 Members of the Board of Directors

The appointed directors were:

- Michael Weis, Dipl.-Ing., Area Development and Strategy, of Schönaich;
- Michael Kasperski, Sales Area, of Cologne (until 31 December 2016, deregistered on 9 January 2017);
- Martin von Werne, Dipl.-Ing., Technical Area, of Ennepetal.

The directors did not receive any remuneration from the company for their activity.

5.4 Auditor’s Fees

The total fee invoiced by the auditor for the fiscal year 2017 pursuant to Section 285 No. 17 *HGB* is included in the information in the Annex to the consolidated financial accounts as of 31 December 2017 of Bharat Forge Global Holding GmbH.

5.5 Participations

	Equity	**Share**	**Previous result**
	kEUR	**%**	**kEUR**
Bharat Forge Daun GmbH	3.587	100	283*)
OOO Bharat Forge Trading/Moscow	58	99	-54

*) before transferring the profit to Bharat Forge CDP GmbH

5.6 Inclusion in the consolidated financial accounts

The company Bharat Forge Ltd., Mundhwa/Pune, India, is the parent company which prepares the consolidated financial accounts for the largest part of companies. Any disclosures are made at the "Registrar of Companies" in Maharashtra, Pune, India. The company Bharat Forge Global Holding GmbH, Ennepetal, is the parent company which prepares the consolidated financial accounts for the smallest part of companies. Any disclosures are made in the German electronic official gazette (E-Bundesanzeiger).

5.7 Supplementary report

There were no special transactions after the closing of the fiscal year on 31 Dec. 2017, neither outside the profit and loss account nor outside the balance sheet.

5.8 Recommendation for the use of profits

The net income of the fiscal year is transferred to the parent company in accordance with the profit transfer agreement. A transfer to reserves is not provided for.

Ennepetal, on 02 February 2018

Bharat Forge CDP GmbH

Michael Weis   Martin von Werne

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Bharat Forge Holding GmbH

Managing Director	***Registered Office***	***Auditors***
Mr. Michael Weis	Mittelstrasse 64 58256 Ennepetal Germany	Dr. Wehberg Und Partner GbR Wirtschaftsprufungsgesellschaft Feithstrasse 177 58097 Hagen Germany

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, of the Bharat Forge Holding GmbH, Ennepetal, for the business year from January 1st to December 31st, 2017. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch“: „German Commercial Code“) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting.

Hagen, April 6th, 2018

(Börstinghaus)	(Lingnau)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Balance Sheet as at December 31st, 2017

ASSETS	Rs.	EUR	*As at 31/12/2016* EUR
A. Fixed Assets			
I. Financial assets			
Shares in affiliated companies	810,355,967.00	10,051,275.79	10,051,275.79
B. Current assets			
I. Accounts receivable and other assets			
Receivables from affiliated companies - of which EUR 0.00 (12/31/2016: EUR 0.00) due after one year	707,571,447.40	8,776,384.76	5,214,450.74
II. Cash on hands, bank balances	1,317.37	16.34	-
Total	**1,517,928,731.77**	**18,827,676.89**	**15,265,726.53**

Balance Sheet as at December 31st, 2017

EQUITY AND LIABILITIES	Rs.	EUR	As at 31/12/2016 EUR
A. Equity			
I. Share Capital	2,015,555.00	25,000.00	25,000.00
II. Capital reserves	308,299,292.80	3,824,000.00	3,824,000.00
III. Profit/loss brought forward	161,349,924.79	2,001,308.88	2,001,308.88
IV Net income for the year	0.00	0.00	0.00
	471,664,772.59	5,850,308.88	5,850,308.88
B. Accruals			
Other Provisions	690,771.01	8,568.00	7,204.00
C. Liabilities			
1. Liabilities to Banks	-	-	1.67
up to one year: EUR 0.00			
(12/31/2016-EUR 1.67)			
(Due later than one year EUR 0.00			
(12/31/2016 : EUR 0.00)			
2 Payables to affiliated companies	1,045,573,188.17	12,968,800.01	9,408,211.98
- up to one year: Rs. 104,557,188.17 EUR 12,968,800.01)			
(12/31/2016: EUR 9,408,211.98)			
- Due later than one year EUR 0.00			
(12/31/2016 : EUR 0.00)			
- thereof to shareholders : EUR 12.968.800.01			
(12/31/2016 : EUR 9,408,211.98)			
Total	**1,517,928,731.77**	**18,827,676.89**	**15,265,726.53**

Profit and Loss Account for the period from January 1st to December 31st, 2017

	Rs.		EUR		Previous Year EUR
1. Other operating expenses		(711,466.73)		(8,824.70)	(10,381.50)
2. Income from Profit & Loss transfer agreements	287,774,098.08		3,569,415.10		3,589,400.48
3 Interest and similar expenses thereof Rs. 2,696,739.00 EUR 33,450.00 (2016 :EUR 33,450.00) to affiliated companies	(2,697,003.66)		(33,452.37)		(33,450.00)
		285,077,094.42		3,535,962.73	3,555,950.48
		284,365,627.69		**3,527,138.03**	**3,545,568.98**
4 Taxes on income		-		-	-
5 Results after taxes on Income		284,365,627.69		3,527,138.03	3,545,568.98
6 Expenses out of profit & loss transfer agreements		(284,365,627.67)		(3,527,138.03)	(3,545,568.98)
7 Net income for the year		-		-	-

1. General notes relating to annual accounts

Bharat Forge Holding GmbH has its registered office in Ennepetal and is registered at the local court in Hagen under No. HRB 6998.

Bharat Forge Holding GmbH, is a small enterprise according to § 267 paragraph 1 of the German Commercial Code (HGB).

The financial year comprises the period from 1st January to 31st December 2017.

2. General Information regarding content and structure of the Financial Statements

The presentation of the annual accounts was not changed compared with the previous year. The structure of balance sheet and profit & loss account follow §§ 266 und 275 HGB. For the profit & loss account the total cost format was selected (§ 275 paragraph 2 HGB).

While compiling the notes the company takes relief with regard to small companies' rules.

3. Accounting and valuation principles

The annual accounts for the fiscal year 2016 were prepared on the basis of the provisions of §§ 242 – 256a HGB and §§ 264 – 288 HGB. Additional rules according to limited liability company law have been considered.

The accounting and valuation principles did not change compared with the previous year.

Assets and **liabilities** are generally valued at their acquisition costs due to § 253 paragraph 1 HGB.

Shares in affiliated companies were valued at cost price or in case of expected permanent impairment at fair value.

Receivables from affiliated companies and other accounts receivable are valued at their acquisition costs taking into account value adjustments in respect of apparent individual risks.

Share capital is accounted at nominal amount.

Other provisions are generally valued at the amount payable on the basis of a reasonable commercial assessment. They cover all apparent liabilities and risks and contract loss provisions, so far as there are.

Payables are shown at their repayment values.

The **accounts payable due to affiliated companies** comprise only accounts payable to shareholders.

4. Other information

4.1 Employees

There are no people employed in Bharat Forge Holding GmbH.

4.2 Information about the group

Bharat Forge Global Holding GmbH, Ennepetal is the parent company that prepares the consolidated accounts for the smallest circle of companies.

Ennepetal, 2nd February, 2018

Bharat Forge Holding GmbH

Michael Weis

Managing Director

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Bharat Forge Aluminiumtechnik GmbH

Managing Director
Mr. Michael Weis
Mr. Martin Kubelback

Registered Office
Berthelsodorfer StraBe 8
09618 Brand-Erbisdorf
Germany

Auditors
WuP Truehand EmbH
Wirtschaftsprufungsgesellschaf
Feithstrasse 177
58097 Hagen
Germany

Advisory Board
Mr. B. N. Kalyani
Mr. S. G. Joglekar
Mr. S.E.Tandale
Prof. Dr. Uwe Loos

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Bharat Forge Aluminiumtechnik GmbH for the business year from January 1st to December 31st, 2017. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch": „German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements, complies with the legal requirements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hagen, 06th April 2018

W U P T r e u h a n d G m b H

Wirtschaftsprüfungsgesellschaft

(Störring)	(Börstinghaus)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Balance Sheet as at December 31, 2017

ASSETS	Rs.		EUR		As at 31/12/2016 EUR
A. Fixed Assets					
I. Intangible assets					
1 Concessions, trade mark rights and similar rights values, licenses		34,848,986.26		432,250.50	119,332.45
II. Tangible assets					
1. Land, land rights and buildings including buildings on third party land	1,101,117,823.03		13,657,749.64		13,870,598.64
2. Technical equipment and machinery	1,691,899,758.01		20,985,532.00		24,198,665.00
3. Other plant, factory and office equipment	159,919,293.52		1,983,564.00		2,183,509.00
4. Prepayments on tangible assets and construction in progress	160,192,909.14		1,986,957.80		103,163.20
		3,113,129,783.70		38,613,803.44	40,355,935.84
III. Financial assets					
Shares in affiliated companies		-			-
		3,147,978,769.96		39,046,053.94	40,475,268.29
B. Current assets					
I. Inventories					
1. Raw materials, supplies and operating materials	367,450,298.95		4,557,681.37		3,751,113.41
2. Work in progress	567,090,974.13		7,033,930.78		4,358,336.13
3. Finished goods and merchandise	166,326,188.19		2,063,032.12		1,727,111.06
4. Prepayments	0.00		0.00		0.00
		1,100,867,461.27		13,654,644.27	9,836,560.60
II. Accounts receivable and other assets					
1. Trade receivables - of which EUR 0.00 (12/31/2016: EUR 0.00) due after one year	265,649,433.86		3,294,991.13		2,957,216.78
2. Receivables from affiliated companies - of which EUR 0.00 (12/31/2016: EUR 0.00) due after one year	8,938,419.65		110,867.97		8,269.93
3 Other assets - of which Rs. 161,451.60 EUR 2,002.57 (12/31/2016: EUR 2,002.57) due after one year	31,480,788.27		390,472.95		424,853.59
		306,068,641.78		3,796,332.05	3,390,340.30
III. Cash on hands, bank balances		37,567,826.45		465,973.72	38,137.27
					13,265,038.17
C. Prepaid expenses		6,645,505.74		82,427.74	109,228.27
D. Asset side difference from offsetting of planned asset		1,132,580.69		14,048.00	16,551.00
Total		**4,600,260,785.89**		**57,059,479.72**	**53,866,085.73**

Balance Sheet as at December 31, 2017

EQUITY AND LIABILITIES	Rs.		EUR		*As at 31/12/2016* EUR
A. Equity					
I. Share capital	669,164,260.00		8,300,000.00		8,300,000.00
II. Capital reserve	204,709,706.52		2,539,123.30		2,539,123.30
III. Retained income	544,305,835.94		6,751,314.60		6,751,314.60
IV. Net income for the year	-		-		-
		1,418,179,802.46		17,590,437.90	17,590,437.90
B Special item for investment grants		565,004,973.07		7,008,057.00	7,962,040.00
C Provisions & Accruals					
1. Accruals for pensions and similar obligations	-		-		-
2. Other accruals	318,026,969.93		3,944,657.55		2,515,062.99
		318,026,969.93		3,944,657.55	2,515,062.99
D Liabilities					
1. Liabilities to banks - of which up to one year: Rs. 669,419,887.20 EUR 8,303,170.68 (12/31/2016: EUR 6,779,375.34) - of which more than one year: Rs. 467,542,075.77 EUR 5,799,172.88 (12/31/2016: EUR 10,328,512.50)	1,136,961,962.96		14,102,343.56		17,107,887.84
2. Trade payables - of which up to one year: Rs. 319,261,232.12 EUR 3,959,966.76 (12/31/2016: EUR 2,184,486.64) - of which more than one year: Rs. 0.00 EUR 0.00 (12/31/2016: EUR 6,773.20)	319,261,232.12		3,959,966.76		2,205,839.41
3. Payables to affiliated companies - of which up to one year: Rs. 71,202,060.29 EUR 883,157.00 (12/31/2016: EUR 252,076.29) - of which more than one year: Rs. 0.00 EUR 0.00 (12/31/2016: EUR 0.00) - of which Trade payable: Rs. 18,053,073.70 EUR (12/31/2016: EUR 252,076.29)	71,202,060.29		883,157.00		252,076.29
4 Liabilities to limited partner - of which up to one year: Rs. 689,923,415.51 EUR 8,557,486.84 (12/31/2016: EUR 4,988,071.74) - of which more than one year: Rs. 0.00 EUR 0.00 (12/31/2016: EUR 0.00)	689,923,415.51		8,557,486.84		4,988,071.74
5 Other liabilities - of which taxes: Rs. 7,848,818.68 EUR 97,353.07 (12/31/2016: EUR 127,711.60) - of which related to social security: Rs. 1,144,899.73 EUR 14,200.80 (12/31/2016: EUR 5,250.07) - of which upto one year: Rs. 58,086,088.47 EUR 720,472.63 (12/31/2016: EUR 790,451.04)	81,700,369.55		1,013,373.11		1,244,669.56
- of which more than one year: Rs. 23,614,281.08 EUR 292,900.48 (12/31/2016: EUR 454,218.52)		2,299,049,040.43		28,516,327.27	25,798,544.84
Total		**4,600,260,785.89**		**57,059,479.72**	**53,866,085.73**

Profit and Loss Account for the period from January 1 to December 31, 2017

	Rs.	Rs.	EUR	EUR	*Previous Year* EUR
1. Sales		4,834,556,972.59		59,965,579.86	58,175,358.10
2. Increase or decrease in finished goods and work-in-progress		251,208,430.57		3,115,871.69	(1,228,156.44)
		5,085,765,403.16		63,081,451.55	56,947,201.66
3. Other operating income		244,206,491.66		3,029,022.92	1,358,715.87
of which Currency Translation EUR 19,321.60 (2016: EUR 31,189.14)					
		5,329,971,894.82		66,110,474.47	58,305,917.53
4. Cost of materials					
a) Cost of raw materials, consumables, supplies and purchased merchandise	2,790,187,578.96		34,608,179.62		27,307,474.33
b) Cost of purchased services	386,397,984.88		4,792,699.59		5,281,731.17
		3,176,585,563.84		39,400,879.21	32,589,205.50
5. Personnel expenses					
a) Wages and salaries	731,929,922.17		9,078,515.87		8,816,162.94
b) Social security contributions and pension expenses	157,442,705.31		1,952,845.56		1,789,591.22
6. Depreciation and amortization on intangible fixed assets and tangible assets	437,711,787.59		5,429,171.96		5,056,161.20
7. Other operating expenses	490,970,894.34		6,089,772.97		5,527,406.83
of which from Currency Translation Rs. 970,607.44 EUR 12,038.96 (2016: EUR 15,875.62)					
		1,818,055,309.41		22,550,306.36	21,189,322.19
		335,331,021.57		4,159,288.90	4,527,389.84
8. Other interest and similar income	-		-		7,411.70
9. Interest and similar expenses of which from compounding accruals: Rs. 1,048,007.98 EUR 12,999.00 (2016: EUR 11,519.00)	43,150,214.80		535,215.05		893,164.56
		(43,150,214.80)		(535,215.05)	(885,752.86)
10. Results from ordinary business operations		**292,180,806.77**		**3,624,073.85**	**3,641,636.98**
11. Extra Ordinary Income		-			-
		292,180,806.77		3,624,073.85	3,641,636.98
12. Taxes on income and profits	-		-		(2,306.75)
13. Other taxes	4,406,708.67		54,658.75		54,543.25
		4,406,708.67		54,658.75	52,236.50
		287,774,098.10		3,569,415.10	3,589,400.48
14. Expenses out of profit and losse transfer agreement		(287,774,098.10)		(3,569,415.10)	(3,589,400.48)
15. Net income		**-**		**-**	**-**

A. GENERAL NOTES ON THE FINANCIAL STATEMENTS AND ON THE CLASSIFICATION

Bharat Forge Aluminiumtechnik GmbH is a large corporation within the meaning of Section 267 para.3 of the German Commercial Code (HGB).

The classification of the balance sheet and the profit and loss account correspond essentially to Sections 266 and 275 HGB. For the profit and loss account, the total expenditure format has been applied. The classification has not changed as against the previous year.

B. ACCOUNTING AND VALUATION PRINCIPLES

The financial statements for the financial year from 01.01. to 31.12.2017 were prepared in accordance with the regulations of the German Commercial Code (Section 242-256a and Section 264-288 HGB). Supplementary provisions of the Limited Liability Company Law (GmbH-Gesetz) were observed in the annual financial statements.

The accounting and valuation methods have been kept unchanged compared to the previous year.

Transactions in foreign currencies were booked at the respective day's exchange rate. Receivables and liabilities with a remaining term of no more than one year were reported in accordance with Section 256a HGB at the average spot exchange rate on the balance sheet date.

Purchased intangible assets are valued at acquisition costs less scheduled straight-line depreciation.
Tangible assets are recognised at acquisition costs. For depreciable moveable assets, the regular straight line method of depreciation is applied. Depreciation on additions is determined on a pro rata temporis basis.

Low-value fixed assets with acquisition costs up to EUR 150 within the meaning of Section 6 para. 2 of the Income Tax Act (EStG) are fully written off within the financial year. Low-value fixed assets with acquisition costs over EUR 150 but not more than EUR 1,000 within the meaning of Section 6 para. 2a EStG are compounded annually and depreciated with an asset life of five years.

Depreciation to the lower fair value is only carried out for intangible assets and fixed assets if this represents a permanent reduction in value.

Investment grants received or claimable are entered as liabilities in a special reserve for investment grants and written back according to the depreciation of the subsidised assets.
Inventories are assessed at acquisition and/or manufacturing costs by applying permissible simplified assessment procedures and/or at their lower market values. The manufacturing costs include directly attributable costs and also manufacturing and materials overhead costs. Administrative costs are only

included in the assessment of the manufacturing costs to the extent that they are caused through manufacturing. Costs of general administration, selling costs and interest are not included in the manufacturing costs. Storage and stock turnover risks were taken into account by means of appropriate deductions.

Receivables as well as other assets are assessed at acquisition cost after suitable value adjustments.

Prepaid expenses include general expenditure before the reporting date, provided they represent expenditure for a certain time after this date.

Equity capital (share capital, capital and revenue reserves) is included at the nominal amount.

A pension promise has been made in the form of a contribution-based direct pledge. This pension promise is funded via a reinsurance policy not totally in line with performance. Pension provisions are thus determined for the balance sheet date 31.12.2017 with use of the reference tables 2005 G compiled by Dr. Klaus Heubeck. Calculation was made in accordance with the provisions of Section 249 HGB in connection with Section 252 to 255 HGB. According to Section 253 para. 1 sentence 2 HGB, the pension provision is to be made at the settlement amount determined by reasonable commercial evaluation. Appraisal is based on projected unit credit method.

Calculation was based on the contractual retirement age and the following assumptions:

- an actuarial interest rate of 3.68 % p.a. acc. Section 253 para. 2 HGB and the provisions discounting act for a maturity of 15 years
- a pension dynamic of 1.00 % p.a.
- fluctuation probabilities of 0.00 % p.a.

Due to the pledging of the reinsurance, this is not available to all the other creditors, so that in accordance with Section 246 para. 2 sentence 2 HGB, the pension provision is to be set off against the asset value of the reinsurance. The asset value of the reinsurance is assessed at the amortised acquisition costs. These acquisition costs correspond to the coverage capital including irrevocable profit participation.

In the provisions, all recognisable obligations and risks are covered and are valued at their prospective settlement amount in accordance with reasonable commercial assessment. Anniversary payment provisions are valued according to the "projected unit credit method", taking into account the reference tables 2005 G by Dr. Klaus Heubeck and an interest rate of 2.8%. This takes into account a fluctuation probability of 3% for the first ten years of service and a flat 20% social security share. Other provisions with a residual term of up to one year have not been discounted.

The liabilities are assessed at their repayment amounts.

C. NOTES TO THE BALANCE SHEET

The breakdown and development of the fixed assets can be seen in the following assets analysis:

Within the fixed assets, extraordinary depreciation of T€ 241 was carried out in this fiscal year.

Assets analysis as at 31st December, 2017

	Historical acquisition or manufacturing costs					Depreciation				Book value	Book value
	1/1/2017	Additions	Disposals	Reclassification	12/31/2017	1/1/2017	Additions	Disposals	12/31/2017	12/31/2017	12/31/2016
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets											
Purchased concessions, industrial & similar rights and assets and licenses in such rights & assets	1,984,674.79	274,915.94	-	57,194.45	2,316,785.18	1,922,536.79	69,907.39	-	1,992,444.18	324,341.00	62,138.00
Prepayment on intangible assets	57,194.45	107,909.50	-	(57,194.45)	107,909.50	0.00	-	-	-	107,909.50	57,194.45
	2,041,869.24	382,825.44	0.00	0.00	2,424,694.68	1,922,536.79	69,907.39	0.00	1,992,444.18	432,250.50	119,332.45
II. Tangible assets											
1. Land, land rights and Buildings, including buildings on third party land	16,086,357.58	458,723.82	-	-	16,545,081.40	2,215,758.94	671,572.82	-	2,887,331.76	13,657,749.64	13,870,598.64
2. Technical equipment and machinery	52,804,695.59	673,346.11	3,000.00	87,500.00	53,562,541.70	28,606,030.59	3,972,919.11	1,940.00	32,577,009.70	20,985,532.00	24,198,665.00
3. Other plant, factory and office equipment	6,545,804.18	534,090.44	195,068.94	15,663.20	6,900,488.88	4,362,295.18	714,772.64	160,142.94	4,916,924.88	1,983,564.00	2,183,509.00
4. Payments in Advance & construction in progress	103,163.20	1,986,957.80	-	(103,163.20)	1,986,957.80	-		-	-	1,986,957.80	103,163.20
	75,540,020.55	3,653,118.17	198,068.94	-	78,995,069.78	35,184,084.71	5,359,264.57	162,082.94	40,381,266.34	38,613,803.44	40,355,935.84
Total	**77,581,889.79**	**4,035,943.61**	**198,068.94**	**-**	**81,419,764.46**	**37,106,621.50**	**5,429,171.96**	**162,082.94**	**42,373,710.52**	**39,046,053.94**	**40,475,268.29**

The item “Other assets” includes accruals that do not legally exist until after the balance sheet date, claims for electricity and energy tax refunds at the amount of TEUR 272.

The pension provision of EUR 71,565 has been set off against the coverage capital of the reinsurance of EUR 85,613, resulting in an asset-side difference from offsetting of assets of EUR 14,048.

The discounting of the pension provisions at the average market interest rate of the past ten years compared to discounting at the average market interest rate of the past seven years results in a difference of TEUR 6. This amount is blocked from dividend distribution.

The material other provisions and accruals include contingency provisions (TEUR 2,080), outstanding invoices (TEUR 620), guarantees (TEUR 294), anniversary bonuses (TEUR 302), bonuses/premiums (TEUR 194), and holiday and flexitime claims (TEUR 263).

Reconciliation with the balance sheet results in the following maturity structure for the liabilities:

	with a remaining term of			
	up to 1 year	1-5 years	more than 5 years	total
	EUR	**EUR**	**EUR**	**EUR**
Liabilities to banks	8,303,170.68	5,645,212.88	153,960.00	14,102,343.56
Trade liabilities	3,959,966.76	0.00	0.00	3,959,966.76
Liabilities to affiliated companies	883,157.00	0.00	0.00	883,157.00
Liabilities to shareholders	8,557,486.84	0.00	0.00	8,557,486.84
Other liabilities	720,472.63	292,900.48	0.00	1,244,669.56
	22,424,253.91	5,938,113.36	153,960.00	28,516,327.27

The trade liabilities are secured by the usual retentions of title, and the liabilities to banks by the assignment of security, and by mortgages. The other liabilities are in part secured through the cumulative assumption of debts by BHARAT FORGE GLOBAL HOLDING GMBH. Furthermore, a subordination and non-call agreement has been concluded with the banks regarding the shareholder loan. In the framework of a security pool contract towards several banks, a global assignment of trade liabilities and a storage assignment of the goods in stock continue to exist.

The item “Other liabilities” does not include any accruals that do not legally exist until after the balance sheet date.

Insofar as they are not recognised on the balance sheet as liabilities, lease obligations exist at the amount of TEUR 605 until the end of the respective term. TEUR 288 of this relates to the following financial year and TEUR 0 to a residual term of more than five years. The annual value of the rental obligation amounts to

TEUR 195. Future license payments are incurred for the use of a production license. The amount depends on the quantity produced. The corresponding expenditure for the financial year 2017 amounted to TEUR 483.

D. NOTES TO THE PROFIT AND LOSS ACCOUNT

Sales before sales deduction are divided into domestic and foreign as follows:

	2017	2016	change	
	T€	**T€**	**T€**	**in %**
domestic	49,293	47,379	+1,914	+4
foreign domestic	10,443	10,340	+103	+1

The sales revenues include income unrelated to the accounting period of TEUR 9 and other operating income of TEUR 61. TEUR 28 in the area of material costs and TEUR 74 of the other operating expenses are attributable to an earlier period.

The income from the reinsurance policy in the amount of TEUR -5 is offset against the expenses for the pension scheme within the interest expenditure.

E. Events of particular significance after the end of the financial year

No events are known of after the balance sheet date which would have required a different presentation of the economic situation.

F. OTHER NOTES

In the financial year 2017, the company employed on average 263 employees, including 217 industrial staff plus 12 apprentices.

The managing directors in the financial year 2017 were:

Michael Weis, Schönaich, engineer,
Martin Kübelbäck, Meerbusch, businessman,

The managing directors do not receive any remuneration from the company. The costs for the management are passed on within the framework of a management fee by BHARAT FORGE GLOBAL HOLDING GmbH.

BHARAT FORGE GLOBAL HOLDING GmbH, Ennepetal is the parent company, which draws up the consolidated financial statement for the smallest group of companies. In case of publication, the consolidated financial statement is available at the E-Federal Gazette.

Bharat Forge Ltd., Mundhwa/Pune, India is the parent company which draws up the consolidated financial statement for the largest group of companies. In case of publication, the consolidated financial statement is available at the "Registrar of Companies" in Maharashtra, Pune, India.

The company's advisory board is made up of the following members:

Mr. B. N. Kalyani
Prof Dr U. Loos
Mr. S. Joglekar
Mr. S. Tandale

Brand-Erbisdorf, 5th April 2018

....	....
Michael Weis	Martin Kübelbäck
Managing Director	Managing Director

Bharat Forge Daun GmbH

Managing Director
Mr. Martin von Werne

Registered Office
Junius-Saxler-StarB 4
D 54550 Daun
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Auditors
WuP Truehand EmbH
Wirtschaftsprufungsgesellschaf
Feithstrasse 177
58097 Hagen
Germany

Advisory Board
Mr. B. N. Kalyani
Mr. A.B.Kalyani
Mr. S. E. Tandale
Mr. S. G. Joglekar
Prof. Dr. Uwe Loos

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Bharat Forge Daun GmbH for the business year from January 1st to December 31st, 2017. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch": „German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements, complies with the legal requirements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hagen, April 6th, 2018

W U P T r e u h a n d G m b H
Wirtschaftsprüfungsgesellschaft

(Börstinghaus)	(Lingnau)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Balance Sheet as at December 31st, 2017

ASSETS	Rs.	Rs.	EUR	EUR	*As at 31/12/2016* EUR
A. Fixed Assets					
I. Intangible assets					
Trademarks, patents, licenses, and similar rigths and licenses to such rights		1,699,838.46		21,084.00	3,888.00
II. Tangible assets					
1. Land, land rights and buildings including buildings on third party land	94,623,373.74		1,173,664.00		1,248,757.00
2. Technical equipment and machinery	253,149,515.65		3,139,948.00		4,238,676.00
3. Other plant, factory and office equipment	109,634,340.54		1,359,853.00		1,727,125.00
4 Prepayments on tangible assets and construction in progress	8,822,651.82		109,432.04		53,375.68
		466,229,881.75		5,782,897.04	7,267,933.68
		467,929,720.21		5,803,981.04	7,271,821.68
B. Current assets					
I. Inventories					
1. Raw materials, supplies and operating materials	67,526,432.91		837,566.24		693,956.48
2. Work in progress	56,410,143.20		699,684.99		537,740.15
3. Finished goods and merchandise	12,089,087.66		149,947.38		166,464.86
		136,025,663.77		1,687,198.61	1,398,161.49
II. Accounts receivable and other assets					
1. Trade receivables	5,050,401.16		62,642.81		53,767.78
- of which EUR 0.00 (12/31/2016: EUR 0.00) due after one year					
2. Receivables from affiliated companies	176,002,332.41		2,183,050.48		1,217,122.11
of which EUR 0.00 (12/31/2016: EUR 0.00) trade receivables					
of which EUR 0.00 (12/31/2016: EUR 0.00) to shareholders					
of which EUR 0.00 (12/31/2016: EUR 0.00) due after one year					
3 Other assets	3,524,164.86		43,712.09		52,903.81
- of which EUR 0.00 (12/31/2016: EUR 0.00) due after one year					
		184,576,898.43		2,289,405.38	1,323,793.70
		788,532,282.41		9,780,585.03	9,993,776.87
III. Cash on hands, bank balances		0.01		0.00	26,986.33
C. Active difference resulting from asset offsetting		816,269.95		10,124.63	
Total		**789,348,552.37**		**9,790,709.66**	**10,020,763.20**

Balance Sheet as at December 31st, 2017

EQUITY AND LIABILITIES	Rs.		EUR		As at 31/12/2016 EUR
A. Equity					
I. Share Capital		4,031,110.00		50,000.00	50,000.00
II. Capital reserves		120,933,300.00		1,500,000.00	1,500,000.00
III Profit/loss brought forward		164,248,474.28		2,037,261.13	2,037,261.13
IV Net income for the year		-		-	-
		289,212,884.28		3,587,261.13	3,587,261.13
B. Accruals					
1. Accruals for pensions and similar obligations	45,179,632.79		560,387.00		489,928.00
2. Other accruals	41,286,534.29		512,098.83		458,848.72
		86,466,167.08		1,072,485.83	948,776.72
C. Liabilities					
1. Trade payables	82,959,775.39		1,028,994.19		501,732.58
- up to one year: Rs. 82,959,775.39 EUR 1,028,994.19 (12/31/2016: EUR 501,732.58)					
2. Payables to affiliated companies	295,172,403.13		3,661,180.21		4,933,147.82
- up to one year: Rs. 295,172,403.10 EUR 3,661,180.21 (12/31/2016: EUR 4,933,147.82)					
-due later than one year : Eur 0.00 (12/31/2016 : Eur 0.00) (12/31/2016: EUR 4,933,147.82) to shareholders					
3. Other liabilities	35,537,322.48		440,788.30		49,844.95
- up to one year: Rs. 35,537,322.48 EUR 440,788.30 (12/31/2016: EUR 49,844.95)					
- of which Rs. 4,567,716.85 EUR 56,655.82 (12/31/2016: EUR 49,352.12) relating to taxes					
- of which EUR 0.00 (12/31/2016: EUR 207.00) relating to social security					
		413,669,501.00		5,130,962.70	5,484,725.35
Total		**789,348,552.37**		**9,790,709.66**	**10,020,763.20**

Profit and Loss Account for the period from January 1st to December 31st, 2017

	Rs.		EUR		Previous Year EUR
1. Sales		1,086,202,854.70		13,472,751.36	13,234,691.34
2. Increase or Decrease in finished good inventories and work-in-process		11,724,673.70		145,427.36	(96,659.21)
3. Production for own plant and equipment capitalised		1,482,547.93		18,388.83	49,822.11
		1,099,410,076.33		13,636,567.55	13,187,854.24
4. Other operating income		4,326,217.08		53,660.37	128,676.96
		1,103,736,293.41		13,690,227.92	13,316,531.20
5. Cost of materials					
a) Cost of raw materials, consumables, supplies and purchased merchandise	240,493,184.70		2,982,964.80		2,528,717.53
b) Cost of purchased services	66,988,923.09		830,899.22		1,099,206.10
		(307,482,107.79)		(3,813,864.02)	(3,627,923.63)
		796,254,185.62		9,876,363.90	9,688,607.57
6. Personnel expenses					
a) Wages and saleries	398,239,422.91		4,939,575.24		4,790,374.25
b) Social security contributions and pension expenses thereof Rs. 3,994,371.92 EUR 49,545.64 (2016: EUR - 3,616.80) for pension expenses	82,207,537.20		1,019,663.78		905,757.71
		(480,446,960.11)		(5,959,239.02)	(5,696,131.96)
		315,807,225.51		3,917,124.88	3,992,475.61
7. Depreciation and amortization on intangible fixed assets and tangible assets		(139,001,488.84)		(1,724,109.35)	(1,565,572.89)
8. Other operating expenses		(150,621,058.60)		(1,868,233.05)	(1,578,920.51)
		26,184,678.07		324,782.48	847,982.21
9 Depreciation on financial assets	32,886.60		407.91		-
10 Interest and similar expenses thereof Rs. 1,926,335.09 EUR 23,894.01 (2016: EUR 24,155.19) from discounting of provisions	1,926,387.65		23,894.01		24,155.19
		(1,959,274.25)		(24,301.92)	(24,155.19)
11 Results from ordinary business operations		**24,225,403.82**		**300,480.56**	**823,827.02**
12 Extraordinary Expenses	-				-
13 Extraordinary Result		-		-	-
14 Taxes on income	-				-
15 Other taxes	1,402,343.35		17,394.01		16,487.64
		(1,402,343.35)		(17,394.01)	(16,487.64)
		22,823,060.47		283,086.55	807,339.38
16 Expenses out of profit & loss transfer agreement		**(22,823,060.47)**		**(283,086.55)**	**(807,339.38)**
17 Net Income for the year		**-**		**-**	**-**

NOTES TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2016

General

The company is registered with the name “Bharat Forge Daun GmbH“ in the commercial register of Wittlich Local Court (Amtsgericht) under No. HRB 40331. The registered office of the company is Daun.

Bharat Forge Daun GmbH, Daun, is a medium-sized company with limited liability pursuant to Section 267 subsection 2 of the German Commercial Code (*HGB*).

The company has benefited of the relief granted for companies of such size under Section 288 subsection 2 *HGB*.

The fiscal year is the period from 1 January to 31 December 2017.

2. General Information on the Contents and Structure of the Financial Accounts

No changes have been made to the presentation of the financial accounts.

The structure of the balance sheet and of the profit and loss account is the one required pursuant to Sections 266 and 275 *HGB*. For the profit and loss account, the cost-of-production method in the meaning of Section 275 subs. 2 *HGB* was selected in an unchanged manner.

3. Fundamental Balance Sheet Preparation and Valuation Principles

The financial accounts as of 31 December 2017 were prepared to meet the requirements of Sections 242 through 256a, and Sections 264 through 288 *HGB*. Any supplementary provisions of the German law (*GmbHG*) concerning the *Gesellschaft mit beschränkter Haftung* (limited liability company) concerning the financial accounts were also complied with.

The fundamental balance sheet preparation and valuation principles were applied in an unchanged manner compared to the previous year.

Purchased **intangible assets** are recognized at cost. Assets that can only be used for a certain period are recognized at cost, reduced by regular depreciation and amortisation. The usual useful life to be assumed is three years unless the type of asset requires a deviating period of use.

Property, plant and equipment are generally recognised at purchase or production costs, reduced by regular depreciation and amortisation based on the usual useful life. The production costs of own-built facilities do not only include directly attributable costs but also required overhead costs.

Since 2010, we have been using the straight-line method for the depreciation and amortization of additions to assets. Low-value items, i.e. objects with purchase or production costs up to and equal to 150 euros are fully amortized in the year of addition. A collective account is established for added assets in one fiscal year if the purchase or production costs for any single asset exceeding 150 euros, but are not higher than 1000 euros. The respective collective account is released through profit and loss with a fifth of the amount in the year of acquisition and the next four fiscal years. Depreciation and amortisation of additions are made *pro rata temporis*.

Any own work capitalized to be recognized are valuated at cost including reasonable portions of material and manufacturing overhead costs and depreciation and amortisation due to manufacturing.

The periods of utilisation are based on the different groups of investments below:

Asset	**Period of utilisation**
Intangible assets	3 years
Buildings	25 - 33 years
External facilities	8 - 33 years
Technical equipment and machines	5 -10 years
Tools and dies	3 years
Fixtures, fittings and office equipment	5 -10 years
EDP equipment	3 years

Should the value of objects of fixed assets which has been determined pursuant to the principles defined above, exceed the fair value to be recognized on the reporting date, it is subject to an extraordinary write-down or value impairment if its value is expected to be permanently impaired.

Inventories are assessed at purchase or production costs or in accordance with the application of permitted calculation simplification methods or on the basis of the lower fair values. The production costs do not only include directly attributable costs but also production costs and material overhead costs exclusive any cost elements not subject to capitalization. No interest for third-party capital is recognized. Administration costs are only included in the determination of production costs if they are the direct result of manufacturing. The risk from storage and marketability is managed by reasonable deductions. Sales and administration costs were not included in the loss-free assessment of consignment goods.

Receivables and other assets are assessed at cost, reduced by reasonable value impairment for visible individual risks. General credit risks are accounted for by a flat-rate allowance.

Prepaid expenses/prepayments generally include the expenses incurred before the reporting date if they represent expenses for a defined period thereafter.

The **subscribed capital** is assessed with its nominal value.

The value of **provisions for pensions** is recognised using actuarial calculations based on the Projected Unit Credit Method under application of Prof. Dr. Klaus Heubeck's expectancy tables "Richttafeln 2005 G" below:

- Imputed interest rate:	3.68% p.a.
- Accrual tendency:	0.00% p.a.
- BBG tendency:	0.00% p.a.
- Pensions tendency:	2.00 % p.a.
- Fluctuation:	1.00 % p.a.

Other provisions take all visible risks, uncertain liabilities and expected losses from pending transactions, if any, into account. They are generally assessed with the amount of settlement required on the basis of prudent business judgement.

Provisions with a remaining term of more than one year are discounted at the mean market interest rate pursuant to Section 253 subs. 2, first sentence *HGB* of the past seven business years resulting corresponding to their remaining term. Provisions for anniversaries and other long-term liabilities are valuated using the interest rate pursuant to Section 253 subs. 2, 2nd sentence *HGB* determined with a flat rate resulting from a remaining assumed term of 15 years.

The value of the early retirement obligations was set off against the fair value of the securities deposit in order to secure the employees' early retirement entitlements from insolvency risks. The fair value is measured on the balance sheet date as determined on a regulated market.

Liabilities are recognized with their settlement amounts. Liabilities in foreign currencies were translated at the mean spot exchange rate prevailing on the reporting date pursuant to Section 256a *HGB*.

Other provisions are assessed with the expected amount of settlement on the basis of prudent business judgement. They take all visible risks and uncertain liabilities in account. Medium- and long-term liabilities have been discounted pursuant to Section 253 subs. 2, first sentence, *HGB*.

Liabilities are recognized with their settlement amounts. Liabilities in foreign currencies were translated at the mean spot exchange rate prevailing on the reporting date pursuant to Section 256a *HGB*.

4. Information on the Balance Sheet and Profit and Loss Account

4.1 Fixed assets

The composition and development of the fixed assets have been depicted in detail in the fixed asset schedule below (page 6).

Bharat Forge Daun GmbH, Daun

Assets analysis as at 31st December, 2017

	Historical acquisition or manufacturing costs					Depreciation				Book value	Book value
	1/1/2017	Additions	Disposals	Reclassification	12/31/2017	1/1/2017	Additions	Disposals	12/31/2017	12/31/2017	12/31/2016
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
Intangible assets											
Purchased concessions, industrial & similar rights and aasets and licenses in such rights & assets	103,603.38	22,325.00	-	-	125,928.38	99,715.38	5,129.00	-	104,844.38	21,084.00	
	103,603.38	22,325.00	-	-	125,928.38	99,715.38	5,129.00	-	104,844.38	21,084.00	
Tangible assets											
Land, land rights and Buildings, including buildings on third party land	2,016,696.45	-	-	-	2,016,696.45	2,016,696.45	767,939.45	-	843,032.45	1,173,664.00	1,248,757.00
Technical equipment and machinery	8,738,374.77	25,799.99	455.94	40,839.30	8,804,558.12	8,804,558.12	4,499,698.77	455.94	5,664,610.20	3,139,948.00	4,238,676.00
Other plant, factory and office equipment	3,273,780.39	98,711.68	10,375.68	12,536.38	3,374,652.77	3,374,652.77	1,546,655.39	10,375.68	2,014,799.77	1,359,853.00	1,727,125.00
Payments in Advance & construction in progress	53,375.68	109,432.04	-	(53,375.68)	109,432.04	109,432.04	-	-	109,432.04	109,432.04	
	14,082,227.29	233,943.71	10,831.62	-	14,305,339.38	14,305,339.38	6,814,293.61	10,831.62	8,631,874.46	5,782,897.04	7,267,933.68
	14,185,830.67	**256,268.71**	**10,831.62**	**-**	**14,431,267.76**	**14,405,054.76**	**6,819,422.61**	**10,831.62**	**8,736,718.84**	**5,803,981.04**	**7,271,821.68**

4.2 Receivables and other assets

The other assets legally incurring after the reporting date include entitlements to electricity and energy tax refund claims in the amount of kEUR 40 which are recognized as anticipative items.

4.3 Accruals/Provisions for pensions

The portion of pension provisions not yet carried as liabilities due to the application of Article 67 subs. 1 *EGHGB* (the distribution of the adjustment amount resulting from the change of assessment pursuant the German Accounting Modernisation Act, *BilMoG*) in the original amount of kEUR 81 in total still amounts to kEUR 38 at 31 Dec. 2017.

The effect resulting from Section 253 subs. 6 *HGB* amounts to kEUR 130 as of 31 Dec. 2017, which is subject to a dividend distribution ban in this amount.

4.4 Other provisions

The other provisions include the following major items:

	kEUR
Personnel	421
Customers	20
Suppliers	71
	512

The hedging of early retirement obligations by means of associated security results in an active difference. The acquisition costs of the assets settled in accordance with section 246 subs. 2 *HGB* total kEUR 20, the fair values kEUR 19 and the settlement amount of the offset liabilities kEUR 9.

4.5 Liabilities

All liabilities have a remaining term of one year and less.

4.6 Income Statement

Expenses and income in the amount of kEUR 0.4 have been set off for in the financial result.

5. Other information

5.1 Liability relations and other financial obligations

Other financial obligations incur from rental/leasing agreements in the total amount of kEUR 97/kEUR 24, of which kEUR 30/kEUR 15 are due for payment during the year 2018.

5.2 Staff

The following average number of employees per year was employed in the company:

	2017	Previous Year
Production workers	74	75
Salaried employees	17	17
Trainees	15	14
	106	106

5.3 Members of the Board of Directors

The appointed director was:

- Martin von Werne, Engineer, of Ennepetal.

The board of directors did not receive any remuneration for the year 2017.

5.4 Inclusion in the consolidated financial accounts

The company Bharat Forge Ltd., Mundhwa/Pune, India, is the parent company which prepares the consolidated financial accounts for the largest part of companies. Any disclosures are made at the “Registrar of Companies“ in Maharashtra, Pune, India. The company Bharat Forge Global Holding GmbH, Ennepetal, is the parent company which prepares the consolidated financial accounts for the smallest part of companies. Any disclosures are made in the German electronic official gazette (E-Bundesanzeiger).

5.5 Supplementary report

There were no special transactions after the closing of the fiscal year on 31 Dec. 2017, neither outside the profit and loss account nor outside the balance sheet.

5.6 Recommendation for the use of profits

The net income of the fiscal year is transferred to the parent company in accordance with the profit transfer agreement. A transfer to reserves is not provided for.

Ennepetal, on 02 February 2018

Bharat Forge Daun GmbH

Martin von Werne

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Bharat Forge Kilsta AB

Chairman
Mr. B. N. Kalyani

Managing Director
Mr. Michael Weis

Director
Mr. S. E. Tandale
Mr. S. G. Joglekar
Mr. Ari Tiuraniemi
Mr. Hans Lindback

Registered Office
Box 428 691 27 Karlskoga
Sweden

Auditors
Ernst & Young AB
Kungsgatan 18, Box 477,
651 11 Karlstad, Sweden

Auditor's report

To the general meeting of the shareholders of **Bharat Forge Kilsta AB, corporate identity number 556061-2565**

Report on the annual accounts

Opinions

We have audited the annual accounts of Bharat Forge Kilsta AB for the financial year 2017-01-01 – 2017-12-31.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Bharat Forge Kilsta AB as of 31 December 2017 and its financial performance for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Bharat Forge Kilsta AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts.

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

- Identify and assess the risks of material misstatement of the annual accounts, 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 opinions. 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 the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any 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 annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. 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 annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Bharat Forge Kilsta AB for the financial year 2017-01-01 – 2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of Bharat Forge Kilsta AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, We exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Karlstad, March 23, 2018

Ernst & Young AB

Tomas Karlsson
Authorized Public Accountant

Administration Report

General information on the Company and business

The Company is one of the leading manufactures of forged crankshafts for diesel engines in the world. Other products are front axle beams, steering- and transmission ports for the vehicle industry.

The production facilities are three forging presses with a pressing capacity of 2500, 4000 and 16000 tons respectively and equipment for heat-treatment and machinery for cutting processes. The heavy press is fully automatic as well as one of the biggest in the world.

Ownership structure, see note 3.

Significant events

Sales of heavy forgings increased by 6% in 2017, as compared to 2016.

The production in the 16000 ton press was operated in 5-shift during January, and during April to December.

To fulfill the capital cover requirements of Swedish Companies Act, the Company received a capital cover guarantee 2017-05-31 from its parent company. The capital cover guarantee was replaced by a shareholder contribution of 19 984 MSEK as of 2017-12-31.

Significant events after year-end

There have not been any significant events after year-end.

Expeced future development, risk and uncertainties

In the beginning of 2018, demand has been on the same, high level as in the beginning of 2017, and on the same level as in budget. Order intake indicates that sales remain at a high level for the coming months. For the second half of the year, however, the prospects are more uncertain.

The company operates within a strongly, competitive market, and operations are associated with risks. The company is exposed to both operational and financial risks. Development of steel- and energy prices, as well as increased competition, belong to the main operational risks. The financial risk consists of a credit risk, that is, that the Company is not being paid for its accounts receivables, and the development of EUR/SEK since the Company has its financing in EUR.

Comparative figures covering several years

The financial development for the Company in summary. Definitions of key figures, down below.

	2017	2016	2015	2014	2013
Net sales, TSEK	845 037	749 771	808 457	716 294	790 028
Profit/loss after financial items, TSEK	-24 065	-21 439	6 713	-44 579	-13 594
Balance sheet total, TSEK	509 672	416 633	408 638	402 361	439 621
Number of employees,	311	295	291	293	328
Equity/assets ratio, %	2,2	3,5	5,0	3,2	3,8
Return on total assets, %	Neg	Neg	4,3	Neg	0,7
Return on equity, %	Neg	Neg	32,5	Neg	Neg

Equity/assets ratio
Equity and untaxed reserves (less deferred tax) as a percentage of total assets.

Return on total assets
Income before taxes plus financial income related to balance sheet total.
Return on equity
Income after financial items as a percentage of equity and untaxed reserves (less deferred tax).

Research and development

The research and development activities of the Company amounted 0,22 % (0,25 %) of the total operating expenses during the financial year.

Environmental issues

The Company is conducting manufacturing which needs environmental permission. Permission for manufacturing of 120.000 metric tonnes of forge products per year is in place.

The most important environmental influences of the Company is the exploit of resources depending on the huge use of steel and energy. Influence by direct discharge into air and water is insignificant. Almost all of the Company's production corresponds to the environmental permission.

Change of Equity

	Share capital	Revaluat. reserve	Statutory reserve	Non restricted equity	Total equity
Equity 2016-12-31	**20 000**	**17 160**	**4 000**	**-26 683**	**14 477**
Change revaluation, note 10,18		-2 026		2 026	-
Shareholder contribution				19 984	19 984
Revaluation of defined benefit pensions				-39	-39
Net loss for the year	-	-	-	-23 360	-23 360
Equity 2017-12-31	**20 000**	**15 134**	**4 000**	**-28 072**	**11 062**

Proposed treatment of losses

To the disposal of the annual general meeting are the following loss (SEK)

Unappropriated profit brought forward	-4 712 476
Net loss for the year	-23 359 618
	-28 072 094

The Board of Directors propose that the unappropriated loss be distributed as follows

Retained losses carried forward	-28 072 094

Result and financial position

For further information on the Company's result of operations and financial position, refer to the following income statement, balance sheet and accompanying notes.

Balance Sheet as at December 31, 2017

	Note	31/12/2017		31/12/2016
		Rs.'000	SEK'000	SEK'000
Assets				
Fixed assets				
Land and buildings	10	272,213	34,572	35,715
Plant and machinery	11	985,044	125,104	114,141
Equipment, tools, fixtures & fittings	12	56,227	7,141	7,117
Construction in progress	13	14,787	1,878	1,765
		1,328,271	168,695	158,738
Financial assets				
Deferred tax Assets	18	34,487	4,380	3,675
		34,487	4,380	3,675
Total fixed assets		**1,362,758**	**173,075**	**162,413**
Current assets				
Inventories				
Raw materials and consumables		826,450	104,962	52,811
Work in progress		684,729	86,963	80,751
Finished goods and goods for resale		262,379	33,323	14,334
		1,773,558	225,248	147,896
Current receivables				
Accounts receivables - Trade		482,066	61,224	62,237
Other receivables		2,346	298	466
Income tax receivable		23,086	2,932	3,140
Prepaid expenses and accrued income		61,132	7,764	7,133
		568,630	72,218	72,976
Cash and bank balances		308,110	39,131	33,348
Total current assets		2,650,298	336,597	254,220
Total assets		**4,013,056**	**509,672**	**416,633**

Balance Sheet as at December 31, 2017

	Note	31/12/2017		31/12/2016
		Rs.'000	SEK'000	SEK'000
Equity and liabilities				
Equity	19			
Restricted equity				
Share capital (200 000 shares)		157,476	20,000	20,000
Revaluation Reserve		119,162	15,134	17,160
Statutory reserve		31,495	4,000	4,000
		308,133	39,134	41,160
Unrestricted equity				
Unappropiated Profit brought forward		(37,101)	(4,712)	(5,715)
Net income of the year		(183,932)	(23,360)	(20,968)
		(221,033)	(28,072)	(26,683)
Total equity		87,100	11,062	14,477
Provisions				
Provisions for pensions	20,21	61,361	7,793	8,425
Guarantee reserve		7,874	1,000	1,000
Total provisions	22	69,235	8,793	9,425
Long-term liabilities				
Liabilities to Group companies	23	-	-	9,564
Total long-term liabilities		-	-	9,564
Current liabilities				
Liabilities to credit institutions	21	1,702,788	216,260	172,184
Accounts payable - trade		1,313,846	166,863	109,867
Liabilities to group companies		305,921	38,853	40,356
Other liabilities		44,558	5,659	5,351
Accrued expenses and deferred income	24	489,608	62,182	55,409
Total current liabilities		3,856,721	489,817	383,167
Total equity and liabilities		**4,013,056**	**509,672**	**416,633**

Income statement for the period from January 1 to December 31, 2017

	Note	2017		Previous Year
		Rs.'000	SEK'000	SEK'000
Operating income etc.	1,2,3,4			
Net sales	5	6,653,652	845,037	749,771
Change in inventories of work in progress, finished goods		58,227	7,395	(14,984)
Other operating income	6	300,685	38,188	27,528
Operating income etc.		7,012,564	890,620	762,315
Operating expenses				
Raw materials and consumables		(3,954,695)	(502,260)	(403,402)
Other external costs	7,8	(1,377,639)	(174,965)	(146,928)
Personnel costs	9	(1,575,492)	(200,093)	(187,070)
Depreciation of tangible assets	10, 11,12,13	(206,664)	(26,247)	(30,756)
Other operating expenses	14	(14,297)	(1,816)	(5,637)
Operating expenses		(7,128,787)	(905,381)	(773,793)
Operating profit/(loss)		**(116,223)**	**(14,761)**	**(11,478)**
Result from financial items				
Interest items and similar items	15	8,559	1,087	6,329
Interest expenses and similar items	16	(81,817)	(10,391)	(16,290)
Loss from financial items		(73,258)	(9,304)	(9,961)
Profit/(Loss) after financial items		(189,481)	(24,065)	(21,439)
Income taxes	17	5,551	705	471
Net profit/(Loss) for the year		**(183,930)**	**(23,360)**	**(20,968)**

Statement of Cash Flow for the period ended December 31 , 2017

	2017		2016
	Rs.'000	SEK'000	SEK'000
Operating activities			
Income after financial items	(189,481)	(24,065)	(21,439)
Adjustments for items not requiring an outflow of cash:			
Exchange Rate difference	48,400	6,147	10,567
Loss disposal fixed assets	(260)	(33)	-
Change in accured interest	346	44	1,859
Depreciations	206,656	26,246	30,755
Change in Provisions	(5,283)	(671)	(587)
	60,376	7,668	21,155
Income tax paid	1,638	208	(142)
Cash flow from operating activities before changes in working capital	**62,014**	**7,876**	**21,013**
Increase(-) /decrease (+) in inventories	(609,054)	(77,352)	(10,431)
Increase(-) /decrease (+) in current receivables	4,331	550	(1,684)
Increase(+) /decrease (-) in current liabilities	572,307	72,685	16,822
Cash flow from operating activities	**29,598**	**3,759**	**25,720**
Investing activities			
Acquisition of tangible assets	(285,535)	(36,264)	(24,959)
Disposal of tangible assets	740	94	182
Cash flow from investing activities	(284,795)	(36,170)	(24,777)
Financing activities			
Loans taken	300,732	38,194	186,103
Proceeds/repayment of borrowings	-	-	(185,800)
Cash flow from financing activities	300,732	38,194	303
Net cash flow for the year	45,535	5,783	1,246
Cash and cash equivalents at beginning of year	262,575	33,348	32,102
Cash and cash equivalents at end of year	**308,110**	**39,131**	**33,348**

Notes to the financials statement for the financial year 2017

Note 1 Accounting principles

Bharat Forge Kilsta ABs Annual Report is prepared in accordance with the Annual Accounts Act and the guidelines issued by the Accounting Standard Board (BFN) 2012:1 Annual Report and consolidation statement (K3). If nothing else is stated the principles are unchanged compared to last year.

Foreign currencies
Monetary assets and liabilities in foreign currencies are translated at the closing rate. Transactions in foreign currency are translated using the transaction date. Non- monetary assets and liabilities are not recalculated and are reported at time for acquisition.

Revenues
Sales of goods are recognized when the significant risks and rewards passes from seller to buyer under conditions of sale. Sales are reported after deduction of VAT and discounts. Interest income is recognized using the effective interest method.

Income taxes
Current taxes are valued using tax rates and tax laws applicable at the balance sheet date.
Deferred tax loss carry forwards or other future tax deductions are recognized to the extent that is it probable that the deduction can be used against future taxable profits. Receivables and liabilities are reported as net when there is a legally right to set off.

Current taxes, as well as changes in deferred tax is recognized in the income statement unless the tax belongs to an event or transaction which is recognized directly in equity. Tax effects of items recognized directly in equity is recognized in equity.

Intangible fixed assets
Research and development
The Company applies the expensing model internally generated intangible fixed assets. Expenditures are recognized when they occur.

Tangible fixed assets
Tangible fixed assets are stated at cost less depreciation. Cost includes expenditure that directly belongs to the acquisition of the asset. When a component of a fixed asset is replaced, disposal is made of the remaining old component and the new component is activated. Expenditures for repair and maintenance are recognized as expenses. Capital gain or capital loss on disposal of a fixed asset is recognized as other operating income or other operating costs. Tangible fixed assets are systematically depreciated over estimated useful life. When the depreciation amount is determined also the residual value is considered. Property land has an unlimited useful life and is not depreciated. Linear base are used for other types of tangible fixed assets. No borrowing costs are capitalized.

In this respect the following depreciation periods are applied:

	Number of years
Residential property	50
Industrial buildings	
-Structure	40-50
-Facade, windows, roof	15-30
-Interior finishes	10-15
Land improvments	20
Plant and machinery	1-30
Equipment, tools, fixtures and fittings	3-33

Plant and machinery applies individual component split and amortization are estimated at each investment.

Impairment of non-financial assets

When there is an indication that an asset is impaired, an assessment is made of impairment. Have the assets a recovery value that is lower than the reported amount, will it be written down to its recoverable amount. When assessing impairment, the recoverable amount for the whole of cash-generating unit to which the asset belongs.

Lease
All leases where the Company is the lessee are treated as operating leases, whether the contracts are financial or operational. Lease payments are recognized as an expense on a linear basis over the lease term.

Financial instruments
Financial instruments recognized in the balance sheet include account receivables and other receivables, payables and loan.

Account receivables and other receivables
Receivables are recognized as current assets. Receivables are recorded at the amount expected to be paid after deductions for individually assessed impaired receivables.

Loan and payables
Loan and payables are recognized initially at cost, less transaction costs.

Netting of financial asset and financial liability
A financial asset and a financial liability are netted and the net amount are presented in the balance sheet only if a legally enforceable right exists and then verifies with a net amount or when a disposal of the asset and adjustment of liabilities will take place.

Impairment of financial assets
At each reporting date, the company estimates whether there is any indication of impairment in any of the financial fixed assets. Impairment is recognized if the impairment is estimated to be permanent. Impairment losses are recognized in the income statement item Income from other investments held as fixed assets. The impairment is tested individually for stocks and shares and other individual financial assets that are essential.

Inventories
Inventories are valued to the lower of cost or net realizable value. Inventories are valued as acquisition cost using weighted average price. Raw material includes all costs directly attributable to the acquisition of the goods in cost. Goods and finished goods include design costs, raw material, direct labor, other direct costs, related production costs and loan costs. Individual obsolescence assessment is ongoing.

Provisions
The Company recognizes a provision when there is a legal or constructive obligation and a reliable estimate can be made. The Company calculates the present value of obligations that are expected to be settled after more than twelve months. The increase in the provision due to passage of time is recognized as interest expense.

Employee benefits
Short term benefits
Short term benefits contain salary, social security contributions, paid vacation, paid sick leave and bonuses. Short term benefits are recognized as an expense and a liability when there is a legal or constructive obligation to pay compensation.

Post-employment benefits

Plans for post-employment benefits are classified as either defined contribution plans and defined benefit pension plans.

In defined contribution plans, the Company pays fixed contributions into a different Company, usually an insurance company and has no further obligation to the employee when the fee is paid.

The size of the employee's retirement benefits depends on the contributions paid and the return on those fees. In defined benefit plans, the company has an obligation to provide the agreed benefits to current and former employees. The company should substantially all the risk that the compensation will be higher than expected (actuarial risk) and risk of return on assets from expectations (investment risk). Investment risk exists even if the assets are transferred to another company.

The charges for defined contribution plans are recognized as an expense. Unpaid fees are recognized as a liability. For defined benefit plans, the Company has elected to apply the simplification rules in BFNAR 2012:1. For defined benefit plans funded in-house, the company has chosen to report these in accordance with IAS 19. Actuarial gains and losses are recognized in equity as retained earnings.

Termination benefits

Termination benefits is payable when the Company decides to terminate employment before normal retirement date or whenever an employee accepts an offer of voluntary retirement in exchange for such compensation. If the compensation not gives any future economic benefit, a liability and an expense is made when the Company has a legal or constructive obligation to provide such compensation. The compensation is valued at the best estimate of the compensation that would be required to settle the obligation at the balance sheet date.

Cash flow

The cash flow statement is prepared using the indirect method. Reported cash flow includes only transactions that involve receipts or payments.

Note 2 Estimates and judgments

The preparation of financial statements and application of accounting policies, often based on management's judgments, estimates and assumptions deemed reasonable at the time of the assessment. Estimates and assumptions are based on historical experience and various other factors, which under the circumstances is considered reasonable. The results of these are used to assess the reported values of assets and liabilities that are not readily apparent from other sources. The actual outcome may differ from these estimates. Estimates and assumptions are reviewed regularly.

According to management's significant judgments regarding the accounting policies applied and sources of uncertainty in the estimates for the balance sheet items of significant value in the balance sheet as of 2017-12-31 primarily related to capitalized losses recognized as deferred tax assets. Management has enabled fiscal deficit which is expected to be utilized in the foreseeable future, see note 18 - deferred tax.

Note 3 Transactions Intercompany

	2017	2016
Purchases and sales, Intercompany		
Below are the percentage of purchases and sales, Intercompany.		
Purchases, (%)	3,6	3,7
Sales, (%)	-	-

Ownership structure

The Company is a wholly subsidiary to Bharat Forge Global Holding GmbH, which indirectly is a wholly-owned subsidiary to Bharat Forge Limited. The consolidated financial statements are prepared by the parent company Bharat Forge Ltd which is situated in Mundhwa, Pune, India. The consolidated financial statements are available at "Registrar of companies" in Maharashtra, Pune, India.

Note 4 CSR/Sustainability report

According to Annual Accounts Act chapter 7 §31a the company does not establish a statutory sustainability report. Bharat Forge Kilsta AB is a wholly owned subsidiary to Bharat Forge Global Holding GmbH. Bharat Forge Global Holding GmbH, corp. id HRB6669 is registered at "Handelsregister B des Amtsgerichts Hagen", Mittelstrasse 64, 58256 Ennepetal. Bharat Forge Global Holding GmbH is publishing a CSR/Sustainability report in accordance with EU Directive 2014/95/EU, comprising all its subsidiaries including Bharat Forge Kilsta AB for reporting year 2017-01-01 – 2017-12-31. Bharat Forge Kilsta AB does not publish a separate CSR/Sustainability report separately. Instead it is reported and published when the annual report of Bharat Forge Global Holding GmbH is being published.

Note 5 Net sales classified according to geographical market

	2017	2016
Net sales classified according to operating area as follows:		
Chassis	445 568	478 862
Engines	397 129	265 856
Other	2 340	5 053
Total	845 037	749 771
Net sales classified according to geographic market as follows:		
Nordic countries	511 719	434 543
Europe, excluding the Nordic countries	279 814	296 836
North America	9 502	8 359
Other markets	44 002	10 033
Total	845 037	749 771

Note 6 Other operating income

	2017	2016
Included in other income, revenues from:		
Scrap	34 484	24 301
Sales of dies	2 711	2 458
Other	226	492
Contributions employees	767	277
Total	38 188	27 528

Note 7 Remuneration to auditors

	2017	2016
Ernst & Young		
Audit engagement	334	267
Other services	78	-
Total	412	267

Note 8 Operating lease

	2017	2016
Future minimum payable non cancellable leases:		
Payment due within one year	7 470	8 015
Payment due after one year but within 5 years	8 734	10 961
Payment due after 5 years	137	678
Total	16 341	19 654
During the period, lease	7 632	7 421

Note 9 Salaries, other remuneration and social security contributions

	2017	2016
Average number of employees, with women and males as allocation basis amounts to:		
Women	22	23
Men	289	272
Total for the Company	311	295

	2017	2016
Wages and compensations amounts to		
Board of Directors and Managing Director	24	24
Other employees	135 743	129 006
	135 767	129 030
Statutory and contractual social security contributions	47 022	42 677
Pension costs	13 835	12 525
Total salaries, remuneration, social security contributions and pension costs	196 624	184 232

Managing Director is employed by the parent company since 2015.

Directors and senior executives

Number of board of directors on the closing date

Men	6	6
Total for the Company	6	6

Number of Managing Directors and senior executives

Women	1	1
Men	4	5
Total for the Company	11	12

Note 10 Land and buildings

	2017-12-31	2016-12-31
Opening acquisition cost	38 637	37 422
Changes during the year		
-Redistribution from construction in progress	-	299
-Purchases	2 504	1 415
-Disposals	-	-499
Closing accumulated acquisition cost	41 141	38 637
Opening depreciation	-24 922	-24 429
-Disposals	-	499
-Depreciation	-1 050	-992
Closing accumulated depreciation	-25 972	-24 922
Opening revaluation	22 000	24 597
Changes during the year		
-Depreciation	-2 597	-2 597
Closing accumulated revaluation	19 403	22 000
Closing residual value according to plan	34 572	35 715

Note 11 Equipment, tools, fixtures and fittings

	2017-12-31	2016-12-31
Opening acquisition cost	52 888	57 787
Changes during the year		
-Redistribution from construction in progress	953	-
-Purchases	238	187
-Disposals	-357	-5 086
Closing accumulated acquisition cost	53 722	52 888
Opening depreciation	-45 771	-49 707
Changes during the year		
-Depreciation	-1 106	-967
-Disposals	296	4 903
Closing accumulated depreciation	-46 581	-45 771
Closing residual value according to plan	7 141	7 117

Note 12 Plant and machinery

	2017-12-31	2016-12-31
Opening acquisition cost	382 867	370 234
Changes during the year		
-Redistribution from construction in progress	21 955	9 785
-Purchases	10 501	19 682
-Disposals	-8 570	-16 834
Closing accumulated acquisition cost	406 753	382 867
Opening depreciation	-268 726	-259 361
Changes during the year		
-Depreciation	-21 493	-26 199
-Disposals	8 570	16 834
Closing accumulated depreciation	-281 649	-268 726
Closing residual value according to plan	125 104	114 141

Accumulated acquistion values at the beginning of the year are reduced by investment contributions during 1997-2000 amounting to a total of 10 MSEK.

Note 13 Constructions in progress

	2017-12-31	2016-12-31
Opening accrued expenses	1 765	8 173
Expenses accrued during the year	23 022	3 676
Fixed assets under construction completed this year	-22 909	-10 084
Closing expenses accrued	1 878	1 765

Note 14 Other operating expenses

	2017	2016
Realized/unrealized exchange loss Realized/unrealized exchange loss	1 816	5 637
Total	1 816	5 637

Note 15 Other interest income and similar profit/loss items

	2017	2016
Other interest income	-	6
Exchange profit on loans and cash	1 087	6 323
Total	1 087	6 329

Note 16 Interest expenses and similar profit/loss items

	2017	2016
Interest expenses to group company	349	866
Interest expenses pensions	127	215
Realized/unreazlied exchange loss loans	6 147	10 567
Other interest expenses	3 768	4 642
Total	10 391	16 290

Note 17 Tax on profit for the year

	2017	2016
Deferred tax	705	471
Total	705	471

Reconciliation of effective tax

Profit/loss before tax	-24 065	-21 439
Tax calculated at applicable tax rate (22%)	5 294	4 717
Tax effect of non-deductible expenses	-58	-256
Tax effect of non-deductible income	-	1
Earned unrecognized loss carryforwards/utilization of previously unrecognized loss carryforwards	-4 531	-3 991
Recognized tax	705	471

Note 18 Deferred tax

	2017	2016
Deferred tax assets on tax loss	8 515	8 515
Deferred tax on temporary differences -guarantee	134	-
Deferred tax liabilities related to revaluation of property	-4 269	-4 840
	4 380	3 675

Total tax loss amount is 168 640 TSEK (148 657 TSEK). For prudential reasons, not the entire deferred tax asset is considered.

Change in deferred tax

Opening balance	3 675	3 204
Changes during the year	705	471
Closing balance	4 380	3 675

Note 19 Equity and proposed treatment of losses

	2017	2016
To the disposal of the annual general meeting are the following losses:		
Unpropriated profit/loss brought forward	-4 712	-5 715
Net gain/loss for the year	-23 360	-20 968
	-28 072	-26 683
The board of Directors propose that the unappropriated loss be distributed as follows		
retained losses carried forward	-28 072	-26 683

Share capital is 200 000 A-shares per value 100.

The Company reports a revaluation fund of 15 134 (17 160) TSEK related to the revaluation of the building. Annually reduction in revaluation fund has been transferred to equity.

Note 20 Contingent liabilites

	2017-12-31	2016-12-31
Contingent liability to FPG	169	189
Total contingent liabilities	169	189

Note 21 Pledged assets

	2017-12-31	2016-12-31
For provisions, own liabilities and receivables		
Concerning credit insurance FPG liability		
Business mortage	10 000	10 000
Total pledged assets	10 000	10 000

Bharat Forge Limited has provided guarantee for current loans.

Note 22 Provisions

	2017	2016
Provisions for pensions and guarantee		
Opening balance provisions	9 425	10 807
Change of the year	-632	-1 382
Closing balance provisions	8 793	9 425

The company reports defined benefit pension plan financed in-house (ITP 2 in-house) by the PRI. Provisions for the defined benefit pension plan are recognized under paragraph 28.14a BFNAR in 2012: 1 (K3) and amounts to 7 793 (8 425) tsek. Transition to reporting in accordance with paragraph 28.14a, assessment such as IAS 19, occurred in 2016 when the company previously reported defined benefit pension plan in-house according 28.14b (simplification rule).

The commitments that the company has in ITP2 plan in-house are mostly lifelong retirement pension. Key actuarial assumptions used as the discount rate of 1.30 (1.45) % and expected inflation of 1.90 (1.50) %. The company has reported interest expenses attributable to the provision of 127 (215) tsek over the financial result. Furthermore, the Company reported actuarial loss of 39 (gain 735) tsek directly in equity.

Note 23 Non current liabilities

	2017	2016
Long term liabilities, intercompany		
Due after five years after closing	-	9 564
Total	0	9 564

Note 24 Accrued expenses and deferred income

	2017-12-31	2016-12-31
Accrued salaries	12 691	11 255
Accrued holiday pay	15 311	14 123
Accured social security costs & pensions	14 460	12 693
Accured customer provisions	485	2 971
Accured special employer´s contribution, tax on returns from pension funds and property tax	3 640	3 157
Accured financial expenses	2 127	2 083
Ongoing claims	619	875
Other items	12 849	8 252
Total	62 182	55 409

Note 25 Cash and cash equivalents

Only placements which can be immediately converted into cash are referred to as cash and bank balances.

Income statement and balance sheet will be submitted to the annual general meeting on March 23, 2018 for adoption.

Karlskoga, March 23, 2018

Michael Weis
Managing Director

Babasaheb Kalyani
Chairman

Sanjeev Joglekar

Subodh Tandale

Hans Lindbäck
Employee representive Unionen

Ari Tiuraniemi
Employee representive IF Metall

Our audit report was issued on March 23, 2018
Ernst & Young

Tomas Karlsson
Authorized public accountant

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Bharat Forge Hong Kong Limited

Directors	***Registered Office***	***Auditors***
Mr. B. N. Kalyani	14th Floor, Hutchion House	Asian Alliance (HK) CPA Limited
Mr. A. B. Kalyani	10 Harcourt Road	Suites 313-316, 3/F Shui On Centre
Mr. G. K. Agarwal	Central Hongkong SAR	6-8 Harbour Road, Wanchai,
Mr. S. G. Joglekar	Hong Kong	Hong Kong
Mr. K. P. Dixit		

Auditor's Report

TO THE SHAREHOLDERS OF BHARAT FORGE HONG KONG LIMITED

OPINION

We have audited the financial statements of Bharat Forge Hong Kong Limited (the "Company") set out on pages 6 to 22 which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and 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 significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards 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 HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicate that the Company incurred a loss for the year of US$32,894. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the appropriateness of which is dependent on the Company's ability to generate sufficient working capital to meet its financial requirements. The financial statements do not include any adjustment that may be necessary should the Company fail to finance its future working capital and financial requirements. We consider that adequate disclosures have been made to the financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor's 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.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the Company 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, we exercise professional judgement 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 the board of directors 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.

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Chan Mei Mei
Practising Certificate Number: P05256

Hong Kong
20 February 2018

Directors' Report For the year ended 31st December 2017

The directors present their annual report and the audited financial statements of Bharat Forge Hong Kong Limited (the "Company") for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

The Company is principally engaged in investment holding.

RESULTS

The results of the Company for the year ended 31 December 2017 are set out in the statement of profit or loss and other comprehensive income on page 6.

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 13 to the financial statements.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Mr. Babasaheb Neelkanth Kalyani
Mr. Amit Babasaheb Kalyani
Mr. Gopal Krishan Agarwal
Mr. Sanjeev Gajanan Joglekar
Mr. Kedar Prakash Dixit

There being no provision in the Company's Articles of Association for the retirement of directors by rotation, all the remaining directors will continue in office for the ensuring year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contract of significance, to which the Company's holding companies or fellow subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding companies or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITOR

The financial statements of the Company for the year ended 31 December 2017 have been audited by Asian Alliance (HK) CPA Limited (“Asian Alliance”).

Asian Alliance will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of Asian Alliance as auditor for the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the board

Sanjeev Gajanan Joglekar
Chairman

Hong Kong
20 February 2018

Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2017

	Notes	2017 Rs.	2017 USD	2016 USD
Other Income	**8**	1,854	29	38
Administrative Expenses		(2,180,177)	(34,104)	(40,579)
Loss before Tax		(2,178,323)	(34,075)	(40,541)
Income Tax Expense	**9**	**(56,000)**	**(876)**	**(6,847)**
Loss for the year	**10**	**(2,234,323)**	**(34,951)**	**(47,388)**
Other Comprehensive Expense/Income:				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		131,498	2,057	(1,305)
Total comprehensive expenses for the year		**(2,102,825)**	**(32,894)**	**(48,693)**

Statement of Financial Position as at 31st December,2017

	Notes	2017		2016
		Rs.	USD	USD
Non Current Assets				
Investment in Subsidiary		-	-	-
Current Assets				
Other receivables		90,969	1,423	1,414
Bank balance and cash		3,089,479	48,328	28,371
Amount due from immediate holding company	**12**	-		
Amount due from ultimate holding company	**11**	2,109,601	33,000	33,000
		5,290,049	82,751	62,785
Current Liability				
Other Payable		1,039,969	16,268	13,408
Amount due to immediate holding company	**12**	-	-	200,000
Net current assets		4,250,080	66,483	(150,623)
Total Net Assets		**4,250,080**	**66,483**	**(150,623)**
Capital & Reserve				
Share Capital	**13**	1,131,673,348	17,702,505	17,702,505
Accumulated Loss		(1,127,423,269)	(17,636,022)	(17,853,128)
		4,250,079	**66,483**	**(150,623)**

The Financial Statements were approved and authorised for issue by the board of directors on February 20, 2018 and are signed on its behalf by

S. G. Joglekar **K. P. Dixit**

Bharat Forge Hong Kong Limited

Statement of Changes in Equity
for the year ended 31st December 2017

	Share Capital		Capital Reserve		Exchange Reserve		Accumulated Loss		Total	
	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD
At 1st January 2016	1,131,673,348	17,702,505	-	-	(326,860)	(5,113)	(1,137,862,597)	(17,799,322)	(6,516,110)	(101,930)
Loss for the year	-	-	-	-	-	-	(3,029,387)	(47,388)	(3,029,387)	(47,388)
Other Comprehensive Expense/Income:										
Items that may be reclassified subsequently to profit or loss										
Exchange differences on translating foreign operations	-	-	-	-	(83,425)	(1,305)	-	-	(83,425)	(1,305)
Total Comprehensive Expense for the year	-	-	-	-	(83,425)	(1,305)	(3,029,387)	(47,388)	(3,112,812)	(48,693)
As at 31st December, 2016	**1,131,673,348**	**17,702,505**			**(410,285)**	**(6,418)**	**(1,140,891,984)**	**(17,846,710)**	**(9,628,922)**	**(150,623)**
Loss for the year	-	-	-	-	-	-	(2,234,323)	(34,951)	(2,234,323)	(34,951)
Other Comprehensive Expense/Income:										
Items that may be reclassified subsequently to profit or loss										
Exchange differences on translating foreign operations	-	-	-	-	131,498	2,057	-	-	131,498	2,057
Total Comprehensive Expense for the year	-	-	-	-	131,498	2,057	(2,234,323)	(34,951)	(2,102,825)	(32,894)
Waiver of amount due to immediate holding company	-		15,981,825	250,000	-	-	-	-	15,981,825	250,000
As at 31st December, 2017	**1,131,673,348**	**17,702,505**	**15,981,825**	**250,000**	**(278,787)**	**(4,361)**	**(1,143,126,307)**	**(17,881,661)**	**4,250,079**	**66,483**

Statement of cash flows for the year ended 31st December, 2017

	2017		2016
	Rs.	USD	USD
Operating activities			
Loss before Tax	(2,178,323)	(34,075)	(40,541)
Adjustments for:			
Bank Interest Income	(1,854)	(29)	(38)
Operating Cash flow before movement in working capital	(2,180,177)	(34,104)	(40,579)
Decrease/(Increase) in other receivables	(1)		2,027
Increase / (Decrease) in other payable	182,832	2,860	(65,733)
Cash generated from (used in) operations	(1,997,346)	(31,244)	(104,285)
Income tax paid	(56,000)	(876)	(11,843)
Net Cash used in Operating activities	**(2,053,346)**	**(32,120)**	**(116,128)**
Investing activities			
Bank Interest received	1,854	29	38
Increase in amount due from ultimate holding company	-	-	-
Net Cash from (used in) Investing activities	**1,854**	**29**	**38**
Financing activities			
Decrease in amount due to a shareholder	-	-	-
Increase in amount due to immediate holding company	3,196,365	50,000	100,000
Net Cash from (used in) Investing activities	3,196,365	50,000	100,000
Net decrease in Cash and Cash equivalents	**1,144,873**	**17,909**	**(16,090)**
Cash & cash equivalent at 1 January	**1,813,683**	**28,371**	**45,766**
Effect of foreign exchange rate changes	130,923	2,048	(1,305)
Cash & cash equivalent at 31 December represented by bank balance	**3,089,479**	**48,328**	**28,371**

Notes to the Financial Statements For the year ended 31st December 2017

1. GENERAL

Bharat Forge Hong Kong Limited (the "Company") was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. Its immediate holding company is Bharat Forge Global Holding GmbH, a limited liability company incorporated in Germany. Its ultimate holding company is Bharat Forge Limited, a limited liability company incorporated in India and its shares are listed on The National Stock Exchange of India Limited and The Bombay Stock Exchange Limited.

The addresses of the registered office and principle place of business of the Company is Unit 1401, Hutchison House, 10 Harcourt Road, Central, Hong Kong. The Company has a representative office locates in 上海市黃浦區西藏南路228號3006室.

The financial statements are presented in United State dollars ("US$"), which is the same as the functional currency of the Company.

The Company's principal activity is investment holding.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company incurred a loss for the year of US$32,894. This condition indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial supports from the ultimate holding company and immediate holding company, at a level sufficient to finance the working capital requirements of the Company. The ultimate holding company and immediate holding have agreed to provide adequate funds for the Company to meet its liabilities in full as they fall due in the foreseeable future. The directors of the Company (the "Directors") are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Company be unable to continue as going concern, adjustments would have to be made to the financial statements to adjust the value of the Company's assets to their recoverable amounts and to provide for any further liabilities which might arise. The effects of these adjustments have not been reflected in the financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Company has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

New and revised HKFRSs in issue but not yet effective

The Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the financial statements in the foreseeable future.

HKFRS *9 Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Company are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods; and

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Company's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- all financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Company's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Company.

The Directors do not anticipate that the adoption of expected credit loss model will have a material impact on the Company's financial statements.

HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration

HK(IFRIC)-Int 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Directors do not anticipate that the application of HK(IFRIC)-Int 22 in the future will have a material impact on the Company's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities, as described below.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

All leases are classified as operating leases.

The Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, amount due from ultimate holding company and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including other payables and amount due to immediate holding company are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Company derecognises financial liability when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the functional currency of the Company (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the financial statements, the assets and liabilities of the Company's foreign operations are translated into the presentation currency of the Company (i.e. US$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3 to the financial statements, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Going concerns and liquidity

The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial supports of the ultimate holding company and immediate holding company, at a level sufficient to finance the working capital requirements of the Company. The ultimate holding company and immediate holding company have agreed to provide adequate funds for the Company to meet its liabilities in full as they fall due. Details are explained in Note 2 to the financial statements.

Key sources of estimation uncertainty

The Directors are of the opinion that no key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, capital reserve, exchange reserve and accumulated losses.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risk associates with each class of capital. Based on recommendations of the Directors, the Company will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

7. **FINANCIAL RISK MANAGEMENT**

(a) Categories of financial instruments

	2017	2016
	US$	US$
Financial assets		
Loan and receivables (including cash and cash equivalents):		
Other receivables	**1,423**	1,414
Amount due from ultimate holding company	**33,000**	33,000
Bank balances	**48,328**	28,371
	82,751	62,785
Financial liabilities		
Other financial liabilities measured at amortised cost:		
Other payables	**16,268**	13,408
Amount due to immediate holding company	**-**	200,000
	16,268	213,408

(b) **Financial risk management objectives and policies**

The Company's major financial instruments include other receivables, bank balances, other payables, amount due from (to) immediate holding company / ultimate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Company's functional currency is US$ in which majority of transactions are denominated. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017	2016	2017	2016
	US$	US$	US$	US$
Renminbi ("RMB")	**9,060**	10,126	**-**	-

In the opinion of the Directors, as the currency risk is minimal, no sensitivity analysis is presented.

Interest rate risk

The Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances. However, such exposure is minimal to the Company as they are short- term in nature.

The Directors are of the opinion that the interest rate risk is considered minimal and thus no sensitivity analysis is presented.

Credit risk

At 31st December 2017, the Company's maximum exposure to credit risk which will cause a financial loss to the Company arising from those financial assets whose carrying amounts best represent the maximum exposure to credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

Liquidity risk

In the management of the liquidity risk, the Company finances its working capital requirements mainly by the funds transferred from other group companies. The management monitors its working capital requirements regularly.

All the financial liabilities are non-interest bearing and have remaining contractual maturity of less than 3 months or repayable on demand. The total undiscounted cash flows of each financial liability, based on the earliest date on which the Company can be required to pay approximate to their carrying amounts at the end of the reporting period as follows:

	Carrying amounts US$
At 31 December 2017	
Other payables	**16,268**
Amount due to immediate holding company	**-**
	16,268
At 31 December 2016	
Other payables	13,408
Amount due to immediate holding company	200,000
	213,408

(c) **Fair value measurements of financial instruments**

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values as at 31 December 2017 and 2016.

8. **OTHER INCOME**

	2017 US$	2016 US$
Bank interest income	**29**	38

9. INCOME TAX EXPENSE

	2017 US$	2016 US$
Current tax:		
PRC Enterprise Income Tax	**876**	6,847

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company did not derive any assessable profit for both years.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC representative office is 25% for both years.

The income tax expense for the years can be reconciled to the loss before tax per the statement of profit or loss and other comprehensive income as follows:

	2017 US$	2016 US$
Loss before tax	**(34,075)**	(40,541)
Tax at Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	**(5,622)**	(6,689)
Tax effect of income not taxable for tax purpose	**(5)**	(6)
Tax effect of expenses not deductible for tax purpose	**5,627**	6,695
Effect of different tax rate of representative office	**876**	6,847
Income tax expense	**876**	6,847

10. LOSS FOR THE YEAR

	2017 US$	2016 US$
Loss for the year has been arrived at after charging:		
Staff costs:		
- salaries, allowance and benefits in kind	**-**	-
- retirement benefits scheme contributions	**-**	-
	-	-
Auditor's remuneration	**5,626**	5,581
Directors' remuneration	**-**	-
Operating lease charges in respect of land and building	**-**	14,907

11. BANK BALANCES

	2017 US$	2016 US$
Bank balances	**48,328**	28,371

Cash at banks earn interest at floating rates based on daily bank deposits rates.

Included in bank balances which are subject to foreign exchange control regulations or not freely transferable and are denominated in currencies other than the functional currency of the Company to which is stated as follows:

	2017	2016
RMB	**58,052**	69,308

12. **AMOUNT DUE FROM (TO) IMMEDIATE HOLDING COMPANY / ULTIMATE HOLDING COMPANY**

Particulars of amount from ultimate holding company are as follows:

Name of Company	**Maximum amount outstanding during the year US$**	**At 31 December 2017 US$**	At 31 December 2016 US$
Bharat Forge Limited	**33,000**	**33,000**	33,000

The amount due from (to) immediate holding company / ultimate holding company is unsecured, interest free and repayable on demand.

During the year ended 31 December 2017, the amount due to immediate holding company of US$250,000 was waived by the immediate holding company.

13. SHARE CAPITAL

	Number of ordinary shares	**Amount US$**
Issued and fully paid:		
At 31st December 2016 and **2017**	**17,702,506**	**17,702,505**

14. **RELATED PARTY TRANSACTIONS**

(a) Other than the balances with related parties disclosed in the Note 12 to the financial statements, there were no other related party transactions for the years ended 31 December 2017 and 31 December 2016.

(b) Compensation of Directors and key management personnel

The Directors consider that they are the only key management personnel of the Company. No emolument was paid or payable to the Directors during the years ended 31st December 2017 and 31st December 2016.

Bharat Forge International Limited

Directors	***Registered Office***	***Auditors***
Mr. B. N. Kalyani	Boston House Business Centre	Eacotts Limited
Mr. A. B. Kalyani	69-75 Boston Manor Road	Grenville Court, Britwell Road
Mr. S. G. Joglekar	Brentford TW8 9JJ	Burnham, Bucks., SL1 8DF
Mr. K. P. Dixit	United Kingdom	United Kingdom

Strategic Report for the year ended 31 March 2018

The directors present the strategic report for the year ended 31 March 2018.

Fair review of the business

The company has invested in establishing a sound base from which it will trade and develop its client base over the coming year

In spite of the weak global market scenario, the company was able to add new customers and reasonably maintain the volume of business with its existing customer base. Turnover of the company was US$ 236.5million during the year.

Analysis of key performance indicators

The directors are of the opinion that the key performance indicator for this business is the turnover which increased from 152 million to 236.5 million in 2018. The company is focusing on obtaining additional customers while at the same time continuing to develop business with the new customers added during the year.

As a key performance indicator turnover has increased by 55.6%

Analysis of key risks and challenges facing the organization

The company is targeting to achieve a stable to moderate growth in the year 2018-19.

The company has the continued support of the Bharat Forge Group to achieve its objectives and the company will manage the risks facing the business, which are considered to be logistic risks and credit risks in accordance with the group's policies

Key performance indicators

Other risks are the following;

- Downturn in the automotive and industrial markets or demand in these globally
- Vulnerability to exchange markets or mechanisms
- Inflation risk

All companies within this market are exposed to these risks and the directors are of the opinion that the risks have been managed appropriately during the year.

Key personnel

The company also depends on its talented, skilled and loyal workforce to deliver its impeccable customer service. As the economy looks to recover we expect our key personnel to provide their continued support to enable further growth.

On behalf of the board

Mr K.P.Dixit
Director

May 21, 2018

Directors' Report for the year ended 31 March 2018

The directors present their annual report and financial statements for the year ended 31 March 2018

Principal activities

The principal activity of the company continued to be that of the distribution of forged and machined components for the automotive and industrial segments. The financial statements have been prepared in US Dollars

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr B N Kalyani
Mr A B Kalyani
Mr S G Joglekar
Mr K P Dixit

Results and dividends

The results for the year are set out on page 6

No ordinary dividends were paid. The directors do not recommend payment of a final dividend

Statement of Director's Responsibility

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of disclosure to Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr K.P.Dixit

Director

May 21, 2018

Independent Auditor's Report

Opinion

We have audited the financial statements of Bharat Forge International Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 ISAs (UK) 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,

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Mr Jeffrey Smith FCA (Senior Statutory Auditor)
for and on behalf of Eacotts International Limited

May 21, 2018

Chartered Accountants
Statutory Auditor

Grenville Court
Britwell Road
Burnham
Buckinghamshire
SL1 8DF

Balance Sheet As at 31st March 2018

	Notes	2018		2018		2017	
		Rs.	Rs.	USD	USD	USD	USD
Fixed assets							
Tangible assets	10		449,123,548		7,025,536		7,314,589
Investment	11		7,779,761		121,697		
Current assets							
Stocks	13	4,137,216,636		64,717,525		63,133,435	
Debtors falling due after one year	14	205,136,377		3,208,901		7,667,583	
Debtors falling due within one year	14	5,068,350,684		79,283,040		46,689,962	
Cash at bank and in hand		212,942		3,331		7,565	
		9,410,916,639		147,212,797		117,498,545	
Creditors : amount falling due	15						
within one year		(8,750,393,564)		(136,880,387)		(106,615,989)	
Net current liabilities			660,523,075		10,332,410		10,882,556
Total assets less current liabilities			**1,117,426,384**		**17,479,643**		**18,197,145**
Creditors : amount falling due							
more than one year	16		(324,750,687)		(5,080,000)		(7,536,956)
Net assets			**792,675,697**		**12,399,643**		**10,660,189**
Capital and reserves							
Called up share capital	19		6,697,919		104,774		104,774
Profit and loss account			785,977,778		12,294,869		10,555,415
Shareholders funds			**792,675,697**		**12,399,643**		**10,660,189**

The financial statements were approved by the board of directors and authorised for issue on May 21, 2018 and are signed on its behalf by:

K P Dixit

Director

Profit and Loss Account for the year ended 31st March,2018

	Notes	Year ended 31st March 2018 Rs.	Year ended 31st March 2018 USD	Previous Year USD
Turnover	3	15,122,070,706	236,551,062	152,002,961
Cost of sales		(14,785,489,700)	(231,286,003)	(148,256,824)
Gross profit		336,581,006	5,265,059	3,746,137
Administrative expenses		(221,412,459)	(3,463,504)	1,135,092
Other Operating Income		28,002,203	438,032	-
Operating Profit	4	143,170,750	2,239,587	4,881,229
Other interest receivable & similar income	7	39,272,394	614,329	473,750
Interest payable and similar charges	8	(36,588,279)	(572,342)	(791,771)
Profit before taxation		145,854,865	2,281,574	4,563,208
Tax on loss on ordinary activities	9	(34,656,268)	(542,120)	(928,120)
Profit for the financial year		**111,198,597**	**1,739,454**	**3,635,088**
Total comprehensive income for the year		**111,198,597**	**1,739,454**	**3,635,088**

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Bharat Forge International Limited

Statement of changes in equity for the year ended 31 March 2018

	Share Capital		Profit and loss reserves		Total	
	Rs.	$	Rs.	$	Rs.	$
Balance at 1 April 2016	6,697,919	104,774	442,397,820	6,920,327	449,095,739	7,025,101
Period ended 31 March 2017: Profit and total comprehensive income for the year	-	-	232,381,361	3,635,088	232,381,361	3,635,088
Balance at 31 March 2017	**6,697,919**	**104,774**	**674,779,181**	**10,555,415**	**681,477,100**	**10,660,189**
Period ended 31 March 2018: Profit and total comprehensive income for the year	-	-	111,198,598	**1,739,454**	111,198,597	**1,739,454**
Balance at 31 March 2018	**6,697,919**	**104,774**	**785,977,779**	**12,294,869**	**792,675,697**	**12,399,643**

Bharat Forge International Limited

Cash flow statement for the year ended 31st March,2018

	2018				Previous Year	
	Rs.	Rs.	USD	USD	USD	USD
Cash flows from operating activities						
Cash absorbed by operations		(1,654,758)		(25,885)		346,467
Interest paid		(36,588,279)		(572,342)		(791,771)
Taxation		(33,125,401)		(518,173)		(1,284,534)
Net cash outflow from operating activities	-	**(71,368,438)**		**(1,116,400)**		**(1,729,838)**
	-					
Investing activities	-		-			
Purchase of tangible fixed assets	(457,656)		(7,159)		(18,861)	
Other investments & Loans made	(7,779,761)		(121,697)			
Interest received	39,272,394		614,329		473,750	
Net cash (used in)/generated from investing activities		**31,034,977**		**485,473**		**454,889**
Financing activities						
Proceeds of new bank loans	319,636,500		5,000,000		6,000,000	
Repayment of bank loans	(362,307,717)		(5,667,496)		(2,351,374)	
Net cash generated from/(used in) financing activities		**(42,671,217)**		**(667,496)**		
						3,648,626
Net decrease in cash and cash equivalents		**(83,004,678)**		**(1,298,423)**		**2,373,677**
Cash and cash equivalents at beginning of year		(796,834,169)		**(12,464,693)**	-	**(14,838,370)**
Cash and cash equivalents at end of year		**(796,834,169)**		**(13,763,116)**	-	**(12,464,693)**
Relating to:						
Cash at bank and in hand		212,942		3,331		7,565
Bank overdrafts included in creditors		-		-	-	-
payable within one year		(880,051,788)		(13,766,447)	-	(12,472,258)

1 Accounting policies

Company information

Bharat Forge International Limited is a private company limited by shares incorporated in England and Wales. The registered office is Boston House Business Centre, 69-75 Boston Manor Road, Brentford, Middlesex, TW8 9JJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in US Dollars, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest $.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The ultimate controlling party is Bharat Forge Limited, a company incorporated in India.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest is accrued over the period of loan/investment.

Dividend is accrued in the year in which it is declared, whereby right to receive is established.

Profit/Loss on sale of investments is recognised on contract date.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	Straight line over 30 years
Plant and machinery	33% Straight line
Fixtures, fittings & equipment	10-20% Straight line
Motor vehicles	20% Straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than US Dollars are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgments and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018 $	2017 $
Turnover analysed by class of business		
Forged and machined components for the auto industry	236,551,062	152,002,961

	2018 $	2017 $
Other significant revenue		
Interest income	614,329	473,750

	2018 $	2017 $
Turnover analysed by geographical market		
United States of America	181,016,917	115,852,300
Europe	50,541,856	30,748,806
United Kingdom	4,992,289	5,401,855
	236,551,062	152,002,961

4 Operating profit

Operating profit for the year is stated after charging/(crediting):	2018 $	2017 $
Exchange losses/(gains)	1,613,662	(2,391,717)
Fees payable to the company's auditor for the audit of the company's financial statements	71,613	37,439
Depreciation of owned tangible fixed assets	296,211	304,754
Cost of stocks recognised as an expense	219,159,388	139,816,519
Operating lease charges	130,406	253,695

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to $1,613,662 (2017 -

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
Administration	9	9
Directors	4	-
	13	9

Their aggregate remuneration comprised:

	2018 $	2017 $
Wages and salaries	289,454	255,743
Directors' fees	282,674	-
Social security costs	27,238	21,572
Pension costs	1,941	1,641
	601,397	278,956

6 Directors' fees

	2018 $	2017 $
Fees for qualifying services	282,674	-

Two of the above directors have been paid a fee during the year.

Fees disclosed above include the following amounts paid to the highest paid director:

	2018 $	2017 $
Fees for qualifying services	141,337	-

The Directors had no remuneration other than Directors' fees.

7 Interest receivable and similar income

	2018 $	2017 $
Interest income		
Interest receivable from group companies	386,479	223,299
Other interest income	227,850	250,451
Total income	614,329	473,750

8 Interest payable and similar expenses

	2018	2017
	$	$
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	572,342	791,771

9 Taxation

	2018	2017
	$	$
Current tax		
UK corporation tax on profits for the current period	539,044	928,120
Adjustments in respect of prior periods	3,076	-
Total current tax	542,120	928,120

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018	2017
	$	$
Profit before taxation	2,281,574	4,563,208
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	433,499	912,642
Tax effect of expenses that are not deductible in determining taxable	29,667	1,339
Adjustments in respect of prior years	3,076	-
Permanent capital allowances in excess of depreciation	46,146	46,891
Foreign exchange differences	29,746	(32,543)
Other adjustments	(14)	(209)
Taxation charge for the year	542,120	928,120

10 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings &	Motor vehicles	Total
	$	$	$	$	$
Cost					
At 1 April 2017	7,366,098	80,503	497,727	62,471	8,006,799
Additions	-	4,361	2,798	-	7,159
At 31 March 2018	7,366,098	84,864	500,525	62,471	8,013,958
Depreciation and impairment					
At 1 April 2017	477,939	79,831	71,970	62,471	692,211
Depreciation charged in the year	246,028	1,027	49,156	-	296,211
At 31 March 2018	723,967	80,858	121,126	62,471	988,422
Carrying amount					
At 31 March 2018	6,642,131	4,006	379,399	-	7,025,536
At 31 March 2017	6,888,159	672	425,758	-	7,314,589

11 Fixed asset investments

	2018 $	2017 $
Investments	121,697	-

The company has invested 7,500 shares in Tevva Motors (Jersey) Limited, a company incorporated in Jersey, at a price of £12 per share.

Movements in fixed asset investments

	Investments other than loans $
Cost or valuation	
At 1 April 2017	-
Additions	121,697
At 31 March 2018	121,697
Carrying amount	
At 31 March 2018	121,697
At 31 March 2017	-

12 Financial instruments

	2018 $	2017 $
Carrying amount of financial assets		
Debt instruments measured at amortised cost	82,095,063	54,106,846
Equity instruments measured at cost less impairment	121,697	-
Carrying amount of financial liabilities		
Measured at amortised cost	141,809,624	114,112,686

13 Stocks

	2018 $	2017 $
Finished goods and goods for resale	64,717,525	63,133,435

14 Debtors

Amounts falling due within one year:	2018 $	2017 $
Trade debtors	55,667,943	33,192,451
Amounts owed by group undertakings	13,855,437	10,526,415
Other debtors	6,689,815	2,740,620
Other loans	2,739,845	-
Prepayments and accrued income	330,000	230,476
	79,283,040	46,689,962

During the year a loan of £1.9m was given to Tevva Motors (Jersey) Limited, a company which Bharat Forge Interational Limited holds shares, at an interest rate of 12% p.a. The loan will be fully repaid within the next year.

	2018	2017
Amounts falling due after more than one year:	**$**	**$**
Amounts owed by group undertakings	-	4,136,956
Other debtors	3,208,901	3,530,627
	3,208,901	7,667,583
Total debtors	82,491,941	54,357,545

Trade debtors disclosed above are measured at amortised cost.

15 Creditors: amounts falling due within one year

2018			2017
	Notes	**$**	**$**
Bank loans and overdrafts	**17**	21,716,776	18,633,128
Trade creditors		19,774,654	13,349,308
Amounts due to group undertakings		92,219,050	73,607,943
Corporation tax		50,532	26,585
Other taxation and social security		100,231	13,674
Other creditors		733,557	187,766
Accruals and deferred income		2,285,587	797,585
		136,880,387	106,615,989

16 Creditors: amounts falling due after more than one year

		2018	2017
	Notes	**$**	**$**
Bank loans and overdrafts	**17**	5,080,000	7,536,956

17 Loans and overdrafts

	2018	2017
	$	**$**
Bank loans	13,030,329	13,697,826
Bank overdrafts	13,766,447	12,472,258
	26,796,776	26,170,084
Payable within one year	21,716,776	18,633,128
Payable after one year	5,080,000	7,536,956

The company's bankers hold security over all the company's assets (present, future, actual or contingent and whether incurred alone or jointly with another) including interest and expenses.

17 Loans and overdrafts

The company has three loans.

An existing $10,049,200 bank loan facility drawn down in March 2016 that is repayable over 36 months. Interest is being charged on this loan at 2% above LIBOR. As at the 31 March 2018 $4,630,329 (2017: $7,897,826) is outstanding.

Another existing $6,000,000 bank loan facility which was drawn down in August 2016 and is repayable over 36 months. Interest is being charged on this loan at 2.15% above LIBOR. As at the 31 March 2018 $3,400,000 (2017: $5,800,000) is outstanding.

A new $5,000,000 bank loan facility which was drawn down in March 2018 and is repayable over 36 months. Interest is being charged on this loan at 2.15% above LIBOR. As at 31 March 2018 $5,000,000 (2017; $Nil) is outstanding.

The overdraft facility provided to the company by its bankers has a gross limit of £15 million and a net limit of £12 million. This is repayable on demand and incurs interest of 2% above the bank's base rate.

18 Retirement benefit schemes

	2018	2017
Defined contribution schemes	**$**	**$**
Charge to profit or loss in respect of defined contribution schemes	1,941	1,641

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2018	2017
	$	**$**
Ordinary share capital		
Issued and fully paid		
64,000 Ordinary shares of £1 each	104,774	104,774
	104,774	104,774

20 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	$	**$**
Within one year	104,573	124,236
Between two and five years	-	82,151
	104,573	206,387

21 Related party transactions

Remuneration of key management personnel
Two directors received directors fees a total of £282,674, please refer to note 6.

No guarantees have been given or received.

22 Controlling party

The immediate and ultimate parent company is Bharat Forge Limited, a company incorporated in India.

23 Cash generated from operations

	2018 $	2017 $
Profit for the year after tax	1,739,454	3,635,088
Adjustments for:		
Taxation charged	542,120	928,120
Finance costs	572,342	791,771
Investment income	(614,329)	(473,750)
Depreciation and impairment of tangible fixed assets	296,211	304,754
Movements in working capital:		
(Increase) in stocks	(1,584,090)	(2,427,136)
(Increase) in debtors	(28,134,396)	(14,455,548)
Increase in creditors	27,156,803	12,043,168
Cash (absorbed by)/generated from operations	(25,885)	346,467

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Mécanique Générale Langroise

Registered Office
rue du Stade
52200 Saints Geosmes
France

Auditors
KPMG Audit Rhone Alpes Auvergne
6 rue Paul Verlaine, B.P. 67025
21070 Dijon Cedex
France

Statutory Auditors' report on the financial statements

For the year ended 31st December 2017

Opinion

In compliance with the engagement entrusted to us by your Annual annual general meeting, we have audited the accompanying financial statements of SAS Mécanique Générale Langroise for the year ended 31 December 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in *the* Statutory Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments

In accordance with the requirements of article L.823-9 and R.823-7of the French Commercial Code ("Code de commerce") relating to the justification of our assessments, we inform you that the most important assessments made by us according to our professional judgment focused on the appropriateness of the accounting principles used and the reasonableness of the significant estimates and the presentation of financial statements taken as a whole.

These assessments were made in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the financial statements.

Verification of the Management Report and of the Other Documents Provided to shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the President and in the other documents provided to shareholders with respect to the financial position and the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of thefinancial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The financial statements were approved by the President.

Statutory Auditor's Responsibilities for the Audit of the Financial Statements

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards 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 specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his 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.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- Assesses 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. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Dijon, on the 19 février 2018

French original signed by Isabelle Fanjas, Commissaire aux comptes

Balance Sheet as at December 31st, 2017

ASSETS	Rs.		EUR		As at 31/12/2016 EUR
A. Fixed Assets					
I. Other Intangible assets	188,817.19		2,342.00		575.00
II. Tangible assets					
1. Land	5,831,242.48		72,328.00		72,328.00
2. Buildings	130,710,434.82		1,621,271.00		1,827,374.00
# Fixtures,fittings,plant machinery and equipment	31,146,935.77		386,332.00		380,130.00
4. Other Tangible Assets	2,243,232.09		27,824.00		34,012.50
# Tangible Assets in progress	472,849.20		5,865.00		5,865.00
III. Other Fixed Assets	7,497.86		93.00		93.00
		170,601,009.41		2,116,055.00	2,320,377.50
B. Current assets					
I. Inventories					
Raw materials and consummables	19,645,130.86		243,669.00		331,798.00
Work in progress (service)	5,548,097.32		68,816.00		194,037.00
Semi-finished and Finished goods	1,176,842.25		14,597.00		-
II. Accounts receivable and other assets					
Advances and down-payments to suppliers	1,934.93		24.00		3,302.00
Trade Debtors	75,826,630.30		940,518.00		1,061,915.00
Other Debtors	12,259,331.11		152,059.00		157,111.50
Securities	-		-		105,768.00
other secruties					
Prepaid expenses	2,900,464.24		35,976.00		16,653.00
III. Cash on hands, bank balances	36,564,747.61		453,532.00		1,010,889.00
Total		**153,923,178.62**		**1,909,191.00**	**2,881,473.50**
Total Assets		**324,524,188.03**		**4,025,246.00**	**5,201,851.00**

Balance Sheet as at December 31st, 2017

EQUITY AND LIABILITIES	Rs.		EUR		As at 31/12/2016 EUR
A. Equity					
Share Capital (paid in: 600,000)	48,373,320.00		600,000.00		600,000.00
Legal reserves	4,837,332.00		60,000.00		60,000.00
Other Reserve	211,584,256.70		2,624,392.00		2,835,976.00
Retained (profit/losses) brought forward merger	-		-		56,613.00
Net Income or loss of the tax year	**(83,116,247.76)**		**(1,030,935.00)**		**(268,197.00)**
Subsidies of Investment	13,998,190.72		173,627.00		194,444.00
Regulated Provisions	7,036,221.88		87,274.00		119,943.00
		202,713,073.54		2,514,358.00	3,598,779.00
Income from profit sharing secruity					
B. Accruals		-		-	-
C. Provision for Liabilities & Charges		-		-	-
D. Loans & Debts					
Bank Borrowings	35,508,999.90		440,437.00		668,789.00
Other Financial borrowing & debts					
-Miscellaneous					
-Partners					
Trade Creditors	27,267,153.64		338,209.00		326,619.00
Tax Payables & Social Liabilities					
-Staff	18,149,750.29		225,121.00		211,928.00
-Payroll Taxes	18,667,022.32		231,537.00		216,637.00
-State, Profit Tax	-		-		-
-State, Turnover Tax	12,294,563.01		152,496.00		66,782.00
-Other Taxes	4,186,068.87		51,922.00		50,287.00
Fixed Assets creditors	1,977,771.19		24,531.00		15,396.00
Other Creditors	3,759,785.27		46,634.00		46,634.00
		121,811,114.49		1,510,887.00	1,603,072.00
Total		**324,524,188.03**		**4,025,245.00**	**5,201,851.00**

Balance Sheet as at December 31st, 2017
Income statement for the period from January 1 to December 31, 2016

	2017		Previous Year
	Rs.	Eur	Eur
Sales of manufactured goods	7,153,850	88,733	56,130
Sales of manufactured services	378,403,521	4,693,540	5,676,245
Stored production	(8,918,831)	(110,625)	(13,138)
Operating subsidies	-	-	-
Recaptures on depreciations and reserves, expense transfer	1,829,721	22,695	110,189
Other operating income	161	2	4
Total operating income	**378,468,422**	**4,694,345**	**5,829,430**
Operating expenses			
Purchase of raw materials and other supplies	66,436,724	824,050	1,163,999
(including customs duties)			
Variation in inventory (raw materials and supplies)	6,876,509	85,293	(16,758)
Other purchases and external expenses	133,995,225	1,662,014	1,412,448
Taxes and assimilated payments	15,401,904	191,038	198,554
Salaries and wages expenses	151,132,522	1,874,577	2,071,917
Social security expenses	59,465,080	737,577	852,229
Operating allowances on fixed assets : depreciation allowances	30,960,860	384,024	439,405
Operating allowances on current assets : reserve allowances	993,507	12,323	4,094
Other/Operating expenses	1,290	16	-
Total operating expenses	**465,263,621**	**5,770,912**	**6,125,888**
Including	46,975,250	582,659	305,887
Equipment Leasing	46,975,250	582,659	305,887
Real Property Leasing			
Operating result	**(86,795,199)**	**(1,076,567)**	**(296,458)**
Other interest and assimilated income	115,854	1,437	2,361
Total financial income	**115,854**	**1,437**	**2,361**
Interests and assimilated expenses	867,898	10,765	16,525
Total financial expenses	**867,898**	**10,765**	**16,525**
Financial result	**(752,044)**	**(9,328)**	**(14,164)**
Income Before tax and Ordinary items	**(87,547,243)**	**(1,085,895)**	**(310,622)**
Extraordinary Income			
On operating activities	483,733	6,000	11,695
Extraordinary capital gains	1,678,312	20,817	23,012
Recaptures on reserves and expense transfers	3,067,836	38,052	30,552
Total extraordinary income	**5,229,881**	**64,869**	**65,259**
Extraordinary Expenses			
Extraordinary operating losses	-	-	5,844
On investing activities	451,001	5,594	-
Depreciation and reserve extraordinary allowances	433,909	5,382	17,583
Total extraordinary expense	**884,910**	**10,976**	**23,427**
Extraordinary result	**4,344,971**	**53,893**	**41,832**
Income tax	(86,024)	(1,067)	(593)
Total income	**383,814,157**	**4,760,651**	**5,897,050**
Total expenses	**466,930,405**	**5,791,586**	**6,165,247**
Net result	**(83,116,248)**	**(1,030,935)**	**(268,197)**

Accounting rules and methods

Annex to the balance sheet and the income statement for the year ended 2017/12/31 whose total assets prior distribution is 4 025 246 Euros and the income statement of the year, presented as a list and a result of (1 030 935) Euros.

The exercise has a duration of 12 months, covering the period from 01/01/2017 to 31/12/2017. Notes or

tables below are an integral part of the annual accounts.

The annual accounts have been established in accordance with the provisions of the Commercial Code and the general accounting plan (CCP).

General accounting policies have been applied, in respect of the precautionary principle, in accordance with the basic assumptions:

- continuity of operations,
- permanence of accounting from one exercise to another,
- independence exercises, and in accordance with the General rules of establishment and presentation of the annual accounts.

The basic method adopted for the assessment of the elements registered in accounting is the method of historical costs. The main methods used are the following:

Information on the transactions entered in the balance sheet and income statement Are not mentioned in the annex that the significant information.

Depreciation

Tangible fixed assets are valued at their cost of acquisition or production, given the costs necessary for the pre-trial stage of use of these goods, and after deduction of the discount shopping, discounts, discounts obtained regulations.

The following decisions have been taken at the level of the presentation of the annual accounts:

- decomposable capital: the company has not been able to define decomposable capital or the decomposition of these does not have significant impact.
- no decomposable assets: the potential gap between periods of depreciation according to the duration of use and period of use has been recorded in derogatory depreciation.

The interest on loans specific to the production of fixed assets are not included in the production cost of these assets.

Depreciation for depreciation are calculated according to the linear or digressive modes based on the expected life:

. Computer software	1 year,
. Buildings	10 to 20 years,
. building layouts	04 to 15 years,
. Machinery and industrial equipment	01 to 10 years,
. Layouts, facilities, facilities	03 to 10 years,

. transport equipment	04 to 05 years,
. office equipment and computer	03 to 10 years.

Participation, other long-term securities, investment securities

The gross value is constituted by the cost of buying out incidentals.
When the inventory value is less than this value, an impairment is made up of the amount of the difference.

Stocks

Inventories are valued according to the method "first in, first out".

The gross value of goods and supplies includes the purchase price and incidental expenses.

The manufactured products are valued at production cost including consumption and direct and indirect production costs, depreciation of goods directly involved in production.

The cost of the sub-activity is excluded from the value of stocks. Interests are always excluded from the valuation of stocks.

Inventories have, where appropriate, written down to reflect their net realizable value at the date of closing of the accounts. Any more one-time two-year-old is valuated at the price of scrap.

Receivables

The receivables are valued at face value. A depreciation is performed when the inventory value is lower than the book value.

Competitiveness (CICE) employment tax credit

CICE is recorded at the pace of engagement, it is to be taken into account as the commitment of l o a d s of corresponding remuneration, whether or not the closure coincides with the calendar year, for the annual in standards French.

In addition, given the conditions of reliability and probability of getting of CICE, taking this into account for deferred long-term compensation elements should be rare.

CICE accounting was conducted by option:

- a decrease in personnel expenses, credit of a sub account 64 (ANC, information note from February 28, 2013).

The impacts of the taking into account of the CICE on financial statements, include:

- reduction of personnel expenses,
- Increase in working capital amounting to € 79 355 corresponding to the CICE calculated over the period from 01/01/2017 to 31/12/2017.

In accordance with the provisions of article 244 quarter C of the general tax code, we specify that the CICE for the purpose funding for improving the competitiveness of companies is used through, including efforts for replenishment of working capital.

Retirement commitments

The commitments of the company in terms of severance pay to the retirement of its employees amounted to € 182 890. These have not been the subject of recognition in the annual accounts.

The calculation is based on the following parameters:
- mortality table: TG05
- discount rate: 1.30% (rate iboxx to 31/12/2017)
- the staff turnover rate: 1%
- wage growth rate: 1%

Information required by article R.123 - 198-9 (the commercial code)
The total amount of the fees of the auditor contained in the income statement for the year totalled € 16 605 tax-free.

AverageManpower

Workers Categories	Salaried Staff	Staff at company's disposal
Executives	4	
Supervisors	6	
Employees	2	
Workers	30	
Apprentice under contract	1	
Total	**43**	

Financial commitments

Granted Commitment's

Nature of commitments granted	Amount
Notes receivable discounted	
Warranties, collaterals and guaranties	
Commitments under equipment leases	2 251 050
Commitments under real estate leases	
Other commitments	1 669 843
TOTAL	**3 920 893**

COMMENTS:

Detail of other commitments (including commitments with real security: 332 536 €) :

€

Mortgage promise: 192 302 €
Pledge of goodwill: 332 536 €
Other Société Générale : 83 215 €
RECEIVED COMMITMENTS

Nature of commitments received	Amount
Debt waiver	
Total	

Leasing

	Lands	Buildings	Plant & Machinery & equipment	Other tangible assets	Total
Original Value :			4055401		4055401
Paper allowance : Up to date Period					
Total					
Paper Net Value					
Rents Up to date Period			1630739 599373		1630739 599373
Total			**2230112**		**2230112**
Futural rentals Within one year Between one and five years After more than five years			467257 1184419		467257 1184419
Total			**1651676**		**1651676**
Residual Value Within one year Between one and five years After more than five years			6232 26423		6232 26423
Total			**32655**		**32655**
Charges booked during period :			**582659**		**582659**

Capital

Category of shares	Par Value		Number of shares			
	As at the beginning of the period	As at the end of the period	As at the beginning of the period	Issued during the period	Redeemed during the period	As at the end of the period
Capital Composite	75.00000	75.00	8000			8000

Change in Equity

Headings	Amount
Prior year closing equity before appropriation	3598779
Appropriation of earnings to net equity by the Ordinary Shareholders' Meeting	
Opening equity	**3598779**
Change in share capital	
Change In other items	
Contributions received with retroactive effect to the beginning of the year	
Opening equity after retroactive contributions	**3598779**
Changes in share capital	
Changes in paid-in capital, reserves, retained earnings	268197
Changes in equity "provisions"	
Revaluation reserve	
Changes in tax-driven provisions and equipment grants	(53486)
Other changes	(1299132)
Changes during the year	**(1084422)**
Closing balance sheet equity before Ordinary Shareholders' Meeting	2514357
Total change in equity during the year	**(1084422)**
Of which structural changes during the year	
Total change in equity during the year excluding structural transactions	**(1084422)**

Fixed Assets

Schedule A		Gross amount opening balance	Increase	
Intangible assets			Revaluations	Acquisitions
Set-up and research & development costs				
Other intangible assets		62 403		4 280
	TOTAL	62 403		4 280
Tangible assets				
Land		72 328		
Buildings		2 377 824		
Building fixtures and fittings		963 783		9 266
Plant, machinery and equipment		1 898 390		162 347
Other fixtures and fittings		289 616		
Vehicles		81 349		
Office equipment, computer hardware, furniture		62 156		9 402
Tangible assets in progress Payment on account		5 865		
	TOTAL	5 751 311		181 016
Financial assets				
Loans and other financial assets		93		
	TOTAL	93		
	GRAND TOTAL	5 813 808		185 296

Schedule B	Reductions		Gross amount	Revaluation
	Reclassification	Disposals	closing balance	Original value
Set-up and research & development costs Other intangible assets		9 000	57 683	
TOTAL		9 000	57 683	
Land			72 328	
Buildings			2 377 824	
Building fixtures and fittings			973 049	
Plant, machinery and equipment		5 597	2 055 140	
Other fixtures and fittings Vehicles Office equipment, computer hardware, furniture			289 616 81 349 71 558	
Tangible assets in progress Payment on account			5 865	
TOTAL		**5 597**	**5 926 730**	
Loans and other financial assets			93	
TOTAL			**93**	
GRAND TOTAL		**14 597**	**5 984 507**	

Depreciation

Schedule A				
SITUATION AND CHANGES WITHIN THE PERIOD				
DEPRECIABLE ASSETS	Opening balance	Additional allowances	Reductions disposal/Rever	Closing balance
Intangible assets				
Set-up, research & development costs				
Other intangible assets	61 828	2 513	9 000	55 341
TOTAL	**61 828**	**2 513**	**9 000**	**55 341**
Tangible assets				
Land	979 975	138 849		1 118 824
Buildings				
Buildings on other people's lands				
Building fixtures and fittings	534 258	76 521		610 779
Plant, machinery and equipment	1 518 260	150 552	3	1 668 809
Other fixtures and fittings	266 798	8 377		275 175
Vehicles	81 349			81 349
Office equipment, computer hardware, furniture Returnable containers and others	50 962	7 213		58 175
TOTAL	**3 431 602**	**381 511**	**3**	**3 813 111**
GRAND TOTAL	**3 493 431**	**384 024**	**9 003**	**3 868 452**

Schedule B	BREAKDOWN OF DEPRECIATION ALLOWANCES FOR THE PERIOD						
Depreciable assets	ALLOWANCES			REVERSALS			Mouvements nets amort. à fin dexercice
	Straight line Depreciation	Decreasing balance Depreciation	Exceptionnel Depreciation	Straight line Depreciation	Decreasing balance Depreciation	Exceptionnel Depreciation	
Intangible assets							
Set-up, R&D. costs Others int. assets							
TOTAL							
Tangible assets							
Land							
Buildings Buildings on other people's lands Buildings fixtures & fittings							
Plant, mach., & equipment		5 382			36 459		(31 076)
Other fixtures and fittings Vehicles Office equip. comput. hardw. Returnable contain. & others					1 593		(1 593)
TOTAL		**5 382**			**38 052**		**(32 669)**
GRAND TOTAL		**5 382**			**38 052**		**(32 669)**
Unventilated grand total	5 382	Unventilated grand total		38 052	Unventilated grand total		(32 670)

Schedule C				
CHANGES IN DEFERRED CHARGES	Opening balance	Additional allowances	Allowances for the period	Closing balance
Deferred charges Redemption bond premium				

Provisions

Type of provisions	Opening balance	Additions Allowances	Reductions Reversals	Ending balance
Tax regulated				
Provisions for reconstitution of mines and oilfields Provisions for capital expenditures Price increase provisions Tax depreciation allowances Tax provisions for setting-ups abroad before 01/01/92 Tax provisions for setting-ups abroad after 01/01/92 Provisions for set-up loans Other tax regulated provisions	119 943	5 382	38 052	87 274
TOTAL	**119 943**	**5 382**	**38 052**	**87 274**
Contingencies and liabilities				
Provisions for litigation Provisions for warranties given to customers Provisions for losses on future market Provisions for penalties Provisions for exchange losses Provisions for pension and similar commitments Provisions for taxes Provisions for assets renewals Provisions for important repairs Provisions for social contributions and taxes due on vacation				
Other provisions for contingencies and liabilities				
TOTAL				

Type of provisions	Opening balance	Additions Allowances	Reductions Reversals	Ending balance
Provisions for loss in value				
On intangible assets On tangible assets On investments assessed on the equity method On securities On other investments On stocks and works in progress On trade debtors Other provisions for loss in value	34 139	12 323	9 486	36 976
TOTAL	**34 139**	**12 323**	**9 486**	**36 976**
GRAND TOTAL	**154 082**	**17 705**	**47 538**	**124 250**
Including operating allowances and reversals		12 323	9 486	
Including financial allowances and reversals				
Including exceptional allowances and reversals		5 382	38 052	
Investments assessed on the equity method : allowances for the period				

Receivables

Receivables (a)	Gross amount	liquidity of the asset	
		Within 1 year	After 1 year
Fixed Assets			
Amount receivable from subsidiaries			
Loans (1) (2)			
Other financial assets	93		93
Current Assets			
Doubtful and in dispute trade debtors			
Other trade debtors	940518	940518	
Receivables representing borrowed securities			
Employees	85	85	
Social contributions			
Corporation tax	80542	80542	
Value-added tax	32014	32014	
Other taxes	10298	10298	
Sundries			
Intercompany and current accounts (2)			
Other debtors			
Prepaid expenses	35976	35976	
TOTAL	**1128647**	**1128553**	**93**
(1) Including Joans granted within the period			
(1) Including redemptions received within the period			
(2) Loans and advances granted to partners			

Payables

Payables (b)	Gross amount	Within 1 years	1 to 5 years	After 5 years
Convertible debenture loans (1)				
Other debenture loans (1)				
Bank loans and overdraft (1)				
- Payable over 1 year				
- Payable over more than 1 year	440 437	178 671	261 766	
Other loans and financial liabilities (1)				
(2) Trade creditors	338 209	338 209		
Personnel	225 121	225 121		
Social contributions	231 537	231 537		
Corporation tax				
Value-added tax	152 496	152 496		
Guaranteed bonds				
Other taxes	51 922	51 922		
Fixed assets creditors	24 531	24 531		
Intercompany and current accounts (2)				
Other creditors	46 634	46 634		
Liabilities representing borrowed securities				
Deferred income				
TOTAL	**15 10 888**	**1249 122**	**261 766**	
(1) Loans raised within the period				
(1) Loans redeemed within the period	228 274			
(2) Loans and liabilities raised from partners				

Sales breakdown

Sales breakdown	France	Export	Total
Finished goods			
Semi-finished goods			
Waste products	88 733		88 733
Works	1 306 046	173 588	1 479 634
Surveys			
Services	3 179 070		3 179 070
Goods			
Incomes from other activities	34 836		34 836
TOTAL	**4 608 685**	**173 588**	**4 782 273**

Tax Corporation Breakdown

	Before tax	Corporation tax	After tax
+ Profit or loss before tax and extraordinary items	(1 085 895)	(1 067)	(1 084 828)
+ Extraordinary profit or loss	53 893		53 893
- Employee profit-sharing			
Profit or loss	(1 032 002)	(1 067)	(1 030 935)

Accrued Receivables

Accrued receivables included in Balance Sheet	2017/12/31	2016/12/31
Amounts receivable from subsidiaries		
Other long-term investments Loans		
Other financial assets Trade debtors		
Other debtors		
Securities	39 419	45 298
Other receivables		
		532
TOTAL	**39 419**	**45 830**

Accrued receivables details

Accrued receivables included in Balance Sheet	2017/12/31	2016/12/31
Amounts receivable from subsidiaries		
Other long-term investments		
Loans		
Trade debtors		
Other debtors		
40980000 FOURNISSEURS AVOIRS A RECEVOIR	579	45 298
4487000 ETAT PRODUITS A RECEVOIR	10 298	
4687000 PRODUITS A RECEVOIR	28 542	
Securities		**532**
5088000 INTERETS COURUS S/ BONS ET VALEURS		532
Other receivables		
TOTAL	**39 419**	**45 830**

Accrued Payables

Accrued payables included in Balance Sheet	31/12/2017	31/12/2016
Convertible debenture loans		
Other debenture loans		
Bank loans and overdrafts	47	125
Other loans and financial liabilities		
Trade creditors	62 717	77 984
Social contributions	379 704	360 184
Fixed assets creditors		
Other creditors		
TOTAL	**442 467**	**438 293**

Accrued payables details

Accrued payables included in Balance Sheet	31/12/2017	31/12/2016
Convertible debenture loans		
Other debenture loans		
Bank loans and overdrafts	**47**	**125**
16884000 INTERETS COURUS SUR EMPRUNTS ETS CREDIT	47	125
Other loans and financial liabilities		
Trade creditors	**62 717**	**77 984**
40810000 FOURNISSEURS N0N PARYENUES	62 717	77 984
Social contributions	**379 704**	**360 184**
42820000 DETIES PROVISIONNEES *PI* CONGES A PAYER	115 121	111 928
42860000 PERSONNEL AUTRES CHARGES PA YER	110 000	100 000
43820000 CHARGES SOCIALES SUR CONGES A PAYER	49 640	48968
43860000 CHARGES,\ PAYER SUR ORGA IS\ IES SOCULUX	53 020	49000
44820000 CHARGES FISCALESSUR CONGES A PAYE R	2 452	2384
44860000 ETJ\TCHARGESA PAYER	49 470	47 903
Fixed assets creditors		
Other creditors		
46860000 CHARGES J\ PAYER		
TOTAL	**442 467**	**438 293**

Prepayment and deferred Income

Deferred Income	31/12/2017	31/12/2016
Operating incomes		
Financial incomes		
Extraordinary incomes		
TOTAL		

Prepaid Expenses	31/12/2017	31/12/2016
Operating expenses	35 976	16 653
Financial expenses		
Extraordinary expenses		
TOTAL	**35 976**	**16 653**

Expense Reclassifications

Type of expense reclassification	Amount
AID FOR PERSONNEL EXPENSES	4 182
BENEFIT IN KIND	9 026
Total	**13 208**

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Bharat Forge America Inc.

Directors	***Registered Office***	***Auditors***
Mr. B. N. Kalyani	2150, Schmiede St,	KNAV P.A
Mr. A. B. Kalyani	Surgoinville	One Lakeside
Mr. S. E. Tandale	TN 37873	Commons, Suite 850
Mr. S. G. Joglekar	U.S.A	990 Hammond Drive NE,
		Atlanta, GA 30328

Auditor's Report

Board of Directors
Bharat Forge America, Inc.

We have audited the accompanying separate financial statements of Bharat Forge America, Inc. ("the Company") a Delaware corporation, which comprise the balance sheet as at December 31, 2017 and the related statement of income (loss), stockholder's equity, and cash flow for the year then ended, and the related notes to the separate financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

Consolidated financial statements are required for conformity with accounting principles generally accepted in the United States of America. As discussed in Note B, these parent company only financial statements, which include subsidiaries on equity basis, are being issued in addition to consolidated financial statements. Information regarding the subsidiaries is disclosed in Note F.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the separate financial statements referred to above present fairly, in all material respects, the financial result of its operations, stockholder's equity and the cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matter

The financial statements comprising of the balance sheet as at December 31, 2016, and the related statement of loss, stockholder's equity, and cash flow for the year ended December 31, 2016 and the related notes to the financial statements were audited by other auditors. The date of the report was May 17, 2017 and it expressed a qualified opinion.

KNAV P.A.
Atlanta, Georgia
February 28, 2018

Balance Sheet as on 31st December, 2017

(All amounts are stated in United States Dollars, unless otherwise stated)

			As at 31/12/2016
	Rs.	USD	USD
Assets			
Current Assets			
Cash and cash equivalents	6,152,427	96,241	92,675
Prepaid expenses and other current assets	2,276,451	35,610	19,247
Total current assets	**8,428,878**	**131,851**	**111,922**
Property and Equipment, net	-	-	4,429
Receivables, related parties	259,627,304	4,061,290	1,694,179
Investments	988,006,394	15,455,156	13,436,973
Total assets	**1,256,062,576**	**19,648,297**	**15,247,503**
Liabilities and Stockholder's Deficit			
Current Liabilities			
Trade accounts payable	4,218,435	65,988	168,256
Other current liabilities	2,095,409	32,778	325,390
Short term borrowing	255,709,200	4,000,000	1,000,000
Total current liabilities	**262,023,044**	**4,098,766**	**1,493,646**
Long term borrowings	255,709,200	4,000,000	4,000,000
Total Liabilities	**517,732,244**	**8,098,766**	**5,493,646**
Stockholder's Equity			
Common stock ($ 0.01 par value, authorized 3000 shares, issued and outstanding 60 shares) (Refer Note L)	64	1	1
Additional Paid up capital	2,522,708,381	39,462,145	39,462,145
Accumulated deficit	(1,784,378,113)	(27,912,615)	(29,708,289)
Total Stockholder's equity	**738,330,332**	**11,549,531**	**9,753,857**
Total liabilities and stockholder's deficit	**1,256,062,576**	**19,648,297**	**15,247,503**

(The accompanying notes are an integral part of these separate parent company financial statements).

Statements of income (loss) for the period ended December 31, 2017

			Previous Year
	Rs.	USD	USD
Cost and Expenses	-	-	
Selling , General and administrative Expenses	3,212,858	50,258	386,376
Total cost and expense	**(3,212,858)**	**(50,258)**	**(386,376)**
Non-operating income(expenses)			
Equity in earnings(loss) of unconsolidated investee	129,016,990	2,018,183	(132,796)
Interest expenses	(10,677,266)	(167,022)	(78,723)
Other Expenses	(283,134)	(4,429)	-
Profit (loss) before Income tax	**114,843,732**	**1,796,474**	**(597,895)**
Current Tax Expenses	(51,142)	(800)	-
Net Income (Loss)	**114,792,590**	**1,795,674**	**(597,895)**

(The accompanying notes are an integral part of these separate parent company financial statements)

Bharat Forge America Inc

Statement of Stockholder's Equity

	Common Stock											
	Authorized			Issued & Outstanding			Additional Paid in Capital		Accumulated Deficit		Total Stockholder's equity	
	Shares	Rs.	USD	Shares	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD
Balance January 1 , 2016	3,000	1,918	30	60	64	1	1,768,366,242	27,662,145	(1,860,948,890)	(29,110,394)	(92,582,584)	(1,448,248)
Additional Capital Contributed		-	-	-	-	-	754,342,140	11,800,000	-		754,342,140	11,800,000
Net Loss		-	-	-	-	-	-	-	(38,221,813)	(597,895)	(38,221,813)	(597,895)
Balance December 31 , 2016	3,000	1,918	30	60	64	1	2,522,708,382	39,462,145	(1,899,170,703)	(29,708,289)	623,537,743	9,753,857
Net Income		-	-	-	-	-	-	-	114,792,590	1,795,674	114,792,590	1,795,674
Balance December 31 , 2017	**3,000**	**1,918**	**30**	**60**	**64**	**1**	**2,522,708,382**	**39,462,145**	**(1,784,378,113)**	**(27,912,615)**	**738,330,333**	**11,549,531**

(The accompanying notes are an integral part of these separate parent company financial statements)

Statement of Cash Flow for the period ended December 31 , 2017

			Previous Year
	Rs.	**USD**	**USD**
Cash Flow from Operating Activities			
Net Loss	114,792,590	1,795,674	(597,895)
Adjustments to reconcile net loss to net cash fom Operating Activities :			
Depreciation	-		5,904
Equity in loss (earnings) of unconsolidated investees	(129,016,990)	(2,018,183)	132,796
Disposal of assets	283,134	4,429	-
Disposal of Inventory			2,203
Changes in operating assets and liabilities which provided (used) cash :			
Account Receivable	(151,323,015)	(2,367,111)	(1,264,329)
Prepaid expense and other assets	(1,046,041)	(16,363)	28,791
Accounts Payable	(6,537,717)	(102,268)	(173,471)
Other Current liabilities	(18,705,896)	(292,612)	293,790
	-		-
Net cash (used in) provided by operating acitivties	**(191,553,935)**	**(2,996,434)**	**(1,572,211)**
Cash Flow from Investing Acitivities			
Purchase of equity method investments	-	-	(14,000,000)
Net cash (used in) provided by investing activity	-	-	(14,000,000)
Cash Flow from Financing Acitivities			
Payments on debt	-	-	(1,400,000)
Proceeds from short term borrowings	191,781,900	3,000,000	-
Payments from loan			5,000,000
Contributions of additional paid-in capital	-		11,800,000
Net cash used in financing activities	**191,781,900**	**3,000,000**	**15,400,000**
Net (Decrease) Increase in Cash and Cash Equivalents	**227,965**	**3,566**	**(172,211)**
Cash and Cash Equivalents - Beginning of Year	5,924,462	**92,675**	**264,886**
Cash and Cash Equivalents - End of Year	**6,152,427**	**96,241**	**92,675**
Supplemental Cash Flow Information - cash paid for			
Interest	383,564	6,000	-
Income taxes	10,677,266	167,022	70,698

Notes to financial statements

NOTE A - NATURE OF OPERATIONS

Bharat Forge America, Inc. (“BFA” or the “Company”), incorporated on March 22, 2005 in the State of Delaware, is an international holding company and a wholly owned subsidiary of Bharat Forge Limited, a public company, listed on stock exchanges in India.

On November 30, 2016 the Company acquired 100 percent of the shares of PMT Holdings, Inc. and 82.10 percent of membership interest of Walker Forge Tennessee, LLC.

Subsequent to acquisition, PMT Holdings, Inc. changed its name to Bharat Forge Tennessee, Inc. (“BFT”) and Walker Forge Tennessee, LLC changed its name to Bharat Forge PMT Technologie, LLC. (“PMT”).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). The significant accounting policies are detailed below:

Basis of presentation

a. The Company reported its investments in Bharat Forge Tennessee, Inc. and Bharat Forge PMT Technologie, LLC applying the equity method of accounting which is a departure from accounting principles generally accepted in the United States of America. All amounts are stated in US Dollars, unless specified otherwise.

b. The separate financial statements are for the year ended December 31, 2017 and December 31, 2016.

c. Certain reclassifications, regroupings and reworking have been made in the separate financial statements of prior periods to conform to the classifications used in the current year. This has no impact on the statement of income (loss).

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The management’s estimates for realization of deferred tax assets and estimation relating to unsettled transactions and events at the balance sheet date represent certain of these particularly sensitive estimates. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates.

Change in accounting principle

As of January 01, 2016, the Company adopted new guidance related to the presentation of deferred taxes in its balance sheet. Under the new guidance, all deferred tax assets, liabilities and related valuation allowances are reported as non-current, depending on the classification of the underlying asset or liability to which the temporary difference relates, or, for loss credit carryforwards, based on when the item was expected to reverse.

Cash and cash equivalents

Cash equivalents consist of highly liquid investments with a maturity of three months or less on the date of purchase. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash balances in bank accounts are insured by the Federal Deposit Insurance Corporation up to an aggregate of $ 250,000.

Accounts receivable and provision for doubtful debts

Accounts receivable relate to items paid for by the Company on behalf of its affiliates. Amounts are stated at net invoice amounts, less any cash collected by the Company on behalf of the debtor. Based on the management's review of outstanding receivable balances and historical collection information, management's best estimate is that all balances will be collected. Accordingly, the Company has not established an allowance for doubtful accounts.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by the straight-line method. Depreciation of an asset commences when the asset is put into use.

Investments

The Company's investments in BFT and PMT are accounted for using equity method. Under the equity method, the investment is carried at cost, adjusted for Company's proportionate share of undistributed earnings or losses. The Company has determined to account for its investments in subsidiaries, over which it can exercise significant influence and has an interest in excess of 50 percent, using the equity method, which is a departure from US GAAP as the subsidiaries should be consolidated. Impairment losses due to decline in the value of investment that is other than temporary are recognized when incurred. No impairment losses were recognized for the period from November 30, 2017 (date of acquisition) through December 31, 2017.

Income taxes

In accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740 "Income Taxes," income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some portion or all of the asset will not be realized.

Fair values measurements and financial instruments

The Company applies fair value measurements to certain assets, liabilities and transactions that are periodically measured at fair value.

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 – unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigations, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

NOTE C - CONCENTRATION RISK

The Company’s future results of operations involve a number of risks and uncertainties. Factors that could affect future operating results and cause actual results to vary materially from expectations include but are not limited to government regulations and credit risk.

NOTE D - RECEIVABLES, RELATED PARTIES

Receivables, related parties include the following:

	As at	
	December 31, 2017	**December 31, 2016**
Bharat Forge Limited	310,626	-
Bharat Forge International Limited	7,931	-
Bharat Forge Tennessee, Inc.	215,184	-
Bharat Forge PMT Technologie, LLC	3,527,549	1,264,329
Others	-	429,850
Total	**4,061,290**	**1,694,179**

NOTE E - PROPERTY AND EQUIPMENT, NET

Property and equipment include the following:

	As at	
	December 31, 2017	**December 31, 2016**
Transportation equipment	-	29,522
Less: accumulated depreciation	-	(25,093)
Total	**-**	**4,429**

Depreciation expense for the year ended December 31, 2017 is $ Nil (for the year ended December 31, 2016: $ 5,904). The asset was disposed of during the current year.

NOTE F - INVESTMENTS

Investments include the following:

	As at	
	December 31, 2017	**December 31, 2016**
Investment in Bharat Forge Tennessee, Inc.	5,928,359	5,483,810
Investment in Bharat Forge PMT Technologie, LLC	9,526,797	7,953,163
Total	**15,455,156**	**13,436,973**

On November 30, 2016, the Company acquired 100 percent of shares of PMT Holdings Inc. and 82.10% of the membership interest of Walker Forge Tennessee, LLC, both of which are accounted for using the equity method.

Following is summary of financial position of PMT as at December 31, 2017 and December 31, 2016:

		As at
	December 31, 2017	**December 31, 2016**
Assets:		
Current assets	13,916,772	8,344,218
Property, plant and equipment	13,647,245	13,330,945
Other assets	81,900	81,900
Total assets	27,645,917	21,757,063
Current liabilities	7,774,224	2,799,677
Members' equity	19,871,693	18,957,386

PMT has revenues of $ 40,956,390 and profit of $ 914,307 for the year ended December 31, 2017 (for the period ended December 31, 2016: revenue $ 1,965,164 and loss of $ 149,321).

Following is summary of financial position of BFT as at December 31, 2017 and December 31, 2016:

	As at	
	December 31, 2017	**December 31, 2016**
Assets:		
Current assets	390,000	30,000
Land, building and equipment	3,849,949	4,011,644
Investment	3,737,733	3,394,627
Total assets	7,977,682	7,436,271
Current liabilities	230,896	-
Non-current liabilities	725,008	793,843
Stockholder's equity	7,021,778	6,642,428

BFT has income from rentals of $ 360,000 and profit of $ 379,350 during the year ended December 31, 2017 (for the period ended December 31, 2016: income from rentals of $ 30,000 and loss of $ 6,741).

NOTE G - OTHER CURRENT LIABILITIES

Other current liabilities include the following:

	As at	
	December 31, 2017	**December 31, 2016**
Accrued expenses	32,778	325,390
Total	**32,778**	**325,390**

NOTE H - SHORT TERM BORROWINGS

Short term borrowings include the following:

	As at	
	December 31, 2017	**December 31, 2016**
Line of credit	4,000,000	1,000,000
Total	**4,000,000**	**1,000,000**

Under a line of credit agreement with a bank, the Company has available borrowings of $ 5,000,000 through November 23, 2018. The agreement provides for monthly interest payment at an interest rate of 1.2% plus the applicable LIBOR at the time of advance (an effective rate of 2.40% at December 31, 2017 and 1.81% at December 31, 2016). At December 31, 2017 the outstanding balance was $ 4,000,000

NOTE I - LONG TERM BORROWINGS

Long term borrowings include the following:

	As at	
	December 31, 2017	December 31, 2016
Line of credit	4,000,000	4,000,000
Total	**4,000,000**	**4,000,000**

Under a line of credit agreement with a bank, the Company has available borrowings of $ 4,000,000 through November 23, 2021. The agreement provides for a monthly interest payment at an interest rate of 1.35% plus the applicable LIBOR at the time of advance (an effective rate of 2.46% at December 31, 2017 and 1.96% at December 31, 2016).

The agreement stipulates that the outstanding balances must be repaid 33% in November 2019 ($ 1,320,000), 33% in November 2020 ($ 1,320,000) and the balance due in November 2021 ($ 1,360,000). At December 31, 2017, the outstanding balance was $ 4,000,000 (December 31, 2016: $ 4,000,000). The line of credit is guaranteed by Bharat Forge Limited.

NOTE J - INCOME TAXES

For the year ended December 31, 2017, the Company will file a consolidated federal tax return as per regulations applicable to Chapter C corporations in the United States.

The Company files combined state tax returns with its US subsidiaries in states where nexus is determined, and combined filing is required or permitted based on the state statutes.

The components of the provision for income tax are as follows:

	For the year ended	
	December 31, 2017	December 31, 2016
Current taxes		
Federal	-	-
State	800	-
Total	**800**	**-**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes are as follows:

	As at	
	December 31, 2017	**December 31, 2016**
Non-current deferred tax assets:		
Property, plant and equipment, net	-	124,000
Start-up costs	11,440	-
Goodwill	59,866	-
Accrued interest	-	1,055,000
Net operating losses	6,323,519	8,775,000
Total deferred tax assets	**6,394,825**	**9,954,000**
Non-current deferred tax liabilities:		
Investment in Bharat Forge PMT Technologie, LLC	(527,608)	(32,000)
Total deferred tax liabilities	(527,608)	(32,000)
Net deferred taxes	5,867,217	9,922,000
Less: deferred tax asset valuation allowance	(5,867,217)	(9,922,000)
Net deferred taxes	**-**	**-**

Realization of net deferred tax assets is dependent upon generation of sufficient taxable income in future years, benefit from the reversal of taxable temporary differences and tax planning strategies. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

Management believes that negative evidence outweighs the positive evidence and thus it is more likely than not that the benefit from deferred tax asset may not be realized in foreseeable future. In recognition of this risk, a valuation allowance of $ 5,867,217 and $ 9,922,000 has been created as at December 31, 2017 and December 31, 2016.

As at December 31, 2017, the Company has federal net operating loss carryforwards of approximately $31,111,995. These losses expire in various years between tax years 2026 and 2037. The Tax Cuts and Jobs Act reduces the corporate tax rate to 21 percent, effective January 1, 2018.

Accounting for uncertain tax positions

The Company recognizes the benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company has no unrecognized tax positions as at December 31, 2017 and December 31, 2016.

NOTE K - RELATED PARTY TRANSACTIONS

The Company had transactions with-

A. Parent company

1. Bharat Forge Limited (owning 100% of common stock of Bharat Forge America, Inc. as of December 31, 2017 and 2016, respectively)

B. Subsidiaries

1. Bharat Forge Tennessee, Inc. (owning 100% of common stock as of December 31, 2017 and 2016 respectively)
2. Bharat Forge PMT Technologie, LLC (owning 82.10% of common stock as of December 31, 2017 and 2016, respectively)

C. Other related parties where common control exists

1. Bharat Forge International Limited
2. CDP Bharat Forge GmbH

During the year ended December 31, 2017, the Company paid for operating expenses on behalf of its subsidiary, Bharat Forge PMT Technologie, LLC. At December 31, 2017 and December 31, 2016, the Company had net receivable from PMT amounting to $ 3,527,549 and $ 1,264,329, respectively.

The Company had accounts receivable from Bharat Forge International Limited amounting to $ 7,931 as on December 31, 2017 and accounts payable amounting to $ 123,000 as on December 31, 2016.

The Company had accounts receivable from Bharat Forge Tennessee Inc. amounting to $ 215,184 as on December 31, 2017 for payroll expenses paid on behalf of BFT.

The Company had accounts receivable from Bharat Forge Limited amounting to $ 310,626 for the year ended December 31, 2017 and accounts payable amounting to $ 381 as on December 31, 2016.

During the year December 31, 2011, the Company borrowed $ 1,700,000 from CDP Bharat Forge GmbH (“CDP”), a related party that is commonly owned by Bharat Forge Limited. The loan was unsecured, and interest was payable in monthly installments at the three-month LIBOR plus 250 bps p.a. for an effective rate of 3.11 percent at December 31, 2015. The balance of loan was $ 1,400,000 at December 31, 2015 was paid in full during December 2016. The Company paid approximately $ 71,000 of interest to CDP in 2016 related to this loan.

NOTE L - COMMON STOCK

Common stock issued

Common stock issued as at December 31, 2017 was 60 shares of $ 0.01 par each (December 31, 2016, 60 shares of $ 0.01 par each).

Voting

Each holder of common stock is entitled to one vote in respect of each share held in the records of the Company for all matters submitted to a vote.

Liquidation

In the event of liquidation of the Company, the holders of common stock shall be entitled to receive all of the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

NOTE M - FAIR VALUE MEASUREMENTS

Financial assets and liabilities held by the Company measured at fair value on a recurring basis as of December 31, 2017 and 2016 include cash and cash equivalents, prepaid expenses, accounts receivable, accounts payable, and accrued expenses. The carrying value of these financial instruments approximates their fair values at December 31, 2017 and 2016 due to their short-term maturities. In addition, the Company's line of credit obligations approximate fair value based on current interest rates.

NOTE N - SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 28, 2018 which is the date the separate financial statements were issued. No material subsequent event has been noted.

Bharat Forge Tennessee Inc.

Directors	***Registered Office***	***Auditors***
Mr. A. B. Kalyani	2150 Schmiede St,	KNAV P.A
Mr. S. E. Tandale	Surgoinsville	One Lakeside
Mr. S. G. Joglekar	TN 37873	Commons, Suite 850
Mr. Michael Weis	U.S.A.	990 Hammond Drive NE,
Mr.K.P.Dixit		Atlanta, GA 30328

Auditor's Report

Board of Directors
Bharat Forge Tennessee, Inc.

We have audited the accompanying financial statements of Bharat Forge Tennessee, Inc. ("the Company") which comprise the balance sheet as at December 31, 2017, and the related statement of income (loss), stockholder's equity, and cash flows for the year then ended and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Company as at December 31, 2017 and the result of its operations, stockholder's equity and the cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other matter

The financial statements comprising of the balance sheet as at December 31, 2016, and the related statement of loss, stockholder's equity, and cash flows for the period from November 30, 2016 (date of acquisition) through December 31, 2016 and the related notes to the financial statements were audited by other auditors. The date of the report was May 17, 2017 and it expressed an unqualified opinion.

KNAV P.A.
Atlanta, Georgia

Balance Sheet as on 31st December, 2017

(All amounts are stated in United States Dollars, unless otherwise stated)

			As at 31/12/2016
	Rs.	USD	USD
Assets			
Current Assets			
Accounts receivable	24,931,647	390,000	30,000
Total current assets	**24,931,647**	**390,000**	**30,000**
Land, Building and Equipment - Net	246,116,845	3,849,949	4,011,644
Investment in Associate	238,943,179	3,737,733	3,394,627
Total assets	**509,991,671**	**7,977,682**	**7,436,271**
Liabilities and Stockholder's Equity			
Current Liabilities			
Trade accounts payable	13,756,132	215,184	-
Other accrued liabilities	1,004,426	15,712	-
Total current liabilities	**14,760,558**	**230,896**	-
Non Current - Deffered Tax Liability	46,347,804	725,008	793,843
Total liabilities	**61,108,362**	**955,904**	**793,843**
Stockholder's Equity			
Common stock ($ 0.01 par value, authorized, issued and outstanding 100 shares) (Refer Note G)	64	1	1
Additional paid - in -capital	298,994,183	4,677,097	4,677,097
Accumulated Deficit	149,889,062	2,344,680	1,965,330
Total stockholder's deficit	**448,883,309**	**7,021,778**	**6,642,428**
Total liabilities and stockholder's deficit	**509,991,671**	**7,977,682**	**7,436,271**

(The accompanying notes are an integral part of these financial statements)

Statements of income (loss) for the period ended December 31, 2017

(All amounts are stated in United States Dollars, unless otherwise stated)

			Previous Year
	Rs.	**USD**	**USD**
Lease Income - Affiliate (Note 7)	23,013,828	360,000	30,000
Depreciation Expense (Note 3)	10,336,725	161,695	13,475
Gross Profit	12,677,103	198,305	16,525
Selling and Administrative Expenses	14,623,370	228,750	
Operating Loss	(1,946,267)	(30,445)	16,525
Non operating Income (Expense)			
Other income			
Interest expense			
Equity in earnings of unconsolidated investees	21,933,840	343,106	(26,738)
Total nonoperating income (expense)	19,987,573	312,661	(10,213)
Loss before income taxes	**19,987,573**	**312,661**	**(10,213)**
Income tax (recovery) (Note 5)	(137,188)	(2,146)	3,472
Deferred tax benefit	4,400,436	68,835	-
Net Loss	**24,250,821**	**379,350**	**(6,741)**

(The accompanying notes are an integral part of these financial statements)

Bharat Forge Tennessee, Inc.

Statement of Stockholder's Equity

	Common Stock											
	Authorized			**Issuesd & outstanding**			**Additioanl paid in capital**		**Accumulated Deficit**		**Total Stockholder's equity**	
	Shares	**Rs.**	**USD**	**Shares**	**Rs.**	**USD**	**Rs.**	**USD**	**Rs.**	**USD**	**Rs.**	**USD**
Balance November 30 , 2016	10,000	6,393	100	100	64	1	298,994,183	4,677,097	126,069,174	1,972,071	425,063,421	6,649,169
Net Loss						-		-	(430,934)	(6,741)	(430,933)	(6,741)
Balance as at December 31, 2016	10,000	6,393	100	100	64	1	298,994,183	4,677,097	125,638,240	1,965,330	424,632,488	6,642,428
Balance as at January 1,2017	10,000	6,393	100	100	64	1	298,994,183	4,677,097	125,638,240	1,965,330	424,632,488	6,642,428
Net Income	-	-	-	-	-	-	-	-	24,250,821	379,350	24,250,821	379,350
Balance December 31 , 2016	**10,000**	**6,393**	**100**	**100**	**64**	**1**	**298,994,183**	**4,677,097**	**149,889,061**	**2,344,680**	**448,883,309**	**7,021,778**

Statement of Cash Flow for the period ended December 31 , 2017

(All amounts are stated in United States Dollars, unless otherwise stated)

			Previous Year
	Rs.	**USD**	**USD**
Cash Flow from Operating Activities			
Net Loss	24,250,821	379,350	(6,741)
Adjustments to reconcile net loss to net cash fom Operating Activities :			
Depreciation	10,336,725	161,695	13,475
Equity in loss (earnings) of unconsolidated investees	(21,933,840)	(343,106)	26,738
Deferred tax benefit	(4,400,436)	(68,835)	-
Deferred income taxes	137,188	2,146	(3,472)
Changes in net operating assets and liabilities			
Account Receivable	(23,013,828)	(360,000)	(30,000)
Account Payable	13,618,944	213,038	
Other Current liabilities	1,004,426	15,712	
Net cash provided by operating acitivties	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents - Beginning of Year	-	-	-
Cash and Cash Equivalents - End of Year	-	-	-

The accompanying notes are an integral part of these financial statements)

Notes to financial statements

NOTE A - NATURE OF OPERATIONS

Bharat Forge Tennessee, Inc. ("BFT" or the "Company") leases land and a forging facility to Bharat Forge PMT Technologie, LLC, ("PMT'), in which the Company has a minority interest of 17.90%.

The Company is a wholly owned subsidiary of Bharat Forge America, Inc. ("BFA" or "the Parent"). Subsequent to its acquisition, by the Parent on November 30, 2016, the Company changed its name from PMT Holdings, Inc. to Bharat Forge Tennessee, Inc. The effects of the acquisition have not been pushed down to these financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles in United States of America ("US GAAP"). The significant accounting policies are detailed below:

Basis of preparation

All amounts are stated in United States Dollars, except as otherwise specified.

The financial statements are for the year ended December 31, 2017 and for the period November 30, 2016 to December 31, 2016.

Certain reclassifications, regroupings and reworking have been made in the financial statements of prior periods to conform to the classifications used in the current year. This has no impact on the statement of income (loss).

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The management's estimates for determination of useful lives for land, building and equipment, for impairment of long-lived assets, and estimation relating to unsettled transactions and events at the balance sheet date represent certain of these particularly sensitive estimates. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates.

Revenue recognition

The Company leases land and a forging facility to Bharat Forge PMT Technologie, LLC, a related party, under a lease agreement, which is accounted for as an operating lease. Bharat Forge PMT Technologie, LLC is responsible for paying property taxes, insurance, and other property related expenses.

Accounts receivable and provision for doubtful debts

All accounts receivables are derived from lease agreements with Bharat Forge PMT Technologie, LLC. An allowance for doubtful debts has not been recorded at December 31, 2017 and December 31, 2016 as management considers all accounts receivable collectible.

Land, building and equipment and depreciation

Land, building and equipment are stated at cost less accumulated depreciation. Cost of items of land, building and equipment comprise cost of purchase and other costs necessarily incurred to bring it to the condition and location necessary for its intended use.

The Company depreciates land improvements, building and equipment over the estimated useful life using the straight-line method, including capital lease assets which are depreciated over the terms of their respective leases. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to operations.

The estimated useful life used to determine depreciation is:

Land	-
Land improvements	30 years
Buildings	10-30 years
Machinery and equipment	10 years

Business combinations, goodwill and other intangibles

The Company's investment in Bharat Forge PMT Technologie, LLC is accounted for using the equity method. Under this method, the investment is carried at cost and adjusted for the Company's proportionate share of undistributed earnings or losses i.e. approximately 17.91%.

Income taxes

In accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740 "Income Taxes," income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some portion or all of the asset will not be realized.

NOTE C - LAND, BUILDING AND EQUIPMENT, NET

Land, building and equipment includes the following:

	As at	
	December 31, 2017	**December 31, 2016**
Land	282,889	282,889
Land improvements	341,046	341,046
Building	3,121,281	3,121,281
Machinery and equipment	950,354	950,354
	4,695,570	**4,695,570**
Less: accumulated depreciation	(845,621)	(683,926)
Land, building and equipment, net	**3,849,949**	**4,011,644**

Depreciation expense for the year ended December 31, 2017 was $ 161,695 and for the period ended December 31, 2016 was $ 13,475. Upon acquisition by the Parent, the Company changed its estimate of depreciable lives which had an effect of reducing the depreciation expense by approximately $ 10,000 in the period ended December 31, 2016.

NOTE D - INVESTMENT

Investment includes:

	As at	
	December 31, 2017	**December 31, 2016**
Investment in Bharat Forge PMT Technologie, LLC (“PMT’)	3,737,733	3,394,627
Total	**3,737,733**	**3,394,627**

Following is a summary of the financial position of PMT as at December 31, 2017 and December 31, 2016:

	As at	
	December 31, 2017	**December 31, 2016**
Assets:		
Current assets	13,916,772	8,344,218
Property, plant and equipment	13,647,245	13,330,945
Other assets	81,900	81,900
Total assets	27,645,917	21,757,063
Current liabilities	7,774,224	2,799,677
Members’ equity	19,871,693	18,957,386

PMT has revenues of $ 40,956,390 and profit of $ 914,307 for the year ended December 31, 2017 (for the period ended December 31, 2016: revenue $ 1,965,164 and loss of $ 149,321)

NOTE E - INCOME TAXES

The Company files a consolidated federal tax return as per regulations applicable to Chapter C corporations in the United States along with its Parent.

The Company files combined state tax returns in states where nexus is determined, and combined filing is required or permitted based on the state statutes.

The components of the provision for income taxes are as follows:

	Year ended December 31, 2017	Period ended December 31, 2016
Current taxes		
Federal	-	-
State	2,146	(3,472)
Deferred taxes		
Federal	(241,105)	-
State	172,270	-
Total	(66,689)	(3,472)

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

	As at December 31, 2017	As at December 31, 2016
Non-current deferred tax assets:		
Federal & state net operating losses	29,303	6,483
Total deferred tax asset	**29,303**	**6,483**
Non-current deferred tax liability:		
Land improvements, building and equipment	(603,671)	(794,115)
Investment in Bharat Forge PMT Technologie, LLC	(150,640)	(6,211)
Total deferred tax liability	**(754,311)**	**(800,326)**
Net deferred taxes	**(725,008)**	**(793,843)**

Realization of net deferred tax assets is dependent upon generation of sufficient taxable income in future years, benefit from the reversal of taxable temporary differences and tax planning strategies. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. The amount of net deferred tax assets change. Net deferred tax liability of $ 725,008 and $ 793,843 is recorded as at December 31, 2017 and 2016, respectively.

As at December 31, 2017, the Company has federal net operating loss carryforwards of approximately $ 110,866, which if unutilized will expire in the tax year 2037. The Company has net operating loss carry forwards in Tennessee of approximately $ 92,642 as at December 31, 2017, which if unutilized will expire in the year 2037.

The Tax Cut and Jobs Act reduces the corporate tax rate to 21 percent, effective January 1, 2018. Consequently, the Company has recorded a decrease related to deferred tax assets and deferred tax liabilities of $ 14,413 and $ 356,584, respectively, with a corresponding net adjustment to deferred income tax benefit of $ 342,171 for the year ended December 31, 2017.

Accounting for uncertain tax positions

The Company recognizes the benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company has no unrecognized tax positions as at December 31, 2017 and December 31, 2016. The tax years of 2013 through 2016 remain subject to examination by the taxing authorities.

NOTE F - RELATED PARTY TRANSACTIONS

The Company had transactions with-

A. Ultimate parent company
Bharat Forge Limited (owning 100% of common stock of Bharat Forge America, Inc. as of December 31, 2017 and 2016, respectively)

B. Parent company
Bharat Forge America, Inc. (owning 100% of common stock as of December 31, 2017 and 2016, respectively)

C. Affiliates
Bharat Forge PMT Technologie, LLC (the Company owning 17.91% of common stock as of December 31, 2017 and 2016, respectively)

The Company leased land and forging facility to Bharat Forge PMT Technologie, LLC (starting from December 1, 2016) which is commonly owned by Bharat Forge America, Inc., and in which the Company owns minority interest. The lease rental amounts to $ 30,000 monthly and requires PMT to pay for property taxes, insurance and other property related expenses. The lease revenue for the year ended December 31, 2017 and period ended December 31, 2016 was $ 360,000 and $ 30,000, respectively. The receivable from PMT for the year ended December 31, 2017 and December 31, 2016 amounted to $ 390,000 and $ 30,000, respectively.

During the year 2017 the Company incurred expenses of $ 215,184. The Company does not hold a bank account and the expenses are paid by Bharat Forge America, Inc. As at the year ended December 31, 2017 the Company has a payable to Bharat Forge America, Inc. amounting to $ 215,184.

NOTE G - COMMON STOCK

Common stock issued

Common stock issued as at December 31, 2017 was 100 shares of $ 0.01 par each (December 31, 2016, 100 shares of $ 0.01 par each).

Voting

Each holder of common stock is entitled to one vote in respect of each share held in the records of the Company for all matters submitted to a vote.

Liquidation

In the event of liquidation of the Company, the holders of common stock shall be entitled to receive all of the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

NOTE H - SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 28, 2018 which is the date the financial statements were issued.

Bharat Forge PMT Technologie LLC

Directors	***Registered Office***	***Auditors***
Mr. A. B. Kalyani Mr. Michael Weis Mr. S. E. Tandale Mr. S. G. Joglekar Mr. K.P.Dixit	2150 Schmiede St, Surgoinsville, TN 37873, U.S.A.	KNAV P.A One Lakeside Commons, Suite 850 990 Hammond Drive NE, Atlanta, GA 30328

Auditor's Report

To the members,
Bharat Forge PMT Technologie, LLC

We have audited the accompanying financial statements of Bharat Forge PMT Technologie, LLC (the "Company") which comprise the balance sheet as at December 31, 2017 and the related statement of income (loss), members' equity, and cash flows for the year then ended and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Company as at December 31, 2017 and the result of its operations, members' equity and the cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other matter

The financial statements comprising of the balance sheet as at December 31, 2016, and the related statement of loss, members' equity, and cash flows for the period from November 30, 2016 (date of acquisition) through December 31, 2016 and the related notes to the financial statements were audited by other auditors. The date of the report was May 17, 2017 and it expressed an unqualified opinion.

KNAV P.A.
Atlanta, Georgia
February 28, 2018

Balance Sheet as on 31st December, 2017

(All amounts are stated in United States Dollars, unless otherwise stated)

			As at 31/12/16
	Rs.	USD	USD
Assets			
Current Assets			
Cash and cash equivalents	70,235,838	1,098,683	2,200
Accounts receivable,net	469,866,230	7,350,009	4,409,458
Inventories,net	349,109,031	5,461,032	3,791,302
Prepaid expenses and other current assets	450,560	7,048	141,258
Total current assets	889,661,659	13,916,772	8,344,218
Property, plant and Equipment, Net	872,431,525	13,647,245	13,330,945
Other Assets	5,235,646	81,900	81,900
Total assets	**1,767,328,830**	**27,645,917**	**21,757,063**
Liabilities and Members' Equity			
Current Liabilities			
Accounts payable	183,750,330	2,874,364	979,231
Accounts payable to related parties (Refer Note K)	279,105,058	4,365,976	1,264,329
Other current liabilities	34,129,763	533,884	556,117
Total current liabilities	**496,985,151**	**7,774,224**	**2,799,677**
Members' Equity			
Member's capital	6,229,715	97,450	97,450
Additional paid in capital	2,413,840,190	37,759,145	37,759,145
Accumulated Deficit	(1,149,726,226)	(17,984,902)	(18,899,209)
Total members' equity	**1,270,343,679**	**19,871,693**	**18,957,386**
Total liabilities and Member's equity	**1,767,328,830**	**27,645,917**	**21,757,063**

(The accompanying notes are an integral part of these financial statements)

Statement of Operations period from December 1, 2016 through December 31, 2017
(All amounts are stated in United States Dollars, unless otherwise stated)

			Previous Year
	Rs.	USD	USD
Operating Revenues	2,618,231,430	40,956,390	1,965,164
Less : Cost of revenues	2,303,911,572	36,039,557	1,946,683
Gross Profit	**314,319,858**	**4,916,833**	**18,481**
Cost and Expenses			
Selling,general and Administrative Expenses	158,705,531	2,482,594	49,630
Depreciation and Amortization	97,648,248	1,527,489	118,172
Total cost and expenses	**256,353,779**	**4,010,083**	**167,802**
Operating Profit(Loss)	57,966,079	906,750	(149,321)
Non-operating Income	483,099	7,557	-
Net Income(Loss)	**58,449,178**	**914,307**	**(149,321)**

(The accompanying notes are an integral part of these financial statements)

Bharat Forge PMT Technologie, LLC

Statement of Changes in Members' Equity

For the year ended December 31, 2017 and period November 30, 2016 to December 31, 2016

	Member's Contribution		Additional paid in capital		Accumulated deficit		Total Member's equity	
	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD
Balance November 30 , 2016	6,229,715	97,450	2,413,840,190	37,759,145	(1,198,629,715)	(18,749,888)	1,221,440,190	19,106,707
Net Loss during the period	-	-	-	-	(9,545,688)	(149,321)	(9,545,688)	(149,321)
Member's equity as at December 31,2016	**6,229,715**	**97,450**	**2,413,840,190**	**37,759,145**	**(1,208,175,403)**	**(18,899,209)**	**1,211,894,501**	**18,957,386**
Member's equity as at January 01, 2017	6,229,715	97,450	2,413,840,190	37,759,145	(1,208,175,404)	(18,899,209)	1,211,894,501	18,957,386
Net income during the year	-	-	-	-	58,449,178	914,307	58,449,178	914,307
Member's equity as at December 31,2017	**6,229,715**	**97,450**	**2,413,840,190**	**37,759,145**	**(1,149,726,226)**	**(17,984,902)**	**1,270,343,679**	**19,871,693**

Statement of Cash Flow for the period from December 31,2016 to December 31, 2016

(All amounts are stated in United States Dollars, unless otherwise stated)

			Previous Year
	Rs.	USD	USD
Cash Flow from Operating Activities			
Net Income (Loss)	58,449,178	914,307	(149,321)
Adjustments to reconcile net loss to net income (loss) to net cash provided by operating activities :			
Depreciation and amortization	97,648,248	1,527,489	118,172
Provision for inventory	17,422,746	272,540	-
Gain on disposal of fixed asset	(483,099)	(7,557)	-
Changes in net operating assets and liabilities			
Account Receivable	(187,981,486)	(2,940,551)	(1,450,427)
Inventories	(124,164,077)	(1,942,270)	289,331
Other current assets	8,579,684	134,210	(218,921)
Accounts Payable	319,430,654	4,996,780	1,678,978
Other current liabilities	(1,421,296)	(22,233)	(86,496)
Net cash provided by operating acitivties	**187,480,552**	**2,932,715**	**181,316**
Cash Flows from Investing Activities			
Purchase of property, plant, and equipment	(117,884,434)	(1,844,039)	(181,575)
Proceeds from sale of fixed assets	499,080	7,807	-
Net cash provided in investing acitivties	**(117,385,354)**	**(1,836,232)**	**(181,575)**
Net Increase (decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the Beginning of the year/period	70,095,198	1,096,483	(259)
Cash and Cash Equivalents at the end of the year/period	140,640	2,200	2,459
	-		-
	70,235,838	**1,098,683**	**2,200**

(The accompanying notes are an integral part of these financial statements)

Notes to financial statements

NOTE A - NATURE OF OPERATIONS

Bharat Forge PMT Technologie, LLC (formerly Walker Forge Tennessee, LLC or the "Company") is engaged in the manufacture and sale of steel forgings. The Company sells its products primarily to customers in the automotive, construction and recreational vehicle industries.
On November 30, 2016, the Company was acquired by Bharat Forge America, Inc. (82.10%) and Bharat Forge Tennessee, Inc. (17.90%). Subsequent to acquisition, the Company changed its name from Walker Forge Tennessee, LLC to Bharat Forge PMT Technologie, LLC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The significant accounting policies are detailed below.

Basis of presentation

a. The effects of the acquisitions have not been pushed down to these financial statements. All amounts are stated in United States Dollars, except as otherwise specified.

b. The financial statements are presented for the year ended December 31, 2017 and period from November 30, 2016 to December 31, 2016 for the previous period. The numbers presented above in the financial statements are not strictly comparable.

c. Certain reclassifications, regroupings and reworking have been made in the financial statements of prior period to conform to the classifications used in the current year. This has no impact on the statement of income (loss).

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The management's estimates for realization of deferred tax assets, determination of useful lives for property, plant and equipment and their impairment, and inventory valuation and estimation relating to unsettled transactions and events at the balance sheet date represent certain of these particularly sensitive estimates. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates.

Cash and cash equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash balances in bank accounts are insured by Federal Deposit Insurance Corporation up to an aggregate of $ 250,000 per depositor at each financial institution.

Revenue recognition

The Company recognizes revenues for manufactured products when shipped to customer pursuant to a purchase order or other contractual arrangement, the sales price is fixed or determinable, and collectability is reasonably assured. Sales that meet the definition of a consignment sale are recognized when the risks and rewards of ownership have passed to the buyer, generally when title has transferred.

Accounts receivable and provision for doubtful debts

Accounts receivable consist of uncollateralized customer obligations which generally require payment within 30 to 75 days from the invoice date. Accounts receivable are stated at net invoice amounts. The Company follows the specific identification method for recognizing provision for doubtful debts. Management analyzes composition of the accounts receivable aging, historical bad debts, current economic trends and customer credit worthiness of each accounts receivable when evaluating the adequacy of the provision for doubtful accounts. All amounts deemed to be uncollectible are charged against the provision for doubtful debt in the period that determination is made and is included in marketing and selling expenses in the statements of income (loss).

Shipping and handling costs

Shipping and handling costs incurred by the Company to transport products to customers are included in cost of revenues.

Inventories

Inventories are stated at the lower of cost and market value. Cost is determined using the first-in, first-out ("FIFO") method. Cost in the case of raw materials comprises the purchase price and attributable direct costs, less trade discounts. Cost in the case of work-in-progress and finished goods comprise direct labor, material cost and production overheads.

A write down of inventory to the lower of cost or market value at the close of a fiscal period creates a new cost basis and is not marked up based on changes in underlying facts and circumstances.

Inventories are reviewed on a periodic basis for identification and write-off of slow moving, obsolete and impaired inventory. Such write-downs, if any, are included in cost of revenues.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Cost of items of property, plant and equipment comprise cost of purchase and other costs necessarily incurred to bring it to the condition and location necessary for its intended use.

Major maintenance projects that extend the life of the related equipment are capitalized. Cost of maintenance and repairs are charged to expense when incurred.

The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method, including capital lease assets which are depreciated over the terms of their respective leases. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to operations.

The estimated useful life used to determine depreciation is:

Machinery and equipment	4-15 years
Production tools and dies	4-8 years
Vehicles	9 years

Deposits paid towards the acquisition of property, plant and equipment outstanding as of each balance sheet date and the cost of property, plant and equipment not ready for use before such date are disclosed under capital work-in-progress.

Impairment of long-lived assets

Long-lived assets, including certain identifiable intangible assets, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such assets are considered to be impaired if the carrying amount of the assets is higher than the future undiscounted net cash flows expected to be generated from the assets. The impairment amount to be recognized is measured by the amount by which the carrying value of the assets exceeds its fair value.

Operating leases

Lease rent expenses on operating leases are charged to expense over the lease term. Certain operating lease agreements provide for scheduled rent increases over the lease term. Rent expense for such leases is recognized on a straight-line basis over the lease term.

Income taxes

The Company is treated as a pass-through entity for federal income tax purposes. Generally, the income of an LLC is not subject to federal income tax at the entity level, but rather the members are required to include a pro-rata share of the entity's taxable income or loss in their business or personal income tax returns, irrespective of whether dividends have been paid. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

Fair value measurements and financial instruments

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 – unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The estimated fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments. None of these instruments are held for trading purposes.

Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

Recently issued accounting standards not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases. Under the new guidance, lessees are required to recognize a right-of-use asset and a lease liability on the balance sheet for all leases, other than those that meet the definition of a short-term lease. This update will establish a lease asset and lease liability by lessees for those leases classified as operating under current GAAP. Leases will be classified as either operating or finance under the new guidance. Operating leases will result in straight-line expense in the income statement, similar to current operating leases, and finance leases will result in more expense being recognized in the earlier years of the lease term, similar to current capital leases. This ASU is effective for the Company beginning January 1, 2020. The Company is currently evaluating the impact of this standard on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which amends the existing accounting standards for revenue recognition. ASU No. 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. ASU No. 2014-09 will be effective for the Company beginning on January 1, 2019. The Company is currently evaluating the impact of this standard on its financial statements.

NOTE C - FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and trade receivables. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such cash equivalents and trade receivables involve risk including the credit risk of non-performance by counter parties.

In management's opinion, as of December 31, 2017 and 2016, there was no significant risk of loss in the event of non-performance of the counter parties to these cash equivalents and trade receivables.

Company's three customers having greater than 10% accounts receivable accounted for approximately 75% (previous year three customers for 73%) of total accounts receivable. Three customers accounted for approximately 67% of total sales during the year 2017 (previous year two customers for 56%).

The Company's top three vendors having greater than 10% of the accounts payable accounted for 61% of accounts payable as of December 31, 2017 (previous year one vendor accounted for 67%). The Company buys certain raw materials from a limited number of suppliers. Management believes that other suppliers could provide these materials on comparable terms.

NOTE D - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	As at	
	December 31, 2017	**December 31, 2016**
Cash in hand	1,591	2,200
Balance with banks	1,097,092	-
Total	**1,098,683**	**2,200**

Cash balances in bank accounts are insured by the Federal Deposit Insurance Corporation up to an aggregate of $ 250,000 (previous year - Nil). At December 31, 2017 and 2016, the Company had $ 347,092 and $ Nil cash at risk, respectively.

NOTE E - INVENTORIES, NET

Major classes of inventory are as follows:

	As at	
	December 31, 2017	**December 31, 2016**
Raw material	2,216,097	1,190,979
Work in progress	1,172,278	2,118,630
Finished goods	2,072,657	481,693
	5,461,032	**3,791,302**

As at December 31, 2017 and December 31, 2016 the inventory was recorded net of reserves for lower of cost or market value and obsolescence of approximately $ 272,540 and $ 680,000, respectively.

NOTE F - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment includes the following:

	As at	
	December 31, 2017	**December 31, 2016**
Building improvements	382,387	27,513
Machinery and equipment	35,809,765	34,694,819
Production tools and dies	698,183	804,123
Vehicles	40,911	40,911
Construction-in-progress	468,257	347,257
	37,399,503	**35,914,623**
Less: accumulated depreciation	(23,752,258)	(22,583,678)
Property, plant and equipment, net	**13,647,245**	**13,330,945**

Depreciation expense for the year ended December 31, 2017 was $ 1,527,489 (for the period ended December 31, 2016 $ 118,172).

NOTE G - OTHER CURRENT LIABILITIES

Other current liabilities include:

	As at	
	December 31, 2017	**December 31, 2016**
Accrued expenses	259,523	419,697
Employee related liabilities	274,361	136,420
Total	**533,884**	**556,117**

NOTE H - COMMITMENTS AND CONTINGENCIES

Lease obligations

The Company is obligated under operating leases with unrelated parties primarily for equipment. The rental expense for the year ended December 31, 2017 is $ 129,617 (for the period ended December 31, 2016 $ 10,000).

As at December 31, 2017 future rental commitments for the non-cancelable leases are as follows:

Years ending December 31,	**Amount**
2018	28,221
2019	13,014
2020	7,162
2021	7,162
Thereafter	-
Total minimum lease payments	**55,559**

NOTE I - INCOME TAXES

For the year ended December 31, 2017, the Company will file a federal tax return as per applicable regulations in the United States for a partnership. Generally, the income of the partnership is not subject to federal tax at the partnership level, but rather the partners are required to include a pro-rata share of the partnership's taxable income or loss in their income tax return. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the entity's net deferred income taxes are as follows:

	As at	
	December 31, 2017	December 31, 2016
Non-current deferred tax liabilities		
Property, plant and equipment	(429,744)	-
Total deferred tax liabilities	(429,744)	-
Non-current deferred tax assets:		
Inventory	260	-
State tax credit carryforward	317,120	268,000
State net operating loss carryforward	1,488,373	1,211,000
Total deferred tax asset	1,805,753	1,479,000
Net deferred taxes	1,376,009	1,479,000
Less: Deferred tax asset valuation allowance	(1,376,009)	(1,479,000)
Net deferred taxes	-	-

Realization of net deferred tax assets is dependent upon generation of sufficient taxable income in future years, benefit from the reversal of taxable temporary differences and tax planning strategies. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

Management believes that negative evidence outweighs the positive evidence and thus it is more likely than not that the benefit from deferred tax asset may not be realized in foreseeable future. In recognition of this risk, a valuation allowance of $ 1,376,009 and $ 1,479,000 has been created as at December 31, 2017 and December 31, 2016, respectively.

The Company has net operating loss carryforwards in the state of Tennessee of approximately $ 31,416,807 as at December 31, 2017, which if unutilized will expire during the years 2029 through 2038.

In the Tax Cut and Jobs Act of 2017, the federal corporate tax rate has been reduced to 21% for the tax years beginning after 2018. The state benefit at federal level for measuring deferred tax assets and liability are measured at 21%.

Accounting for uncertain tax position

The partnership recognizes the benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company has no unrecognized tax positions as at December 31, 2017 and December 31, 2016.

The tax years of 2013 through 2016 remain subject to examination by the taxing authorities.

NOTE J - EMPLOYEE BENEFIT PLANS

The Company has an employees' savings plan which qualifies under Section 401(k) of the Internal Revenue Code. The plan allows eligible employees to make voluntary contributions based on a specific percentage of compensation which may not exceed limitations under the Internal Revenue Code.

The Company has a discretionary matching contribution of 50% up to 6% of compensation. The total expense for employee retirement contribution plans for the year ended December 31, 2017 was $ 120,897 (for the period ended December 31, 2016 it was $ 4,734).

NOTE K - RELATED PARTY TRANSACTIONS

The Company had transactions with-

A. Ultimate parent company
1. Bharat Forge Limited (owning 100% of common stock of Bharat Forge America, Inc. as of December 31, 2017 and 2016, respectively)

B. Parent company
1. Bharat Forge America, Inc. (owning approximately 82% of the membership interest)
2. Bharat Forge Tennessee, Inc. (owning approximately 18% of the membership interest)

C. Other related parties where common control exists
1. CDP Bharat Forge GmbH

The Company had transactions relating to accounts payables with following related parties:

During the year ended December 31, 2017, Bharat Forge America, Inc. ("BFA"), incurred operating expenses for the Company. At December 31, 2017, the Company had net accounts payable to BFA totaling to $ 3,527,549 and $ 1,264,329 as at December 31, 2016.

The Company has payables outstanding to CDP Bharat Forge, GmbH for expenses incurred on behalf of the Company, amounting to $ 448,427 as at December 31, 2017 and $ Nil as at December 31, 2016.

The Company has taken a premise on lease from Bharat Forge Tennessee, Inc. ('BFT'). The lease agreement requires the Company to pay $ 30,000 per month plus taxes, insurance, and maintenance on the property. Rental expense during the year ended December 31, 2017 was $ 360,000, and for year ended December 31, 2016 was $ 30,000 all of which was outstanding as at December 31, 2017. Intercompany rent payable to BFT as at December 31, 2017 was $ 390,000.

NOTE L - SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 28, 2018 which is the date the financial statements were issued.

Analogic Controls India Limited

Directors	**Registered Office**	**Auditors**
Mr.Rajinder Singh Bhatia	Survey No. 23/2, P.O. Gundlapochampally,	P.V.Deo
Mr.Kishore Mukund Saletore	NH-7, via Hakimpet	Chartered Accountant
Mr.Vikram Manohar Munje	Hyderabad	604,Jeevan Heights,
	Telangana -500014	Thorat Colony,Erandwana,
		Pune - 411004

BOARD'S REPORT
FOR THE YEAR ENDED MARCH 31, 2018

To,

The Members,

Your Directors have pleasure in presenting the Board Report on the business and operations of the Company and the audited accounts for the Financial Year ended March 31, 2018.

1. PERFORMANCE OF THE COMPANY

The financial results are summarized here under:

(Rupees)

Particulars	As on March 31, 2018	As on March 31, 2017
Total Revenue	114,645,176	77,206,568
Depreciation / Amortization	1,864,384	3,252,298
Other Expenses	23,820,718	37,842,497
Total Expenses	108,315,624	126,450,032
Profit / (Loss) before tax	6,329,552	(49,243,464)
Deferred Tax	(2,881,241)	(1,111,482)
Profit / (Loss) after tax	3,448,313	(50,354,946)
Earnings per equity share Basic / Diluted	0.93	(18.25)

2. DIVIDEND

The Board do not recommend any dividend for the financial year ended March 31, 2018.

3. RESERVES

During the year under review, no amount is proposed to be transfer to the General Reserves.

4. STATE OF COMPANY'S AFFAIRS

During the year your Company has become wholly-owned subsidiary of Bharat Forge Limited (BFL), after transfer of remaining 40% shares of its erstwhile promoters to BFL.

Further, during the year under review, the Company has sold its land bearing Sy No 23/2, admeasuring 6,315 Square yards, located at Gundlapochampally Village, Medchal Mandal, Ranga Reddy District Hyderabad, Telangana and the building thereon to Kalyani Strategic Systems Limited, (KSSL) for a lump sum consideration of Rs. 5,27,70,000/- (Rupees Five Crores Twenty Seven Lakhs Seventy Thousand Only) plus the applicable taxes thereon. Later, the Company has taken back the said land along with building from KSSL on rent / right to use basis for continuing its operations.

Further, during the year the Company has received an order worth Rs. 30,00,00,000/- (Thirty Crore Only) from BFL for processing of DTMD order. Against the said order, the Company has received advance aggregating to Rs. 11,50,00,000/- (Rupees Eleven Crores Fifty Lakhs Only). The said advance has been utilized by the Company to repay the balance term loan granted by ICICI Bank Limited.

Further, during the year the Company has been identified by Rafael Advanced Defence Systems Ltd, Israel (Rafael) as a potential supplier for electronic assemblies. Rafael conducted a rigorous quality audit of the Company, ranging from sourcing to end quality. After successfully clearing this Audit, Rafael accorded clearance for the Company to manufacture a critical electronic assembly (Wire Gimbal, for an advanced missile), this was a clear sign of Rafael recognition and acknowledgment of the Company's capabilities. An order was then placed on the Company, through Kalyani Rafael Advanced Systems Pvt Ltd (KRAS), a Joint Venture of Rafael in India, for manufacturing 150 No's of the Wire Gimbal - First Article Inspection (FAI) quantity. On successful completion of the FAI order, the Company will have the potential for immediate business of INR 18 Crores.

5. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATES AND THE DATE OF THE REPORT

There are no adverse material changes or commitments occurring after March 31, 2018 which may affect the financial position of the Company or may require disclosure.

6. SHARE CAPITAL

The paid-up Equity Share Capital of the Company as on March 31, 2018 stood at 184,896,700/- divided into 18,489,670 Equity Shares of Rs. 10/- each.

During the year the paid up capital of the Company was increased from 27,586,700/- to Rs. 184,896,700/- due to the conversion of 15,73,100 - 0% Unsecured Compulsory Convertible Debentures of Rs.100/- each into 15,731,000 Equity Shares of Rs. 10/- each.

Further during the year under review, the Company has not issued shares with differential voting rights nor has granted any stock options or sweat equity.

As on March 31, 2018, none of the Directors of the Company hold instruments convertible into equity shares of the Company.

7. SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE COMPANIES

The Company does not have any subsidiary or an associate company.

8. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT 2013

The Company has not given any loan, guarantee and investments covered under Section 186 of the Companies Act, 2013.

9. PUBLIC DEPOSITS

The Company has not accepted deposits under Chapter V of the Companies Act, 2013 during the year.

10. NUMBER OF MEETINGS OF THE BOARD

In 2017-18, the Board of Directors of the Company met 5 (five) times on May 23, 2017, July 7, 2017, September 22, 2017, November 7, 2017 and February 13, 2018. The maximum interval between any two meetings did not exceed 120 days as prescribed under the Companies Act, 2013.

11. DETAILS OF APPOINTMENT AND RESIGNATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the financial year under review, Mr. Rudrakumar Jadeja is appointed as Chief Executive Officer, and Key Managerial Personnel of the Company.

Also, Mr. K. Padmanabham and Mr. Varaprasad Tiruvayepati, Directors of the Company, resigned with effect from August 02, 2017 and August 03, 2017, respectively.

Further, in accordance with provisions of the Companies Act, 2013, Mr. Rajinder Singh Bhatia is liable retire by rotation and being eligible, offer themselves for re-appointment.

12. AUDITORS AND AUDITORS' REPORT

At the Annual General Meeting (AGM) of the Company, held on August 23, 2014 the shareholders had approved appointment of Mr. Prashant V. Deo, Chartered Accountant, as Statutory Auditors of the Company till the conclusion of AGM to be held in the year 2019, subject to ratification by the shareholders at every AGM.

The Companies (Amendment) Act, 2017, published in the Gazette of India on January 3, 2018, amended few sections of the Companies Act, 2013, including omission of first proviso to Section 139(1) of Companies Act 2013, which provided for ratification of appointment of Statutory Auditors by members at every AGM. The amendment to the said Section is effective from May 7, 2018.

In view of the above, the Board of Directors of Company have proposed partial modification of previous resolution of the members passed at the AGM held on August 23, 2014, on appointment of Statutory Auditors and recommended to continue their appointment for the period of five years commencing from the conclusion of AGM held on August 23, 2014, till the conclusion of AGM to be held in the year 2019, without seeking any further ratification of their appointment from members at this AGM and ensuing AGMs till the tenure of the Statutory Auditors.

In this regard, the Company has received a certificate from the auditors to the effect that if their appointment is ratified by the shareholder, will be in accordance with the provisions of Section 141 of the Companies Act, 2013.

13. REPLY TO AUDITORS REMARKS / COMMENTS / OBSERVATIONS

As regards adverse remark stated in item No (vii) (a) of "Annexure A" of Auditor's Report, your directors wish to state that irregularity in depositing the undisputed statutory dues is due to non-availability of liquid funds and the Company has taken necessary steps to ensure timely payment in future.

14. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 134(5) of the Companies Act, 2013 with respect to Directors' Responsibility Statement, Directors confirm that:

a) in preparation of the annual financial statement for the year ended March 31, 2018, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state-of-affairs of the Company as on March 31, 2018 and of the loss of the Company for the year under review;

c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) they have prepared the annual accounts on a going concern basis; and

e) they have devised a proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

15. INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

The Company has in place adequate systems of internal control which commensurate with its size and the nature of its operations.

Your Company is exposed to business risk, market risk and risk from changes in government policies. These risks are assessed and appropriate steps to mitigate these risks are taken from time-to-time.

16. SIGNIFICANT AND MATERIAL ORDERS

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

17. EXTRACT OF ANNUAL RETURN

The extract of the Annual Return of the Company in Form MGT-9 is appended as **Annexure "A"** to this report.

18. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

During the financial year under review there has been related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large, further form AOC-2 is annexed as **Annexure "B"** to this report.

19. OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

There were no complaints filed in terms of provision of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013.

20. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 134(3) (m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014 are annexed herewith as **Annexure "C"** to this report.

21. INFORMATION PURSUANT TO RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

In terms of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 information as to names of the top ten employees in terms of remuneration drawn is appended as **Annexure "D"** to this report.

22. CONSOLIDATED FINANCIAL STATEMENTS

The Company doesn't have any subsidiaries so there is no need to prepare consolidated financial statement for the F.Y. 2017-18.

23. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company complies with all applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

24. ACKNOWLEDGEMENT:

The Directors sincerely thank all the members, clients, bankers and the employees for extending valuable support and co-operation all through the year.

For and On behalf of the Board of Directors

Rajinder Singh Bhatia
Chairman
DIN: 05333963

Place: Pune
Date: May 10, 2018

ANNEXURE "A"

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on March 31, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	U28932TG1996PLC024629
ii)	Registration date	July 12, 1996
iii)	Name of the Company	Analogic Controls India Limited
iv)	Category/Sub category of the Company	Company Limited by Shares / Indian Non-Government Company
v)	Address of the Registered office and contact details	Survey No. 23/2, P.O. Gundlapochampally, NH-7, via Hakimpet, Hyderabad, Telangana – 500014, Tel. No. +91-9391145768 Fax No. +91-7569005719
vi)	Whether listed company	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company are as stated below:-

Sr. No.	Name and Description of main products/services	NIC Code of the product / service	% to total turnover of the Company*
1.	Safety Arming Mechanism, Jettison Controls System, Integration & Testing of AGNI 2	30304	61.63%
2.	Antenna Pointing System, Assembly, Integration & Testing DTMD	26515	38.25%

* On the basis of Gross Turnover.

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Bharat Forge Ltd. Mundhwa, Pune Cantonment, Pune-411036	L25209PN1961PLC012046	Holding	100%	Sec 2(87)(ii)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding as of March 31, 2018

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a)Individual/HUF	NIL	11,03,468	11,03,468	40.00	NIL	NIL	NIL	NIL	40.00
b) Bodies Corp.	NIL	16,55,202	16,55,202	60.00	NIL	18,48,96,700	18,48,96,700	100.00	40.00
Sub-total (A) (1):-	NIL	27,58,670	27,58,670	100.00	NIL	18,48,96,700	18,48,96,700	100.00	NIL
(2) Foreign	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (A) (2):-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	NIL	27,58,670	27,58,670	100.00	NIL	18,48,96,700	18,48,96,700	100.00	NIL
B. Public Shareholding									
1. Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2. Non-Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total Public Shareholding (B)=(B)(1)+ (B)(2)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
C. Shares held by Custodian for GDRs & ADRs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Grand Total (A+B+C)	**NIL**	**27,58,670**	**27,58,670**	**100.00**	**NIL**	**18,48,96,700**	**18,48,96,700**	**100.00**	**NIL**

ii) Shareholding of Promoters :

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	% change in shareholding during the year
1	Bharat Forge Limited with its nominees	16,55,202	60.00	NIL	18,48,96,700	100.00	NIL	40.00
	Total	**16,55,202**	**60.00**	**NIL**	**18,48,96,700**	**100.00**	**NIL**	**40.00**

iii) Change in Promoters' Shareholding:

Sl. No		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	At the beginning of the year	16,55,202	60 %	27,17,290	98.50%
2	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	1. September 22, 2017: Transfer of shares to Bharat Forge Limited from erstwhile promoters	11,03,470 Shares			
	2. March 10, 2018: Allotment of shares to Bharat Forge Limited on account of conversion of 15,73,100 Zero Percent Compulsorily Convertible Debentures of Rs. 100/- each into 15,73,1000 Equity Shares of Rs. 10/- each	15,73,1000 Shares			
3	At the End of the year	**18,48,96,700**	**100%**	**18,48,96,700**	**100%**

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Sr. No.	For Each of the Top 10 Shareholders Name, Date & Reason of change	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	NIL	NIL	NIL	NIL	NIL

v) Shareholding of Directors and Key Managerial Personnel:

<u>Shareholding of Directors & KMP*</u>:

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the Directors and KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	NIL	NIL	NIL	NIL	NIL

* Other Directors and KMPs do not hold shares in the Company.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

Particulars	Secured Loans excluding deposit	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i.) Principal Amount	**97,122,019**	**145,128,652**	**-**	**242,250,671**
ii.)Interest due but not paid	-	555,687	-	555,687
iii.) Interest accrue but not due	-	4,007,437	-	4,007,437
Total(i+ii+iii)	**97,122,019**	**149,691,776**	**-**	**246,813,795**
Change in Indebtedness during the Financial year				
i.) Addition	71,015,730	35,529,605	-	106,545,335
ii.)(Reduction)	(169,318,893)	(167,812,864)	-	(337,131,757)
Net Change	**(98,303,163)**	**(132,283,259)**	**-**	**(230,586,422)**
Indebtedness at the end of the Financial year				
i.) Principal Amount	(1,181,144)	12,694,221	-	11,513,077
ii.)Interest due but not paid	-	706,859	-	706,859
iii.) Interest accrue but not due	-	4,007,437	-	4,007,437
Total(i+ii+iii)	**(1,181,144)**	**17,408,517**	**-**	**16,227,373**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Director and/or Manager

(Amount in Rupees)

Sr. No.	Particulars of Remuneration	Name of the Managing Director / Whole-Time Director / Manager	Total Amount
1.	Gross Salary	NIL	-
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	NIL	NIL
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL
2.	Stock Option	NIL	NIL
3.	Sweat Equity	NIL	NIL
4.	Commission:	NIL	NIL
	- As a % of Profit	NIL	NIL
	- others, specify	NIL	NIL
5.	Others, please specify	NIL	NIL
Total A		NIL	NIL
Ceiling as per the Act		NIL	NIL

B. Remuneration to other Directors

The Company does not pay remuneration to any other Directors.

C. Remuneration to Key Managerial Personnel other than the Managing Director/Whole-time Director/Manager

During the year, Mr. Rudrakumar Jadeja was appointed as a Chief Executive Officer of the Company. The Company has not paid any remuneration to Mr. Jadeja.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / punishment / compounding fees imposed	Authority (RD/ NCLT/ COURT)	Appeal made, if any (give details)
A. Company					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B. Directors					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C. Other Officers in default					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

For and On behalf of the Board of Directors

Rajinder Singh Bhatia
Chairman
DIN: 05333963

Place: Pune
Date: May 10, 2018

Annexure-"B"

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis

There are no contracts or arrangements or transactions entered into by the Company during the year ended March 31, 2018, which are not at arm's length basis.

2. Details of material contracts or arrangement or transactions at arm's length basis

a.	Name(s) of the related party and nature of relationship	Kalyani Strategic Systems Limited		Bharat Forge Limited		
b.	Nature of contracts / arrangements / transactions	Sale of Fixed Assets	Rent Paid	Advance Received	Sale of Goods	Purchase of Raw Material
c.	Duration of the contracts / arrangements / transactions	One time transaction	Monthly Payment for 36 Months with effect from March 30, 2018	One Time	One Time	One Time
d.	Salient terms of the contracts or arrangements or transactions including the value, if any	Sale of land and building thereon for a lump sum consideration of Rs.5,27,70,000/- plus the applicable taxes thereon.	Leave & License Agreement for taking the land and building on rent for a monthly rent of Rs. 1,44,983/- plus taxes as may be applicable from time to time per month (for FY 2017-18 Rs. 9,354/-)	Processing of DTMD order	17,168,705/-	10,561,304/-
e.	Date(s) of approval by the Board, if any	February 1, 2017	NA	NA	NA	NA
f.	Amount paid/ received as advances, if any	NIL	NIL	115,000,000/-	NIL	NIL

For and On behalf of the Board of Directors

Rajinder Singh Bhatia
Chairman
DIN: 05333963

Place: Pune
Date: May 10, 2018

ANNEXURE "C"

Information as per Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 forming part of the Directors' Report for the year ended March 31, 2018.

(A) Conservation of Energy

a. Steps taken or impact on conservation of energy during 2017-2018

NIL

b. Steps taken by the Company for utilizing alternate sources of energy

NIL

c. Capital investment on energy conservation equipment

NIL

(B) Technology Absorption, Adaptation and Innovation

a. Efforts made towards technology absorption, adaptation and innovation

The Company has continued its endeavor to absorb the best of technologies for its products.

Currently, the Company is using advanced electronic components and is adhering to the global standards for example ISO, IPC-620 and move to AS 9100.

b. Benefits derived as a result of above efforts

The Company has witnessed increased customer satisfaction, widened customer scope and new RFQs for new customer segment.

(C) Foreign Exchange Earnings and Outgo

Total foreign exchange earnings and outgo for the financial year is as follows:

i)	Total Foreign Exchange Earning	:	Rs. Nil
ii)	Total Foreign Exchange Outgo	:	Rs. 99,13,939.49

ANNEXURE "D"

A statement showing the names of the top ten employees in terms of remuneration drawn Statement under Section 197 (12) of the Companies Act, 2013, read with the companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Directors' Report for the year ended March 31, 2017.

Sr. No.	Name of the employee	Remuneration (Rs.) per month	Nature of employment	Qualification	Total Experience (Years)	Date of commencement of employment	Age	Last employment	Percentage of equity shares held	Whether any such employee is relative of any Director and if so name of such Director
1	Jasti Siva Rama Krishna	60,000	Permanent	M. Com	20	03-Jun-98	43	NA	NA	No
2	Battina Shankar Rao	36,000	Permanent	B. Tech ECE	15	01-Sep-02	44	NA	NA	No
3	Patange Vijay Kumar	30,000	Permanent	ITI	22	02-Sep-98	43	NA	NA	No
4	Arvind Kumar Rajak	25,000	Permanent	B. Com	4	08-Sep-17	28	NABCONS	NA	No
5	K Sanjay Khamitkar	26,000	Permanent	Diploma ECE	20	08-Dec-88	46	NA	NA	No
6	Chittala Satyanarayana	25,000	Permanent	SSC	16	23-Jul-10	41	Freelance consultant	NA	No
7	K Narasimha Reddy	25,000	Permanent	B. Com	19	01-Aug-17	46	Azad Engineering Pvt Ltd	NA	No
8	Sukanya Shah K	22,000	Permanent	B. Tech ECE	4	04-Sep-17	25	MEDEQUIP	NA	No
9	Mirdoddi Muralidhar	18,000	Permanent	ITI Mech	16	01-May-07	40	NA	NA	No
10	K Narender Babu	18,000	Permanent	ITI Mech	17	05-Nov-16	40	NA	NA	No

For and On behalf of the Board of Directors

Rajinder Singh Bhatia
Chairman
DIN: 05333963

Place: Pune
Date: May 10, 2018

Auditor's Report

To the Members of Analogic Controls India Limited

Report on the Financial Statements

I have audited the accompanying financial statements of **Analogic Controls India Limited** ("the Company") which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (IND ASs) specified under Section 133 of the Act, read with relevant rules issued thereunder. This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting the 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit.

I have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

I conducted my audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion on the financial statements.

Opinion

In my opinion and to the best of my information and according to the explanations given to me, the aforesaid financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Ind ASs; of the state of affairs of the Company as at 31st March, 2018, and its profit including other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, I give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, I report that:

   a) I have sought and obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of my audit.

   b) In my opinion, proper books of account as required by law have been kept by the Company, so far as appears from my examination of those books.

   c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

   d) In my opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder.

   e) On the basis of written representations received from the directors as on 31st March, 2018, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018, from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to my separate Report in "**Annexure B**".

   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in my opinion and to the best of my information and according to the explanations given to me :

      i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements. Refer Note No. 37 to the financial statements;

      ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses;

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

P. V. Deo
Chartered Accountant
Membership No. 041609
Place : Pune
Date : May 10, 2018

"ANNEXURE A" REFERRED TO IN THE INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF ANALOGIC CONTROLS INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH, 2018.

In terms of the information and explanations sought by me and given by the Company and the books and records examined by me in the normal course of audit and to the best of my knowledge and belief, I state that:

(i)

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) As explained to me, the fixed assets have been physically verified by the Management at reasonable intervals, during the financial year. According to the information and explanations given to me, no discrepancies were noticed on physical verification of the fixed assets.

(c) The Company did not own any immovable properties as at the end of the financial year covered by this report.

(ii)

(a) The inventory comprising stock of raw materials and work in progress was physically verified at reasonable intervals during the year by the management. As explained to me, no material discrepancies were noticed by the management on physical verification of stocks.

(iii) The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

(iv) The Company has neither given any loan to any person or other body corporate nor given any guarantee or provided security in connection with a loan to any other body corporate or person. Similarly the Company has also not acquired by way of subscription, purchase or otherwise, the securities of any other body corporate.

(v) The Company has not accepted deposits from the public within the meaning of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013, and the rules framed, thereunder.

(vi) Requirement to maintain cost records under sub-section (1) of section 148 of the Companies Act, 2013 does not apply to the Company.

(vii)

(a) According to the records of the Company, the Company was not found to be regular, in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities, where instances of delayed payments were observed. According to the information and explanations given to me, no undisputed amounts payable in respect of any statutory dues were outstanding as at 31st March, 2018 for a period of more than six months from the date those became payable.

(b) According to the records of the Company, there are no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited on account of any dispute, save and except the following:

Name of the Statute	Nature of the Dues	Amount Rs.	Period	Forum where dispute is pending
The Central Excise Act,1944/Central Excise Rules,2002	Central Excise Duty and Penalty	1,348,264	January 2008 to March 2009.	The Central Excise and Service Tax Appellate Tribunal, Bengaluru

(viii) In my opinion and according to the information and explanations given to me, the Company has not defaulted in repayment of dues to any financial institution, bank, government or debenture holders.

(ix) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments).

(x) Based upon the audit procedures performed and the information and explanations given by the Management, I report that no fraud by the Company or no fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) The Company has not paid or provided any managerial remuneration during the financial year covered by this report.

(xii) In my opinion and according to the information and explanations given to me, the Company is not a nidhi company. Accordingly, paragraph 3 (xii) of the Order is not applicable.

(xiii) According to the records of the Company and according to the information and explanations given to me, transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013 wherever applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.

(xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.

(xv) According to the information and explanations given to me and based on my examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

P. V. Deo
Chartered Accountant
Membership No. 041609

Place : Pune
Date : May 10, 2018

"ANNEXURE B" REFERRED TO IN THE INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF ANALOGIC CONTROLS INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH, 2018.

I have audited the internal financial controls over financial reporting of **Analogic Controls India Limited** ("the Company") as of 31st March, 2018 in conjunction with my audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

My responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on my audit. I conducted my audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

My audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. My audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting 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 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

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

Opinion

In my opinion, the Company has, in all material respects, internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31st March, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

P. V. Deo
Chartered Accountant
Membership No. 041609

Place : Pune
Date : May 10, 2018

CIN : U28932TG1996PLC024629

Balance Sheet as at 31st March, 2018.

	Note No.	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
I ASSETS			
1 Non-current Assets			
(a) Property, Plant and Equipment	4	**8,591,245**	10,057,803
(b) Capital Work-in-Progress		**1,529,257**	-
(c) Intangible assets	5	**699,148**	1,077,990
(d) Financial Assets			
(i) Other financial assets	6	**239,550**	226,495
(e) Other non-current assets	7	**584,847**	754,311
(f) Income tax assets (net)	8	**3,276,259**	2,585,828
		14,920,306	14,702,427
2 Current Assets			
(a) Inventories	9	**38,243,638**	33,876,548
(b) Financial Assets			
(i) Trade receivables	10	**86,833,952**	61,854,944
(ii) Cash and cash equivalents	11	**2,451,422**	120,802
(iv) Other financial assets	12	**19,457,499**	15,069,700
(c) Other Current Assets	13	**3,997,348**	4,175,510
		150,983,859	115,097,504
3 Non current assets held for sale	14	**-**	27,617,654
TOTAL		**165,904,165**	157,417,585
II EQUITY AND LIABILITIES			
1 Equity			
(a) Equity Share Capital	15	**184,896,700**	27,586,700
(b) Other Equity		**(201,991,885)**	(206,419,684)
		(17,095,185)	(178,832,984)
2 Non-current Liabilities			
(a) Financial Liabilities			
(i) Long term Borrowings	16	**-**	127,737,285
(b) Long term Provisions	17	**862,033**	1,787,904
(c) Deferred tax liabilities (Net)	18	**-**	-
		862,033	129,525,189
3 Current Liabilities			
(a) Financial Liabilities			
(i) Short term Borrowings	19	**16,701,657**	118,520,823
(ii) Trade payables	20	**31,496,233**	17,787,449
(iii) Other financial liabilities	21	**627,679**	1,324,713
(b) Short term Provisions	22	**8,772,954**	7,571,494
(c) Other Current Liabilities	23	**122,467,574**	10,359,411
(d) Income tax liabilities (net)	24	**2,071,220**	353,410
		182,137,317	155,917,300
4 Liabilities directly associated with the assets classified as held for sale	25	**-**	50,808,080
TOTAL		**165,904,165**	157,417,585
Significant Accounting Policies and Notes forming an integral part of the Financial Statements	1-51		

As per my attached report of even date,

P. V. Deo
Chartered Accountant

Place : Pune
Date : May 10, 2018

On behalf of the Board of Directors,

Vikram Munje	**Kishore Saletore**
Director	**Director**
DIN : 02772991	**DIN : 01705850**

Place : Pune
Date : May 10, 2018

CIN : U28932TG1996PLC024629

Statement of Profit and Loss for the year ended 31st March, 2018.

		Note No.	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
I	Revenue from Operations	26	**87,718,595**	73,417,818
II	Other Income	27	**26,926,581**	3,788,750
III	**TOTAL INCOME**		**114,645,176**	77,206,568
IV	**EXPENSES**			
	Cost of Material Consumed	28	**26,835,860**	24,710,353
	Changes in inventories of work-inprogress	29	**3,493,416**	11,316,251
	Employee Benefit Expenses	30	**11,414,542**	12,616,056
	Finance Costs	31	**40,886,704**	36,712,577
	Depreciation & Amortisation Expense	32	**1,864,384**	3,252,298
	Other Expenses	33	**23,820,718**	37,842,497
	TOTAL EXPENSES		**108,315,624**	126,450,032
V	**Profit / (Loss) before tax**		**6,329,552**	(49,243,464)
VI	**Tax Expense**			
	Current tax		**(2,881,241)**	(1,111,482)
	Deferred tax		**-**	-
			(2,881,241)	(1,111,482)
VII	**Profit / (Loss) for the year**		**3,448,311**	(50,354,946)
VIII	**OTHER COMPREHENSIVE INCOME**			
	Items that will not be reclassified subsequently to profit/loss			
	Remeasurement of the net defined benefit liability/asset		**979,488**	317,289
	Total other comprehensive income, net of tax		**979,488**	317,289
IX	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		**4,427,799**	(50,037,657)
X	**Earnings per share (of P 10/- each):**			
	Basic	43	**0.93**	(18.25)
	Diluted	43	**0.93**	(18.25)
	Significant Accounting Policies and Notes forming an integral part of the Financial Statements	1-51		

As per my attached report of even date,

P. V. Deo
Chartered Accountant

Place : Pune
Date : May 10, 2018

On behalf of the Board of Directors,

Vikram Munje
Director
DIN : 02772991

Kishore Saletore
Director
DIN : 01705850

Place : Pune
Date : May 10, 2018

CIN : U28932TG1996PLC024629

Statement of changes in equity for the year ended 31st March, 2018.

a. Equity share capital

	As at March 31, 2018		As at March 31, 2017	
	Nos.	**Rs.**	Nos.	Rs.
Equity shares of B 10/- each issued, subscribed and fully paid up				
As at beginning of the year	**2,758,670**	**27,586,700**	2,758,670	27,586,700
Changes in equity share capital during the year	**15,731,000**	**157,310,000**	-	-
As at end of the year	**18,489,670**	**184,896,700**	2,758,670	27,586,700

CIN : U28932TG1996PLC024629

Statement of changes in equity for the year ended 31st March, 2018.

b. Other Equity

	Reserves and Surplus			Equity Component ascertained on initial recognition of 0% Compulsorily Convertible	Other Comprehensive Income	Total Other Equity
	Securities Premium	Retained earnings	Total		Other Items	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April, 2016	**1,135,000**	**(220,660,095)**	**(219,525,095)**	**63,263,275**	**(120,207)**	**(156,382,027)**
Changes in other equity for the year ended 31st March, 2017						
Remeasurement of the net defined benefit liability/asset, net of tax	-	-	-	-	317,289	317,289
Loss for the year	-	(50,354,946)	(50,354,946)	-	-	(50,354,946)
Balance as at 31st March, 2017	**1,135,000**	**(271,015,041)**	**(269,880,041)**	**63,263,275**	**197,082**	**(206,419,684)**
Changes in other equity for the year ended 31st March, 2018						
Profit for the year	-	3,448,311	3,448,311	-	979,488	4,427,799
Balance as at 31st March, 2018	**1,135,000**	**(267,566,730)**	**(266,431,730)**	**63,263,275**	**1,176,570**	**(201,991,885)**

Significant Accounting Policies and Notes forming an integral part of the Financial Statements

As per my attached report of even date,

P. V. Deo
Chartered Accountant

Place : Pune
Date :May 10, 2018

On behalf of the Board of Directors,

Vikram Munje
Director
DIN : 02772991

Kishore Saletore
Director
DIN : 01705850

Place : Pune
Date : May 10, 2018

CIN : U28932TG1996PLC024629

Cash Flow Statement for the year ended 31st March, 2018.

		Year ended 31st March. 2018 Rs.	Year ended 31st March. 2017 Rs.
A.	**Cash flow from operating activities :**		
	Profit / (Loss) for the year	**3,448,311**	(50,354,946)
	Adjusted for :		
	Tax expense	**2,881,241**	1,111,482
	Depreciation	**1,864,384**	3,252,298
	Interest Paid	**40,886,704**	36,712,577
	Interest Received	**(153,983)**	(56,420)
	Provision for Liquidated damages	**2,995,535**	111,988
	Provision for expected credit loss (net)	**6,884,840**	573,269
	Profit on Sale of Property, Plant and Equipment	**(25,152,346)**	-
	Other Comprehensive Income		
	Remeasurement of the net defined benefit liability/asset	**979,488**	317,289
		31,185,863	42,022,483
	Operating Profit before working capital changes :	**34,634,174**	(8,332,463)
	Changes in :		
	Trade and other receivables	**(36,421,256)**	(4,993,275)
	Inventories	**(4,367,090)**	14,831,180
	Liabilities and Provisions	**124,117,777**	1,151,556
		83,329,431	10,989,461
	Cash generation from operations :	**117,963,605**	2,656,998
	Direct Taxes paid	**(3,067,493)**	(2,197,265)
	Net Cash from operating activities :	**114,896,112**	459,733
B.	**Cash flow from investing activities :**		
	Purchase of Property, Plant and Equipment	**(1,548,241)**	(183,140)
	Sale of Property, Plant and Equipment (Net of Advances)	**1,961,920**	-
	Interest received	**153,983**	56,420
	Advance against Sale of Property, Plant and Equipment	**-**	50,808,080
	Net cash from investing activites :	**567,662**	50,681,360
C.	**Cash flow from financing activities :**		
	Repayment of long term borrowings	**-**	14,684,441
	Repayment of short term borrowings	**(101,819,166)**	(31,054,181)
	Interest paid	**(11,313,989)**	(35,104,763)
	Net cash used in financing activities :	**(113,133,155)**	(51,474,503)

CIN : U28932TG1996PLC024629

Cash Flow Statement for the year ended 31st March, 2018.

		Year ended 31st March. 2018 Rs.	Year ended 31st March. 2017 Rs.
Net changes in cash and cash equivalents (A+B+C) :		2,330,619	(333,410)
Cash and Cash Equivalents, at the beginning :		120,802	454,212
Add : Net changes in cash and cash equivalents, as above		2,330,619	(333,410)
Cash and Cash Equivalents, at the close :		2,451,421	120,802
Cash and Cash Equivalents :			
Cash and Bank Balances:		2,451,422	120,802
		2,451,422	120,802
Significant Accounting Policies and Notes forming an integral part of the Financial Statements	1-54		

As per my attached report of even date,

On behalf of the Board of Directors,

P. V. Deo
Chartered Accountant

Vikram Munje
Director
DIN : 02772991

Kishore Saletore
Director
DIN : 01705850

Place : Pune
Date : May 10, 2018

Place : Pune
Date : May 10, 2018

Notes forming part of the Financial Statements for the year ended 31st March, 2018.

1. **Corporate information:**

"Analogic Controls India Limited is a public limited company incorporated on 12th July, 1996. The Company is engaged in the business of designing, developing and manufacturing of reliable electronic systems and sub-systems for mission critical applications. The Company offers products and services for mission critical technologies of national importance in Defence, Aerospace, Communications and Industrial Electronics.

The Company is a wholly owned subsidiary of Bharat Forge Limited.

Operating Cycle of the Company is considered to be of 12 months."

2. **Going concern :**

As at 31st March, 2018, the Company's accumulated losses are Rs. 276,566,730 (31st March, 2017 : Rs. 271,015,041) which have completely eroded the net worth of the Company. The Company also has net current liabilities of Rs. 31,153,458 as at 31st March, 2018 (31st March, 2017 : Rs. 40,819,796). The management has implemented a series of measures to deal with the challanges posed by the situation. Those include fundamental changes in business strategy, streamling operations, efficient cost structures, focus on export market development, weeding out uneconomical products and projects, better capacity utilisation, etc. The Company has leveraged property, plant and equipment for substantial reduction of bank borrowings during the financial year covered by these statements. This is expected to result in substantial saving in borrowing costs. Efforts for timely recoveries of trade receivables are expected to bring down the finance costs further. The Company continues to enjoy adquate working capital limits from its bankers. Further, the Holding Company has agreed to provide support to the Company to enable it to meet its future liabilities as & when those fall due for payment. The auditors have reviewed and relied upon the management representations. Accordingly, these financial statements have been prepared on going concern basis, and consequently, no adjustments have been made to the carrying values or classification of balance sheet accounts.

3 **Significant accounting policies:**

3.1 Basis of accounting and preparation of financial statements:

These financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended thereafter and the provisions of the Companies Act, 2013 (to the extent notified).

Effective 1st April, 2016, the Company has adopted all the Ind AS standards and the adoption was carried out in accordance with Ind AS 101 "First time adoption of Indian Accounting Standards," with 1st April, 2015 as the transition date. 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 have been prepared on a historical cost basis, except for the following assets and liabilities wherever existed, which have been measured at fair value:

i Derivative financial instruments,

ii Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

The financial statements are presented in INR and all values are rounded to the nearest Rupee.

3.2 Current versus non-current bifurcation:

The Company presents assets and liabilities in the balance sheet based on current and non-current classification.

An asset is treated as current when it is:

i Expected to be realised or intended to be sold or consumed in the normal

operating cycle,

ii Held primarily for the purpose of trading,

iii Expected to be realised within twelve months after the reporting period, or

iv 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 treated as current when:

i It is expected to be settled in normal operating cycle,

ii It is held primarily for the purpose of trading,

iii It is due to be settled within twelve months after the reporting period, or

iv There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

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 Company has identified twelve months as its operating cycle.

3.3 **Foreign currency transactions and translations :**

The Company's financial statements are presented in INR, which is also the Company's functional currency. Items included in the financial statements are measured using functional currency.

a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company in its functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date, continuing the policy adopted for accounting for exchange difference arising from translation of long term foreign currency monetary items recognised in the financial statements for the period ending March 31, 2016. exchange difference that arise on settlement of monetary items or on reporting at each balance sheet date of the Company's monetary items at the closing rate are recognized as income or expenses in the period in which they arise except for differences pertaining to Long Term Foreign Currency Monetary Items as mentioned subsequently.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

b) Exchange differences

The Company has availed the option available under Ind AS 101 para D13 AA pertaining to long term foreign currency translation difference account (FCMITDA). Hence, the Company has continued the policy adopted for accounting for exchange differences arising from translation of long term foreign currency monetary items recognised in the financial statements for the period ended 31st March, 2016 as per previous GAAP. Accordingly, the exchange differences are accounted for as under

Exchange differences arising on long-term foreign currency monetary items recognised in the financial statements for the period ended 31st March, 2016 related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.

ii Exchange differences arising on other long-term foreign currency monetary Items recognised in the financial statements for the period ended 31st March, 2016 are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.

iii All other exchange differences are recognized as income or as expenses in the period in which they arise.

For the purpose of a and b above, the Company treats a foreign currency monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated August 9, 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period. In other words, the Company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

3.4 **Fair value measurement** :

"The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:"

i In the principal market for the asset or liability, or

ii In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

ii Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

iii Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

"External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy."

3.5 **Revenue recognition :**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principle in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

However, value added tax (VAT)/ Goods and Services Tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity/service by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

a) Sale of Goods :

"Domestic sales are recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on dispatch from the point of sale, consequent to property in goods being transferred. The Company collects value added taxes (VAT)/ Goods and Service Tax (GST) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue.

Export sales are recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on the basis of dates of Bill of Lading."

b) Sale of Services :

Revenue from the services rendered on a time basis is recognized based on services rendered and chargeable to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on milestones achieved as specified in the contracts, on the percentage of completion basis. The Company collects Goods and Service Tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue

c) Interest income:

For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instruments (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

d) Profit / Loss on sale of investments :

Profit / Loss on sale of investments is recognised when all the significant risk and rewards of ownership in investment is transferred.

3.6 **Taxes :**

"Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates and generates taxable income. The tax rates and tax laws used to compute the amount are those that are enacted, at the reporting date.

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

The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously."

Deferred tax is provided using the liability method on temporary differences between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset can be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent it has become probable that future taxable profits will allow the deferred tax assets 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 realised or the liability is settled, based on the tax rates (and the 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxation authority.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of temporary differences which reverse during the tax holiday period, to the extent the Company’s gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognized in the year in which the temporary differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become probable that future taxable profit will be available against which such deferred tax assets can be realized.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the guidance note on “Accounting for Credit Available in respect of Minimum Alternative Tax” under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as “MAT Credit Entitlement.” The Company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

Sales/ value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales/ value added taxes paid, except:

i 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

ii 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.

3.7 **Property, plant and equipment :**

Property, plant and equipment, capital work in progress and investment property are stated at cost of acquisition or construction net of accumulated depreciation and accumulated impairment losses, if any. Internally manufactured property, plant and equipment are capitalised at factory cost, including excise duty, wherever applicable. All the significant costs relating to the acquisition and installation of property, plant and equipment or investment proerty are capitalised. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost of the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for the provision are met.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Profit and Loss during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management.

Depreciation on additions to assets during the year is being provided on pro-rata basis from the date of acquisition/ installation. Depreciation on assets sold, discarded or demolished during the year, is being provided at their respective rates on pro-rata basis upto the date on which such assets are sold, discarded or demolished.

Assets under improvement to leased premises are fully depreciated over the lease period of the asset."

The Management's estimate of the useful lives of various fixed assets, which is in line with the provision of Schedule II to the Companies Act, 2013 is given below.

	Type of Asset	Estimated useful life
i)	Buildings	
	(a) Factory buildings	30 years
	(b) Fences, wells and tube wells	5 years
	(c) Others, including temporary structures	3 years
ii)	Computer and Data Processing Equipments	
	(a) Servers and networks	6 years
	(b) Other end user devices	3 years
iii)	Furnitures and Fixtures	10 years
iv)	Office Equipments	5 years
v)	Plant and Machinery (including test jigs)	15 years
vi)	Vehicles	8 years

An item of property, plant and equipment and any significant part initially recognised is de recognised upon disposal or when no future economic benefits are expected from its used or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and the methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate."

3.8 Intangible assets :

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

The Management's estimate of the useful lives of various intangible assets, which is in line with the provision of Schedule II to the Companies Act, 2013 is given below.

Type of Asset		Estimated useful life
i)	Software	5 years

3.9 Inventories :

a) Raw Materials :

Raw materials and components, stores and spares and loose tools are valued at lower of cost and net realizable value. The costs are determined using the FIFO method.

b) Work in Progress :

Work-in-progress and finished goods are valued at the lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. The costs are determined using the FIFO method.

3.10 Borrowing costs :

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs w.r.t. borrowings taken on or after April 1, 2016.

3.11 Leases :

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependant on the use of specific asset or assets and the arrangement conveys a right to use the asset or assets, even if the right is not explicitly specified in the arrangement.

Company as a Lessee

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

3.12 Impairment of Non-financial assets :

"The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators."

"The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus."

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

"Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the

CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 October at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired."

3.13 Provisions, Contingent Liabilities:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements."

3.14 Retirement and other employee benefits :

a) Gratuity :

The Company operates a defined benefits plan for its employees. Payment for present liability of future payment of gratuity is being made to approved gratuity funds, which fully cover the same under cash accumulation policy of the Life Insurance Corporation of India. The cost of providing benefits under these plans is determined on the basis of actuarial valuation at each year end. Actuarial valuation is carried out using the project unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

i The date of the plan amendment or curtailment, and

ii The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

i Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and

ii Net interest expense or income

b) Privilege leave benefits :

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end.

Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave 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 the Company 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."

3.15 **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.

A Financial Asset :

a) 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 Company commits to purchase or sell the asset.

b) Subsequent measurement

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

i Debt instruments at amortised cost

ii Debt instruments at fair value through other comprehensive income (FVTOCI)

iii Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL) iv Equity instruments measured at fair value through other comprehensive income (FVTOCI)

c) Debt instruments at amortised cost

A ‘debt instrument’ is measured at the amortised cost if both the following conditions are met:

i The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

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

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. 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 finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

d) Debt instrument at FVTOCI

A ‘debt instrument’ is classified as at the FVTOCI if both of the following criteria are met:

i The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

ii The asset’s contractual cash flows represent SPPI

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

e) Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

f) Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

g) Derecognition

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

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

ii The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

h) Impairment of financial assets in accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

i Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance

ii Financial assets that are debt instruments and are measured as at FVTOCI

iii Lease receivables under Ind AS 17

iv Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18

v Loan commitments which are not measured as at FVTPL

vi Financial guarantee contracts which are not measured as at FVTPL

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables or contract revenue receivables

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

i All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.

ii Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the P&L.

The balance sheet presentation for various financial instruments is described below:

i Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

ii Loan commitments and financial guarantee contracts: ECL is presented as a provision in the balance sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

B Financial liabilities :

a) 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, or as derivatives designated as hedging instruments in an effective hedge, 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 Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

i Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the profit or loss.

ii Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss.

iii Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

c) Derecognition

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 or loss.

C Embedded derivatives :

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

D Reclassification of financial assets :

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company’s senior management determines change in the business model as a result of external or internal changes which are significant to the Company’s operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Original Classification Revised Classification Accounting Treatment

Amortised Cost FVTPL Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.

FVTPL Amortised Cost Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.

Amortised Cost FVTOCI Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.

FVTOCI Amortised Cost Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.

FVTPL FVTOCI Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.

FVTOCI FVTPL Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

E Offsetting of financial instruments :

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.16 **Cash and cash equivalents :**

Cash and cash equivalents comprise cash at bank and in hand and short-term investments with an original maturity of three months or less, which are 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 Company’s cash management."

3.17 **Dividend to equity holders** :

The Company recognises a liability to make cash or non-cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.18 **Segment reporting :**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified by the Board of Directors that makes strategic decisions.

3.19 **Earnings per share:**

Basic earnings per share is computed by dividing the profit / (loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

3.20 **Cash flow statement :**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

3.21 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements.

Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revisions to accounting estimates are recognised prospectively in current and future periods."

3.22 Ind AS 115- Revenue from Contract with Customers

Ind AS 115 was notified on 28th March 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under Ind AS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1st April 2018. The Company will adopt the new standard on the required effective date using the modified retrospective method. The Company has established an implementation team to implement Ind AS 115 related to the recognition of revenue from contracts with customers and it continues to evaluate the changes to accounting system and processes, and additional disclosure requirements that may be necessary. A reliable estimate of the quantitative impact of Ind AS 115 on the financial statements will only be possible once the implementation project has been completed."

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4 Property, Plant and Equipment :

	Freehold Land Rs.	Factory Building Rs.	Computers and Printers Rs.	Plant and Machinery Rs.	Furniture and Fixtures Rs.	Vehicles Rs.	Office Equipments Rs.	Total Rs.
GROSS BLOCK, AT COST :								
As at 1st April, 2016.	413,976	34,557,516	4,306,682	11,753,364	4,638,829	735,669	2,610,367	**59,016,403**
Additions	-	-	-	476,294	-	-	-	**476,294**
Disposals	-	-	-	-	-	-	-	**-**
Adjustments	-	-	-	-	-	-	-	**-**
Reclassified as assets held for sale	-413,976	-34,557,516	-	-	-	-	-	**-34,971,492**
As at 31st March, 2017.	**-**	**-**	**4,306,682**	**12,229,658**	**4,638,829**	**735,669**	**2,610,367**	**24,521,205**
Additions	-	-	-	-	-	-	18,984	**18,984**
Disposals	-	-	-	-	-	-	-	**-**
Adjustments	-	-	-	-	-	-	-	**-**
As at 31st March, 2018.	**-**	**-**	**4,306,682**	**12,229,658**	**4,638,829**	**735,669**	**2,629,351**	**24,540,189**
DEPRECIATION AND AMORTIZATION :								
Upto 1st April, 2016.	-	6,295,212	3,769,528	4,110,984	2,137,447	456,622	2,289,457	**19,059,250**
Disposals	-	-	-	-	-	-	-	**-**
Adjustments	-	-	-	-	-	-	-	**-**
For the year	-	1,058,626	221,148	797,219	432,898	101,756	146,343	**2,757,990**
In respect of assets held for sale	-	-7,353,838	-	-	-	-	-	**-7,353,838**
Upto 31st March, 2017.	**-**	**-**	**3,990,676**	**4,908,203**	**2,570,345**	**558,378**	**2,435,800**	**14,463,402**
Disposals	-	-	-	-	-	-	-	**-**
Adjustments	-	-	-	-	-	-	-	**-**
For the year	-	-	124,206	801,214	418,537	101,756	39,829	**1,485,542**
Upto 31st March, 2018.	**-**	**-**	**4,114,882**	**5,709,417**	**2,988,882**	**660,134**	**2,475,629**	**15,948,944**
NET BLOCK :								
As at 31st March, 2017.	-	-	316,006	7,321,455	2,068,484	177,291	174,567	10,057,803
As at 31st March, 2018.	**-**	**-**	**191,800**	**6,520,241**	**1,649,947**	**75,535**	**153,722**	**8,591,245**

5 Intangible assets :

	Softwares Rs.	Total Intangible Assets Rs.
GROSS BLOCK, AT COST :		
As at 1st April, 2016.	1,893,937	**1,893,937**
Additions	-	-
Disposals	-	-
Adjustments	-	-
As at 31st March, 2017.	**1,893,937**	**1,893,937**
Additions	-	-
Disposals	-	-
Adjustments	-	-
As at 31st March, 2018.	**1,893,937**	**1,893,937**
DEPRECIATION AND AMORTIZATION :		
Upto 1st April, 2016.	321,639	**321,639**
Disposals	-	-
Adjustments	-	-
For the year	494,308	**494,308**
Upto 31st March, 2017.	**815,947**	**815,947**
Disposals	-	-
Adjustments	-	-
For the year	378,842	**378,842**
Upto 31st March, 2018.	**1,194,789**	**1,194,789**
NET BLOCK :		
As at 31st March, 2017.	1,077,990	1,077,990
As at 31st March, 2018.	**699,148**	**699,148**

Note: The Company has elected to continue with the carrying values for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind ASs, measured as per the previous GAAP and use that as its deemed cost as at the date of transition to Ind ASs in accordance with paragraph D7AA of Ind AS 101 "First Time Adoption of Ind AS".

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			As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
6	**Other financial assets (Non-current, Good):**			
	Security deposits[(a)]		**239,550**	226,495
		TOTAL :	**239,550**	226,495
	(a) Financial assets carried at amortized cost			
7	**Other non-current assets :**			
	(Good, unless stated otherwise)			
	Prepaid Expenses		**3,927**	50,811
	Excise duty refund claims			
	Good		**580,920**	703,500
	Doubtful		**587,500**	464,920
	Less : Allowances for credit losses		**(587,500)**	(464,920)
			580,920	703,500
		TOTAL :	**584,847**	754,311
8	**Income tax assets (net) :**			
	Tax paid in advance (net)		**3,276,259**	2,585,828
		TOTAL :	**3,276,259**	2,585,828
9	**Inventories :**			
	(As taken, valued and certified by the Directors)			
	Raw materials, including stock in transit		**37,747,653**	29,887,151
	Work-in-progress		**495,985**	3,989,397
		TOTAL :	**38,243,638**	33,876,548
10	**Trade Receivables :**			
	(Unsecured)			
	Outstanding for more than six months from the date those became due for payment			
	Good		**16,958,510**	28,180,924
	Doubtful		**9,984,531**	3,941,871
	Less : Allowances for credit losses		**(9,984,531)**	(3,941,871)
			16,958,510	28,180,924
	Other Trade Receivables, Good		**69,875,442**	33,674,020
		TOTAL :	**86,833,952**	61,854,944

			As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
11	**Cash and cash equivalents**			
	Balances with banks			
	In current accounts		**1,348,281**	-
	In deposit accounts, with original maturity of less than 3 months		**1,005,976**	-
	Cash on hand		**97,165**	120,802
		TOTAL :	**2,451,422**	120,802

12 Other financial assets (Current, Good):

Security deposits[(a)]	**150,445**	-
Unbilled Revenue[(a)]	**19,292,000**	15,054,000
Other[(a)]	**15,054**	15,700
TOTAL :	**19,457,499**	15,069,700

(a) Financial assets carried at amortized cost

13 Other current assets :
(Good, unless stated otherwise)

Advances to suppliers		
Good	**2,131,476**	710,179
Doubtful	**67,674**	293,478
Less : Allowances for credit losses	**(67,674)**	(293,478)
	2,131,476	710,179
Pre-paid expenses	**118,068**	766,889
Balances with government authorities		
GST input credit receivable	**1,613,095**	-
CENVAT credit receivable	**-**	982,546
Service tax credit receivable	**-**	1,558,596
Others	**5,000**	7,500
Other advances recoverable in cash or in kind or for value to be received	**129,709**	149,800
TOTAL :	**3,997,348**	4,175,510

14 Non current assets held for sale :
(At the lower of carrying amount and fair value less costs to sell)

Land	**-**	413,976
Building	**-**	27,203,678
TOTAL :	-	27,617,654

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			As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
15 Share Capital :				
Authorised :				
20,000,000	(3,000,000)	Equity Shares of P 10/-, each	**200,000,000**	30,000,000
20,000,000	(3,000,000)		**200,000,000**	30,000,000
Issued, Subscribed and Paid up :				
18,489,670	(2,758,670)	Equity Shares of P 10/-, each, fully paid up	**184,896,700**	27,586,700
18,489,670	(2,758,670)		**184,896,700**	27,586,700

(a) The Company has only one class of shares referred to as equity shares having a par value of P 10/-. Each holder of equity shares is entitled to one vote per share.

(b) In the event of liquidation of the Company, the holders of equity shares will be entitled to receive surplus assets of the Company, remaining after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) The reconciliation of the number of shares outstanding and the amount of paid-up share capital as at 31st March, 2018 and 31st March, 2017 is set out below.

	As at 31st March, 2018		As at 31st March, 2017	
	No. of Shares	Amount in P	No. of Shares	Amount in P
Balance at the beginning of the year	**2,758,670**	**27,586,700**	2,758,670	27,586,700
Add: Shares issued during the year#	**15,731,000**	**157,310,000**	-	-
Balance at the close of the year	**18,489,670**	**184,896,700**	2,758,670	27,586,700

\# Upon conversion of 1,573,100 0% Unsecured Compulsorily Convertible Debentures of r 100/- each

(d) Details of shareholders holding more than 5% of the aggregate issued and subscribed shares

Name of the shareholders	As at 31st March, 2018		As at 31st March, 2017	
	No. of Shares	% age	No. of Shares	% age
Bharat Forge Ltd.$	**18,489,670**	**100.00**	1,655,202	60.00
Mr. T. V. Prasad	-	-	496,638	18.00
Mr. K. Padmanabham	-	-	206,500	7.49
Mr. K. Prabhakar	-	-	170,450	6.18
Mr. C. Muralidhar Reddy	-	-	188,500	6.83

$ The Holding Company. (Including shares held through nominees)

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
16 Long-term Borrowings :		
Unsecured		
Debentures(a)	-	127,737,285
0% Unsecured Compulsorily Convertible Debentures of r 100/- each, fully paid up		
(Aggregate face value R NIL, Previous Year : R 157,310,000)		
TOTAL :	-	127,737,285

(a) The Company had issued the following Unsecured 0% Compulsorily Convertible Debentures

Balance outstanding :

Date of	No of Debentures	Tenor	As at	As at
9/30/2013	574,480	60	-	47,914,577
2/17/2014	291,987	60	-	23,238,454
10/1/2015	706,633	40	-	56,584,254
TOTAL :	1,573,100		-	127,737,285

Notes :

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		As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
17	**Long-Term Provisions :**		
	Provision for employee benefits :		
	Gratuity	**693,442**	1,474,613
	Compensated absences	**168,591**	313,291
	TOTAL :	**862,033**	1,787,904
18	**Deferred tax Liabilities (net)**		
	Deferred Tax Liabilities :		
	Timing differences for		
	Depreciation	**1,281,200**	3,144,800
	Less : Deferred Tax Assets :		
	Timing differences for		
	Disallowances	**1,281,200**	3,144,800
	TOTAL :	**-**	-
19	**Short-Term Borrowings :**		
	Secured		
	Overdraft[a]	**-**	97,122,019
	Unsecured		
	Overdrawn current account	**-**	874,904
	LC Discounting Facility[b]	**2,969,763**	6,792,006
	Demand loans from companies[c] [d]	**7,864,494**	7,864,494
	Demand loans from others/directors[c]	**5,867,400**	5,867,400
	TOTAL :	**16,701,657**	118,520,823

(a) Overdraft Facility from ICICI Bank :
Overdraft facility availed from ICICI Bank is secured by first and exclusive charge by way of hypothecation of stocks of raw materials, semi finished and finished goods, consumables, stores, spares and such other moveables including book debts, bills, oustanding monies and receivables, but excluding property, plants and equipments. Rate of Interest applicable is 3% over Base Rate, p.a.

(b) LC Discounting Facility from ICICI Bank :
LC Discounting Facility from ICICI Bank covers discounting of inland bills drawn by suppliers of raw material, consumable stores and spares and backed by letters of credit issued by ICICI bank or other first class banks. The facility carries interest as informed by ICICI Bank from time to time.

(c) Rates of interest for demand loans from companies, directors and others are in the range from 13% p.a. to 18% p.a.

(d)	Includes Loans from other related parties	**-**	2,000,000

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		As at 31st March, 2018 Rs.	As at 1st April, 2017 Rs.
20 Trade Payables :			
Micro and Small Enterprises		**1,946,167**	1,903,918
Others		**29,550,066**	15,883,531
	TOTAL :	**31,496,233**	17,787,449
21 Other financial liabilities :			
Creditors for capital expenditure		**536,759**	402,505
Other amounts payable		**90,920**	922,208
	TOTAL :	**627,679**	1,324,713
22 Short-Term Provisions :			
Provision for employee benefits :			
Gratuity		**49,387**	43,359
Compensated absences		**37,004**	55,236
Other provisions :			
Liquidated damages(a)(b)		**8,686,563**	7,472,899
	TOTAL :	**8,772,954**	7,571,494

(a) In pursuance of Ind AS-37 'Provisions, contingent liabilities and contingent assets', the provisions required for liquidated damages have been incorporated in the books of account in the following manner:

Opening Balance	**7,472,899**	11,766,040
Arising during the year	**2,995,535**	123,768
Utilised during the year	**(1,669,652)**	(3,169,203)
Provision Written Back	**(112,219)**	(1,247,706)
Closing balance	**8,686,563**	7,472,899

(b) Provision for liquidated damages represents the expected claims which the Company may need to pay for non-fulfilment of certain commitments as per the terms of the respective sales contracts. These are determined on a case to case basis considering the dynamics of each contract and the factors relevant to that sale.

23 Other Current Liabilities :			
Advances from customers		**115,763,810**	9,360,000
Statutory liabililties		**6,703,764**	999,411
	TOTAL :	**122,467,574**	10,359,411
24 Income tax liabilities (net) :			
Income Tax provisions (net)		**2,071,220**	353,410
	TOTAL :	**2,071,220**	353,410
25 Liabilities directly associated with the assets classified as held for sale :			
Advance received from a fellow subsidiary against sale of assets		**-**	50,808,080
	TOTAL :	**-**	50,808,080

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		For the year ended 31st March, 2018 Rs.	For the year ended 31st March, 2017 Rs.
26	**Revenue from operations :**		
	Sale of products (including Excise Duty)	**58,530,845**	56,819,664
	Sale of services	**29,187,750**	16,598,154
	TOTAL :	**87,718,595**	73,417,818
27	**Other income :**		
	Interest Income		
	On Bank Deposits	**37,457**	16,270
	On Income Tax Refund	**101,472**	11,149
	Other	**15,054**	29,001
	Miscellaneous Income	**342,501**	2,226,155
	Profit on Sale of Property, Plant and Equipment (Refer Note 50)	**25,152,346**	-
	Profit on Foreign Exchange Fluctuations (Net)	**46,828**	-
	Provisions written back	**1,230,923**	1,506,175
	TOTAL :	**26,926,581**	3,788,750
28	**Cost of raw material and components consumed[(a)] :**		
	Inventory at the beginning of the year	**29,887,151**	33,402,076
	Add: Purchases	**34,696,362**	21,195,428
		64,583,513	54,597,504
	Less: Inventory at the end of the year (Refer note 9)	**(37,747,653)**	(29,887,151)
	Cost of raw material and components consumed	**26,835,860**	24,710,353
(a)	Refer note 40		
29	**Changes in inventories of work in progress :**		
	Inventories at the beginning of the year		
	Work-in-progress	**3,989,401**	15,305,652
		3,989,401	15,305,652
	Inventories at the close of the year		
	Work-in-progress	**495,985**	3,989,401
		495,985	3,989,401
	TOTAL :	**3,493,416**	11,316,251
30	**Employee benefit expenses :**		
	(Previous year's figures inculde Managing and Wholetime Directors' remuneration)		
	Salaries and Wages	**10,043,241**	11,309,949
	Contributions to		
	- Provident fund	**438,831**	545,057
	- Other fund / scheme	**200,031**	151,635
	- Gratuity	**202,154**	213,874
	Staff welfare expenses	**530,285**	395,541
	TOTAL :	**11,414,542**	12,616,056
31	**Finance costs :**		
	Interest on Bank Borrowings	**9,595,148**	18,137,900
	Other Interest*	**31,291,556**	18,574,677
	TOTAL :	**40,886,704**	36,712,577

* Other Interest includes interest on other borrowings, Micro and Small Enterprices, unwinding of discount on financial liabilities, etc.

		For the year ended 31st March, 2018 Rs.	For the year ended 31st March, 2017 Rs.
32	**Depreciation :**		
	Depreciation on Property, Plant and Equipment	**1,485,542**	2,757,990
	Depreciation on Intangible Assets	**378,842**	494,308
	TOTAL :	**1,864,384**	3,252,298
33	**Other expenses :**		
	Consumption of Stores and Spares	**139,662**	121,833
	Labour and Processing Charges	**319,473**	268,896
	Power and Fuel	**1,066,068**	979,371
	Excise duty on sale of goods	**-**	5,469,819
	Repairs and Maintenance - Buildings	**404,672**	154,913
	Repairs and Maintenance - Plant and Machinery	**104,960**	175,890
	Repairs and Maintenance - Others	**460,053**	182,551
	Insurance	**123,576**	164,852
	Rates and Taxes	**251,763**	210,385
	Liquidated damages (Refer note 22)	**2,995,535**	123,768
	Communication	**135,969**	195,680
	Bank Charges and Commission	**1,118,364**	2,190,150
	Printing and Stationery	**120,403**	206,114
	Travelling and Conveyance	**4,278,162**	2,474,907
	Professional Fees	**350,391**	912,066
	Technical Consultancy	**1,981,967**	1,969,799
	Security Services	**430,080**	474,359
	Payment to Auditors	**561,127**	299,000
	Miscellaneous Expenses#	**2,093,653**	1,228,546
	Bad Debts	**-**	19,199,523
	Allowances for credit losses on debtors and other assets	**6,884,840**	758,398
	Loss on Foreign Exchange Fluctuations (Net)	**-**	81,677
	TOTAL :	**23,820,718**	37,842,497

Miscellaneous Expenses includes general office expenses, penalties and fines, rental charges etc.

34 Disclosure pursuant to Ind AS 19 on "Employee Benefits"

(a) Defined contribution plans :

The Company makes Provident Fund contributions to defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to the funds. The Company recognized ₹ 438,831/- (Previous Year:₹ 545,057/-) for the provident fund contributions in the statement of profit and loss. The contributions payable to this plan by the Company are at the rates specified in respective legislations.

(b) Gratuity plan :

The present value of defined benefit obligation and the related current service costs are measured using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date.

The gratuity benefits are governed by the Payment of Gratuity Act, 1972. Under the Act, every employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn) for each completed year of service as per the provisions of the Payment of Gratuity Act, 1972. The Plan is unfunded as on the valuation date."

Risk exposure and asset liability matching

Provision of a defined benefit scheme poses certain risks, some of which are detailed hereunder, as companies take on uncertain long term obligations to make future benefit payments.

1) Liability Risks

a) Asset-Liability Mismatch risk-

Risk which arises if there is a mismatch in the duration of the assets relative to the liabilities. By matching duration with the defined benefit liabilities, the company is successfully able to neutralize valuation swings caused by interest rate movements. Hence companies are encouraged to adopt asset-liability management.

b) Discount Rate Risk

Variations in the discount rate used to compute the present value of the liabilities may seem small, but in practise can have a significant impact on the defined benefit liabilities.

c) Future Salary Escalation and Inflation Risk

Since price inflation and salary growth are linked economically, they are combined for disclosure purposes. Rising salaries will often result in higher future defined benefit payments resulting in a higher present value of liabilities especially unexpected salary increases provided at management's discretion may lead to uncertainties in estimating this increasing risk.

2) Asset Risks

All plan assets are maintained in a trust fund managed by a public sector insurer viz; LIC of India. LIC has a sovereign guarantee and has been providing consistent and competitive returns over the years.

The company has opted for a traditional fund wherein all assets are invested primarily in risk averse markets. The company has no control over the management of funds but this option provides a high level of safety for the total corpus. A single account is maintained for both the investment and claim settlement and hence 100% liquidity is ensured. Also interest rate and inflation risk are taken care of.

The following table summarises the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the gratuity plan.

The principal assumptions used in determining gratuity for the Company's plan is shown below:

	Year ended March 31, 2018	**Year ended March 31, 2017**
Mortality table	**IALM 2006-08 Ult**	IALM 2006-08 Ult
Discount rate	**8.00%**	7.46%
Expected rate of return on plan assets	**8.25%**	8.25%
Salary Growth Rate	**4.00%**	4.00%
Expected average remaining working lives (in years)	**15.16**	19.79
Withdrawal rate	**3.00%**	3.00%

Changes in the present value of the defined benefit obligation recognised in balance sheet are as follows:

	Year ended March 31, 2018 Rs.	**Year ended March 31, 2017 Rs.**
Present value of obligation as at the beginning of the year	**1,838,539**	2,235,286
Interest expense	**127,493**	166,752
Current service cost	**90,628**	71,530
Benefits (paid)	**(259,040)**	(317,740)
Remeasurements on obligation [Actuarial (Gain) / Loss]	**(785,249)**	(317,289)
Present value of obligation as at the end of the year	**1,012,371**	1,838,539

Changes in the fair value of plan assets recognised in the balance sheet are as follows:

	Year ended March 31, 2018 Rs.	Year ended March 31, 2017 Rs.
Fair value of plan assets at the beginning of the year	**320,567**	553,899
Interest Income	**22,745**	24,408
Contributions	**186,539**	60,000
Benefits paid	**(259,040)**	(317,740)
Return on plan assets, excluding amount recognized in Interest Income - Gain / (Loss)	**(1,269)**	-
Fair value of plan assets at the end of the year	**269,542**	320,567
Actual return on plan assets	**21,476**	24,408

Net Interest (Income/Expense)

	Year ended March 31, 2018 Rs.	Year ended March 31, 2017 Rs.
Interest (Income) / Expense – Obligation	**127,493**	166,752
Interest (Income) / Expense – Plan assets	**(22,745)**	(24,408)
Net Interest (Income) / Expense for the period	**104,748**	142,344

Remeasurement for the period [Actuarial (Gain)/loss]

	Year ended March 31, 2016 Rs.	Year ended March 31, 2015 Rs.
Experience (Gain) / Loss on plan liabilities	**(728,730)**	(317,289)
Demographic (Gain) / Loss on plan liabilities	**-**	-
Financial (Gain) / Loss on plan liabilities	**(56,519)**	-
Experience (Gain) / Loss on plan assets	**1,269**	-
Financial (Gain) / Loss on plan assets	**-**	-

Amount recognised in Statement of Other comprehensive Income (OCI)

	Year ended March 31, 2018 Rs.	Year ended March 31, 2017 Rs.
Opening amount recognised in OCI outside profit and loss account	**(317,289)**	-
Remeasurement for the period-Obligation (Gain)/Loss	**(785,249)**	(317,289)
Remeasurement for the period-Plan assets (Gain)/Loss	**1,269**	-
Total Remeasurement cost/(credit) for the period recognised in OCI	**(783,980)**	(317,289)
Closing amount recognised in OCI outside profit and loss account	**(1,101,269)**	(317,289)

The amounts to be recognised in the Balance Sheet

	Year ended March 31, 2018 Rs.	Year ended March 31, 2017 Rs.
Present value of obligation as at the end of the period	**(1,012,371)**	(1,838,539)
Fair value of plan assets as at the end of the period	**269,542**	320,567
Net Asset / (liability) to be recognised in balance sheet	**742,829**	1,517,972

Expense recognised in the statement of profit and loss

	Year ended March 31, 2018 Rs.	Year ended March 31, 2017 Rs.
Current service cost	**90,628**	71,530
Net Interest (Income) / Expense	**104,748**	142,344
Net periodic benefit cost recognised in the statement of profit & loss	**195,376**	213,874

Reconciliation of Net Asset/(Liability) recognised:

	Year ended March 31, 2018 Rs.	Year ended March 31, 2017 Rs.
Net asset / (liability) recognised at the beginning of the period	**(1,517,972)**	(1,681,387)
Company contributions	**186,539**	60,000
Expense recognised at the end of period	**(195,376)**	(213,874)
Amount recognised outside profit & loss for the period	**1,101,269**	317,289
Net asset / (liability) recognised at the end of the period	**(425,540)**	(1,517,972)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Year ended March 31, 2018	Year ended March 31, 2017
Funds managed by insurer	100%	100%

Sensitivity analysis

Impact of change in discount rate when base assumption is decreased/increased by 100 basis point

Discount rate	Present value of obligation	
	Year ended March 31, 2018 Rs.	Year ended March 31, 2017 Rs.
Increase in discount rate by 100 basis points	**918,189**	1,627,908
Decrease in discount rate by 100 basis points	**1,120,524**	2,090,828

Impact of change in salary growth rate when base assumption is decreased/increased by 100 basis point

Salary growth rate	Present value of obligation	
	Year ended March 31, 2018 Rs.	Year ended March 31, 2017 Rs.
Increase in salary growth rate by 100 basis points	**1,130,065**	2,074,192
Decrease in salary growth rate by 100 basis points	**908,912**	1,643,881

Impact of change in withdrawal rate when base assumption is decreased/increased by 100 basis point

Withdrawal rate	Present value of obligation	
	Year ended March 31, 2018 Rs.	Year ended March 31, 2017 Rs.
Increase in withdrawal rate by 100 basis points	**1,043,849**	1,627,908
Decrease in withdrawal rate by 100 basis points	**977,504**	2,090,828

The estimates of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The followings are the expected contributions to the defined benefit plan in future years to the extent certified by the actuary:

Year Ending	March 31, 2018 Rs.	March 31, 2017 Rs.
Within the next 12 months (next annual reporting period)	**371,414**	86,121

Amount for the current and previous three years are as follows:

	March 31, 2018 Rs.	March 31, 2017 Rs.	March 31, 2016 Rs.
Present Value of Defined Benefit Obligation	**1,012,371**	1,838,539	2,235,286
Fair Value of Plan Asset	**269,542**	320,567	553,899
Funded Status [Surplus/ (Deficit)]	**(742,829)**	(1,517,972)	255,912
Experience gain / (loss) adjustments on plan liabilities	**728,730**	317,289	559,322
Experience gain / (loss) adjustments on plan assets	**8,944**	-	(14,152)

(c) Other Long Term Employee Benefits :

The table below gives summary of the Company's obligations for other long term employee benefits in the form of compensated absences.

Sr. No.		As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
1	Present Value of Obligation	**(205,595)**	(368,527)
2	Fair Value of Plan Assets	**-**	-
3	Net asset/(liability) recognized in the Balance Sheet	**(205,595)**	(368,527)

35 Segment Reporting :

The Company is engaged in the business of designing, developing and manufacturing of reliable electronic systems and sub-systems for mission critical applications. All activities of the Company revolve around this single operating segment. As such, there are no separate reportable segments, as per the Ind AS – 108 on 'Operating Segments.'

36 Related Party Disclosure :

A. Related Parties and their relationships:

a)	Holding Company:	i) Bharat Forge Limited
b)	Fellow Subsidiary:	i) Kalyani Strategic Systems Limited
c)	Key Managerial Personnel :	i) Mr. K. Padmanabham - Managing Director (KMP till 31st March, 2017) ii) Mr. Rudrakumar Jadeja - Chief Executive Officer (Appointed w.e.f. 1st April, 2017)@ On deputation from Bharat Forge Limited, the Holding Company

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B. Transactions with Related Parties :

Particulars	Terms and Conditions (Refer foot note no.)	Key Managerial Personnel Rs.	Director Rs.	Holding Company Rs.	Fellow Subsidiary Rs.	Enterprises having common Key Management Personnel Rs.	Total Rs.
Remuneration	(a)	- (1,250,000)	- -	- -	- -	- -	- (1,250,000)
Issue of Shares	(b)	- -	- -	**157,310,000** -	- -	- -	**157,310,000** -
Interest paid	(c)	- -	- (693,000)	- (201,050)	- -	- -	- (894,050)
Capital advance received	(d)	- -	- -	- -	- (50,808,080)	- -	- (50,808,080)
Advance Rceived	(e)	- -	- -	**115,000,000** -	- (54,722,610)	- -	**115,000,000** (54,722,610)
Sale	(f)	- -	- -	**17,168,705** -	- (3,914,530)	- -	**17,168,705** (3,914,530)
Purchase	(g)	- -	- -	**10,561,304** -	- -	- -	**10,561,304** -
Rent Paid	(h)	- -	- -	- -	**9,354** -	- -	**9,354** -
Sale of Fixed Asset	(i)	- -	- -	- -	**52,770,000** -	- -	**52,770,000** -
Repayment of loans taken	(j)	- -	- -	- (4,300,000)	- -	- -	- (4,300,000)

(Figures in bracket indicate previous year)

(a) Remuneration paid to the Managing Director as per terms of appointment

(b) Shares were issued to the Holding Company upon conversion of 1,573,100 0% Unsecured Compulsorily Convertible Debentures of r 100/- each, as per the terms of issue.

(c) The loan borrowed from a related party is unsecured and repayable on demand and the same is compliant with the provisions of section 180 of the Companies Act, 2013. The loan carried interest in the range from 13% p.a. to 18% p.a.

(d) Please refer to note no. 50

(e) The Company has received advance against purchase order from the Holding Company in the ordinary course of business.

(f) Sale to related parties are in the ordinary course of business and the same have been made at arm's length price and are subject to normal credit terms.

(g) Purchase from related parties are in the ordinary course of business and the same have been made at arm's length price and are subject to normal credit terms.

(h) Rent paid to related party is in the ordinary course of business and the same has been paid at arm's length price.

(i) Please refer to note no. 50

(j) The loans accepted from related parties are unsecured and repayable on demand.

C. Balance with Related Parties:

	Key Managerial Personnel Rs.	Director Rs.	Holding Company Rs.	Fellow Subsidiary Rs.	Enterprises having common Key Management Personnel Rs.	Total Rs.
Amounts payables	- (838,942)	- (1,512,275)	**(10,561,304)** -	**(24,254)** -	- (1,330,906)	**(10,585,558)** (3,682,123)
Amounts Receivable	- -	- -	**11,692,515** -	(214,530)	- -	**11,692,515** (214,530)
Advance received	- -	- -	**(109,523,810)** -	- (50,808,080)	- -	**(109,523,810)** (50,808,080)
Loans taken	- -	(4,620,000)	- -	- -	(2,000,000)	- (6,620,000)

(Figures in bracket indicate previous year)

37 Contingent Liabilities not provided for in respect of :

		As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
a)	Income tax	**-**	659,399
b)	Central Excise Duty and Penalty[(i)]	**1,348,264**	1,348,264
c)	Claims against the Company not acknowledged as debts[(ii)]	**4,079,400**	5,875,180
	TOTAL :	**5,427,664**	7,882,843

(i) These matters are under dispute. The Company has contested the demands and the management, including its tax/legal advisors, believe that its position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for the demand raised.

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(ii) The Company has disputed certain amounts claimed by its suppliers/customers which the Company believes to be not payable as per the underlying contracts. The Company has not provided for the amount, as it believes that there shall not be any probable outflow of resources.

38 Leases

The Company has entered into an arrangement in the nature of cancellable operating lease for land for locating its manufacturing facilities. The lease is for a period of three years. The term of leases can be extended mutually by the parties. The particulars as per the Ind AS 17 with regard to the above are as under :

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
a) Payments recognised in the statement of profit and loss	9,354	-
b) There are no transactions in the nature of sub-lease.	-	-

39 Value of imports calculated on CIF basis :

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
a) Raw materials and Components	10,965,273	3,920,496
TOTAL :	10,965,273	3,920,496

40 Consumption of raw materials

	Year ended 31st March, 2018 Rs.	%	Year ended 31st March, 2017 Rs.	%
Imported	2,168,524	8.08%	7,183,848	29.07%
Indigenous	24,667,336	91.92%	17,526,505	70.93%
TOTAL :	26,835,860	100%	24,710,353	100%

41 Unhgedged foreign currency exposure :

	As at 31st March, 2018. Foreign Currency		As at 31st March, 2018. Rs.	As at 1st April, 2017. Foreign Currency		As at 1st April, 2017. Rs.
1 Assets :						
Advances to Trade Creditors	USD	4,939	321,238	USD	49	3,202
	EUR	839	67,674	EUR	3,783	261,946
	GBP	67	6,224		-	-
			395,136			265,148
2 Liabilities :						
Trade Payable	USD	-	-	USD	10,169	659,368
			-			659,368
			395,136			924,516

42 Payments to Auditors (inclusive of service tax/GST) :

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
a) As auditor	295,000	241,500
b) For tax audit	59,000	57,500
c) Reimbursement of expenses	207,127	-
TOTAL :	561,127	299,000

43 Earning per Share (Face Value of a 10 Each) :

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Profit/(Loss) for the year after taxation	3,448,311	(50,354,946)
Weighted Average Number of Equity Shares, outstanding during the period	3,706,840	2,758,670
Basic Earning per Share in rupees	0.93	(18.25)
Diluted Earning per Share in rupees	0.93	(18.25)

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44 Income and deferred taxes :

a) The major components of income tax expense for the years ended 31st March, 2018 and 31st March, 2017 are

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Current income tax		
Current income tax charge	**1,450,000**	-
Taxes for earlier years	**1,431,241**	1,111,482
TOTAL :	**2,881,241**	1,111,482

b) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31 March 2018 and 31 March 2017:

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Accounting profit/(loss) before tax	**6,329,552**	(49,243,464)
At India's enacted tax rate of 25.75% (31 March 2017: 29.87%)	**1,629,860**	-
Tax effect due to non-taxable income for Indian tax purposes	**(257,807)**	-
Tax effect of non-deductible expenses	**9,747,664**	-
Tax effect of business loss set off in respect of which deferred tax asset was not recognised on prudent basis.	**(7,498,004)**	-
Tax effect of business loss set off in respect of which deferred tax asset was not recognised on prudent basis. (Spe	**(3,607,354)**	-
Deferred tax asset (Net) not recognised on prudent basis.	**1,789,216**	-
Tax effect due to special tax rate on long term capital gain	**(353,575)**	-
Current tax expenses for the current year	**1,450,000**	-
Current tax expenses for the previous years	**1,431,241**	(1,111,482)
Income tax expense reported in the statement of profit and loss	**2,881,241**	(1,111,482)

c) Reconciliation of deferred tax liabilities (net)

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Opening balance	**-**	-
Tax income/(expense) during the period	**-**	-
Closing balance	**-**	-

d) The Company has not recognized deferred tax asset in respect of timing differences on account of business loss aggregating to R 29,053,000 (Previous Year: r 42,225,900) under the Income Tax Act, 1961 on the considerations of prudence.

45 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 :

	Particulars	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
(i)	Principal amount remaining unpaid to any supplier as at the end of the accounting year	**1,239,308**	1,348,231
(ii)	Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	**151,172**	254,514
(iii)	(a) The amount of interest paid to the supplier beyond the appointed day	**-**	-
	(b) The amounts of the payment made to the supplier beyond the appointed day	**1,176,607**	1,230,601
(iv)	The amount of interest due and payable for the year	**151,172**	254,514
(v)	The amount of interest accrued and remaining unpaid at the end of the accounting year	**706,859**	555,687
(vi)	The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	**19,097**	17,986

Dues to Micro and Small Enterprises have been identified by the Company from available information and relied upon by the Auditors.

46 Significant accounting judgements, estimates and assumptions :

The preparation of the Company'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

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Company.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Actual amounts available for offset depend upon acertainment by tax authorities in assessments of the Company. The Company will be able to offset tax losses and allowances only to the extent of availabliity of adquate taxable income within the time permissible as per the taxing legislations.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

47 Fair values :

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying value		Fair value	
	Year ended March 31, 2018 Rs.	Year ended March 31, 2017 Rs.	**Year ended March 31, 2018 Rs.**	Year ended March 31, 2017 Rs.
I) Financial assets				
Others non current financial assets				
Security Deposits	**389,995**	226,495	**389,995**	226,495
Others current financial assets				
Interest receivable	**15,054**	15,700	**15,054**	15,700
Unbilled Revenue	**19,292,000**	15,054,000	**19,292,000**	15,054,000
	19,697,049	15,296,195	**19,697,049**	15,296,195
II) Financial liabilities				
Long term borrowings 0% Unsecured Compulsorily Convertible Debentures of ? 100/- each, fully paid up	-	127,737,285	**-**	127,737,285
Short term borrowings				
Overdraft	**-**	97,122,019	**-**	97,122,019
LC Discounting Facility	**2,969,763**	6,792,006	**2,969,763**	6,792,006
Demand loans from companies	**7,864,494**	7,864,494	**7,864,494**	7,864,494
Demand loans from directors	**5,867,400**	5,867,400	**5,867,400**	5,867,400
Other financial liabilities				
Creditors for capital expenditure	**536,759**	402,505	**536,759**	402,505
Advances from customers	**115,763,810**	9,360,000	**115,763,810**	9,360,000
Other amounts payable	**90,920**	922,208	**90,920**	922,208
	133,093,146	256,067,917	**133,093,146**	256,067,917

The management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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Notes forming part of the Financial Statements for the year ended March 31, 2017.

48 Fair value hierarchy :

	Date of Valuation	Quoted prices in active markets (Level 1) Rs.	Significant observable inputs (Level 2) Rs.	Significant unobservable inputs (Level 3) Rs.	Total Rs.
Assets for which fair value has been disclosed					
Security Deposits	3/31/2018	-	-	389,995	389,995
Interest receivable	3/31/2018	-	-	15,054	15,054
Unbilled Revenue	3/31/2018	-	-	19,292,000	19,292,000
Liabilities for which fair value has been disclosed					
		-	-	-	-
0% Unsecured Compulsorily Convertible Debentures of ₹100/- each, fully paid up	3/31/2018				
Overdraft	3/31/2018	-	-	-	-
LC Discounting Facility	3/31/2018	-	-	2,969,763	2,969,763
Demand loans	3/31/2018	-	-	13,731,894	13,731,894
Creditors for capital expenditure	3/31/2018	-	-	536,759	536,759
Advances from customers	3/31/2018	-	-	115,763,810	115,763,810
Other amounts payable	3/31/2018	-	-	90,920	90,920
Assets for which fair value has been disclosed					
Security Deposits	3/31/2017	-	-	226,495	226,495
Interest receivable	3/31/2017	-	-	15,700	15,700
Unbilled Revenue	3/31/2017	-	-	15,054,000	15,054,000
Liabilities for which fair value has been disclosed					
		-	-	127,737,285	127,737,285
0% Unsecured Compulsorily Convertible Debentures of ₹100/- each, fully paid up	3/31/2017				
Overdraft	3/31/2017	-	-	97,122,019	97,122,019
LC Discounting Facility	3/31/2017	-	-	6,792,006	6,792,006
Demand loans	3/31/2017	-	-	13,731,894	13,731,894
Creditors for capital expenditure	3/31/2017	-	-	402,505	402,505
Advances from customers	3/31/2017	-	-	9,360,000	9,360,000
Other amounts payable	3/31/2017	-	-	922,208	922,208

49 Financial risk management disclosure :

The Company's principal financial liabilities, other than derivatives, comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include Investments in equity instruments, loans, cash and cash equivalents and other bank balances that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The financial risk committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below."

A) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTPL investments.

The sensitivity analysis in the following sections relate to the position as at March 31, 2018 and March 31, 2017.

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations, provisions."

The following assumptions have been made in calculating the sensitivity analysis:

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2018 and March 31, 2017 including the effect of hedge accounting(if any)

i) Intererst rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company does not hedges its exposure to fluctuations on the translation into INR of its foreign operations."

iii) Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in USD Rate	Effect on profit before tax Rs.	Effect on equity pre-tax Rs.
March 31st, 2018	5.00%	16,062	16,062
	-5.00%	(16,062)	(16,062)
March 31st, 2017	5.00%	(32,808)	(32,808)
	-5.00%	32,808	32,808

	Change in EUR Rate	Effect on profit before tax Rs.	Effect on equity pre-tax Rs.
March 31st, 2018	5.00%	3,384	3,384
	-5.00%	(3,384)	(3,384)
March 31st, 2017	5.00%	13,097	13,097
	-5.00%	(13,097)	(13,097)

	Change in GBP Rate	Effect on profit before tax Rs.	Effect on equity pre-tax Rs.
March 31st, 2018	5.00%	311	311
	-5.00%	(311)	(311)
March 31st, 2017	0.00%	-	-
	0.00%	-	-

B) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

i) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's management in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

C) Liquidity risk

The Company monitors its risk of a shortage of funds using a liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments

	On Demand	Less than 3 months	3 months to 12 months	1 year to 5 years	> 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Year ended March 31, 2018						
LC Discounting Facility	2,969,763	-	-	-	-	2,969,763
Demand loans from companies	7,864,494	-	-	-	-	7,864,494
Demand loans from directors	5,867,400	-	-	-	-	5,867,400
Creditors for capital expenditure	536,759	-	-	-	-	536,759
Advances from customers	115,763,810	-	-	-	-	115,763,810
Other amounts payable	90,920	-	-	-	-	90,920
	133,093,146	**-**	**-**	**-**	**-**	**133,093,146**

	On Demand	Less than 3 months	3 months to 12 months	1 year to 5 years	> 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Year ended March 31, 2017						
0% Unsecured Compulsorily Convertible Debentures of R 100/- each, fully paid up	-	-	-	127,737,285	-	127,737,285
Overdraft	97,122,019	-	-	-	-	97,122,019
LC Discounting Facility	6,792,006	-	-	-	-	6,792,006
Demand loans from companies	7,864,494	-	-	-	-	7,864,494
Demand loans from directors	5,867,400	-	-	-	-	5,867,400
Creditors for capital expenditure	402,505	-	-	-	-	402,505
Advances from customers	9,360,000	-	-	-	-	9,360,000
Other amounts payable	922,208	-	-	-	-	922,208
	128,330,632	**-**	**-**	**127,737,285**	**-**	**256,067,917**

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50 Sale of Land and Building:

The Company had entered into a memorandum of understanding for sale of land and building to Kalyani Strategic Systems Limited, a fellow subsidiary, for total consideration of r 52,770,000/- in the preceding financial year. The Company had received advance aggregating to r 50,808,080/- from the said company in that year.

			Amount Rs.
a)	**Carrying value of assets held for sale as at 1st February, 2017 is given below :**		
i.	Land at Survey no. 23/2, Gundlapochampally Village, Medchal Mandal, Ranga Reddy District, Telangana		413,976
ii.	Buiilding on above mentioned land		27,203,678
		Total:	**27,617,654**
b)	**Liabilities directly associated with the assets classified as held for sale as at 31st March, 2017:**		
i.	Advance received from Kalyani Strategic Systems Limited		50,808,080
		Total:	**50,808,080**

The Company sold the said land and building to Kalyani Strategic Systems Limited for total consideration of r 52,770,000/- by executing a sale deed on on 29th March, 2018. Profit of R 25,152,346/- arising on the sale of land and building has been credited to the Statament of Profit and Loss.

Immediately thereafter, the Company has entered into a Leave and License Agreement with Kalyani Strategic Systems Limited for lease of the said land and building.

51 Appointment of Key Managerial Personnal :

The provisions of Sec. 203 of the Companies Act, 2013 became applicable to the Company on 10th March, 2018 consequent to increase in paid-up share capital. The Company is in the process of appointing the Chief Financial Officer and the Company Secretary. Pending the said appointments, these financial statements have not been signed by the Chief Financial Officer or the Company Secretary.

As per my attached report of even date,

P. V. Deo
Chartered Accountant

Place : Pune
Date : May 10, 2018

On behalf of the Board of Directors,

Vikram Munje
Director
DIN : 02772991

Kishore Saletore
Director
DIN : 01705850

Place : Pune
Date : May 10, 2018

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BF Elbit Advanced Systems Private Limited

Directors	Registered Office	Auditors
Mr.B.N.Kalyani	Pune Cantonment,	P.V.Deo
Mr.A.B.Kalyani	Mundhwa,	Chartered Accountant
Mr.Rajinder Singh Bhatia	Pune 411036	604 Jeevan Heights,
Mr.Shai Israel Cohen		Thorat Colony,Erandwana,
Mr.Yehuda Vered		Pune - 411004

BOARD'S REPORT
FOR THE YEAR ENDED MARCH 31, 2018

To,

The Members,

Your Directors have pleasure in presenting the Board Report on the business and operations of the Company and the audited accounts for the Financial Year ended March 31, 2018.

1. PERFORMANCE OF THE COMPANY

The Company has not yet started any commercial activities.

(Amount in Rupees)

Particulars	As on March 31, 2018	As on March 31, 2017
Total Revenue	542,574	-
Depreciation/Amortization	70,378	259,587
Other expenses	4,455,750	1,291,167
Total expenses	14,129,072	10,291,229
Profit / (Loss) before Tax	(13,586,498)	(10,291,229)
Current Tax	NIL	NIL
Profit / (Loss) after Tax	(13,586,498)	(10,291,229)
Earnings per equity share Basic / Diluted	(35.80)	(561.69)

2. DIVIDEND

Since the Company does not have any distributable profit, the Board has not recommended any dividend for the financial year ended March 31, 2018.

3. RESERVES

During the year under review, no amount is proposed to be transfer to the General Reserves.

4. STATE OF COMPANY'S AFFAIRS

The Company is yet to start its commercial activities.

5. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATES AND THE DATE OF THE REPORT

There are no adverse material changes or commitments occurring after March 31, 2018 which affect the financial position of the Company or may require disclosure.

6. SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE COMPANIES

The Company does not have any subsidiary, joint venture and associate company.

7. PUBLIC DEPOSITS

The Company has not accepted deposits under Chapter V of the Companies Act, 2013 during the year.

8. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT 2013

The Company has not made any Investment, given guarantee and securities during the year under review.

9. INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

The Company has in place adequate systems of internal control which commensurate with its size and the nature of its operations.

The Company is exposed to business risk, market risk and risk from changes in government policies. These risks are assessed and appropriate steps to mitigate these risks are taken from time-to-time.

10. NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

In financial year 2017-18, the Board of the Company met five times on May 08, 2017, August 10, 2017, September 13, 2017, November 30, 2017 and March 29, 2018. The maximum gap between any two Board Meetings was less than one Hundred and Twenty days.

11. DETAILS OF APPOINTMENT AND RESIGNATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

In accordance with the provisions of the Companies Act, 2013, Mr. Amit Kalyani and Mr. Rajinder Singh Bhatia retire by rotation and being eligible, offers themselves for reappointment.

During the year under review, there has been no change in directorship of the Company.

12. SHARE CAPITAL

During the year under review, the Company has issued and allotted 19,60,800 Equity Shares of face value of Rs.10/- each at par on rights basis.

Thus, as on March 31, 2018, Paid up Share Capital of the Company is 19,80,408 Equity Shares of face value of Rs.10/- each amounting to Rs.1,98,04,080/-.

Further, during the year under review, the Company has not issued shares with differential voting rights nor has granted any stock options or sweat equity.
As on March 31, 2018, none of the Directors of the Company hold instruments convertible into equity shares of the Company.

13. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 134(5) of the Companies Act, 2013 with respect to Directors' Responsibility Statement, Directors confirm that:

a) in the preparation of the annual financial statements for the year ended March 31, 2018, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state-of-affairs of the Company as at March 31, 2018 and of the Loss of the Company for the year under review;

c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) they have prepared the annual accounts on a going concern basis;

e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

14. SIGNIFICANT AND MATERIAL ORDERS

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

15. AUDITORS

At the Annual General Meeting (AGM) of the Company, held on August 23, 2014 the shareholders had approved appointment of Mr. Prashant V. Deo, Chartered Accountant, as Statutory Auditors of the Company till the conclusion of AGM to be held in the year 2019, subject to ratification by the shareholders at every AGM.

The Companies (Amendment) Act, 2017, published in the Gazette of India on January 3, 2018, amended few sections of the Companies Act, 2013, including omission of first proviso to Section 139(1) of Companies Act 2013, which provided for ratification of appointment of Statutory Auditors by members at every AGM. The amendment to the said Section is effective from May 7, 2018.

In view of the above, the Board of Directors of Company have proposed partial modification of previous resolution of the members passed at the AGM held on August 23, 2014, on appointment of Statutory Auditors and recommended to continue their appointment for the period of five years commencing from the conclusion of AGM held on August 23, 2014, till the conclusion of AGM to be held in the year 2019, without seeking any further ratification of their appointment from members at this AGM and ensuing AGMs till the tenure of the Statutory Auditors.

In this regard, the Company has received a certificate from the auditors to the effect that if their appointment is ratified by the shareholder, will be in accordance with the provisions of Section 141 of the Companies Act, 2013.

16. REPLY TO AUDITORS REMARKS / COMMENTS / OBSERVATIONS

As regards adverse remark stated in item No (vii) (a) of "Annexure A" of Auditor's Report, your directors wish to state that irregularity in payment of liabilities under Section 234E of Income Tax Act 1961is due to non-availability of liquid funds and the Company has taken necessary steps to ensure timely payment in future.

17. EXTRACT OF ANNUAL RETURN

The extract of Annual Return in Form No.MGT-9 as required under Section 92 of the Companies Act, 2013 for the financial year ending March 31, 2018 is appended as **Annexure "A"** and forms part of this report.

18. CONSOLIDATED FINANCIAL STATEMENTS

The Company doesn't have any subsidiaries so there is no need to prepare consolidated financial statement for the F.Y. 2017-18.

19. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The particulars of contracts or arrangements with related parties referred to in sub section (1) of section 188 entered by the Company during the financial year ended 31st March, 2018 is appended as **Annexure "B"** in prescribed Form AOC-2 and forms part of this report.

20. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pertaining to conservation of energy, technology absorption, Foreign exchange Earnings and outgo as required under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished in "**Annexure C"** and is attached to this report.

21. OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

There were no complaints filed in terms of provision of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013.

22. INFORMATION PURSUANT TO RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

There are no employees in the Company.

23. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company complies with all applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

24. ACKNOWLEDGEMENT

The Directors sincerely thanks all the members, clients, bankers and the employees for extending valuable support and cooperation all through the year.

For and on behalf of the Board of Directors

Place : Pune	**B. N. Kalyani**	**Rajinder Singh Bhatia**
Date : May 15, 2018	**Director**	**Director**
	DIN : 00089380	**DIN : 05333963**

Annexure "A"

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on March 31, 2018
[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	U29270PN2012PTC144268
ii)	Registration date	August 2, 2012
iii)	Name of the Company	BF Elbit Advanced Systems Private Limited
iv)	Category/Sub category of the Company	Company Limited by Shares / Indian Non-Government Company
v)	Address of the Registered office and contact details	Mundhwa, Pune Cantonment, Pune 411 036. Tel. No. +91 6704 2343 Fax No. +91 2682 1250
vi)	Whether listed company	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company are as stated below:-

Sr. No.	Name and Description of main products/services	NIC Code of the product / service	% to total turnover of the Company*
	NIL	NIL	NIL

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Bharat Forge Ltd. Mundhwa, Pune Cantonment, Pune-411036	L25209PN1961PLC012046	Holding	51	Section 2(87)(ii)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding as of March 31, 2018

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a)Individual/HUF	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Bodies Corp.	NIL	10,000	10,000	51	NIL	10,10,000	10,10,000	51	NIL
Sub-total (A) (1):-	**NIL**	**10,000**	**10,000**	**51**	**NIL**	**10,10,000**	**10,10,000**	**51**	**NIL**
(2) Foreign									
a)NRI Individual	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Bodies Corp.	NIL	9,608	9,608	49	NIL	9,70,408	9,70,408	49	NIL
Sub-total (A) (2):-	NIL	9,608	9,608	49	NIL	9,70,408	9,70,408	49	NIL
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**NIL**	**19,608**	**19,608**	**100**	**NIL**	**19,80,408**	**19,80,408**	**100**	**NIL**
B.Public Shareholding									
1. Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2. Non-Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total Public Shareholding (B)=(B)(1)+ (B)(2)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
C. Shares held by Custodian for GDRs & ADRs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Grand Total (A+B+C)	**NIL**	**19608**	**19608**	**100**	**NIL**	**19,80,408**	**19,80,408**	**100**	**NIL**

ii) Shareholding of Promoters :

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Bharat Forge Limited	10,000	51	NIL	10,10,000	51	NIL	NIL
2	Elbit Systems Land and C4I Limited	9,608	49	NIL	9,70,408	49	NIL	NIL
	Total	19,608	100	NIL	19,80,408	100	NIL	NIL

iii) Change in Promoters' Shareholding:

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	At the beginning of the year	19,608	100	19,608	100
2	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): 1. January 24, 2018: Allotment of 19,60,800 Equity Shares of Rs. 10/- on Right Basis.	19,60,800	100	19,80,408	100
3	At the End of the year	19,80,408	100	19,80,408	100

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Sr. No.	For Each of the Top 10 Shareholders Name, Date & Reason of change	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	NIL	NIL	NIL	NIL	NIL

v) Shareholding of Directors and Key Managerial Personnel:

Shareholding of Directors & KMPs :

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the Directors and KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	NIL	NIL	NIL	NIL	NIL

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(Amount in Rupees)

Particulars	Secured Loans excluding deposit	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i.) Principal Amount	-	80,824,119/-	-	80,824,119/-
ii.) Interest due but not paid	-	13,262,151/-	-	13,262,151/-
iii.) Interest accrue but not due	-	-	-	-
Total(i+ii+iii)	-	94,086,270/-	-	94,086,270/-
Change in Indebtedness during the Financial year				
i.) Addition	-	-	-	-
ii.) Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the Financial year				
i.) Principal Amount	-	80,824,119/-	-	80,824,119/-
ii.) Interest due but not paid	-	22,722,291/-	-	22,722,291/-
iii.) Interest accrue but not due	-	-	-	-
Total(i+ii+iii)	-	103,546,410/-	-	103,546,410/-

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Director and/or Manager

(Amount in Rupees)

Sr. No.	Particulars of Remuneration	Name of the Managing Director/Whole-time Director/Manager		Total Amount
1.	Gross Salary			
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	NIL	NIL	NIL
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL
2.	Stock Option	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL
4.	Commission:	NIL	NIL	NIL
	- As a % of Profit	NIL	NIL	NIL
	- others, specify	NIL	NIL	NIL
5.	Others, please specify	NIL	NIL	NIL
Total A		NIL	NIL	NIL
Ceiling as per the Act				N.A.

B. Remuneration to other Directors

The Company does not pay remuneration to any other Directors.

C. Remuneration to Key Managerial Personnel other than the Managing Director/Whole-time Director/Manager

The Company does not have Key Managerial Personnel.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / punishment / compounding fees imposed	Authority (RD/ NCLT/ COURT)	Appeal made, if any (give details)
A. Company					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B. Directors					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C. Other Officers in default					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

For and on behalf of the Board of Directors

Place : Pune
Date : May 15, 2018

B. N. Kalyani
Director
DIN : 00089380

Rajinder Singh Bhatia
Director
DIN : 05333963

Annexure -"B"

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

There are no contracts or arrangements or transactions entered into by the Company during the year ended March 31, 2018, which are not at arm's length basis.

2. Details of material contracts or arrangement or transactions at arm's length basis

a	Name(s) of the related party and nature of relationship	Bharat Forge Limited			Kalyani Strategic Systems Limited
b	Nature of contracts/ arrangements/ transactions	Interest on Inter Corporate Deposit	Lease of Property	Reimbursement of expenses paid	Interest on Inter Corporate Deposit
c	Duration of the contracts / arrangements/transactions	Payable on Demand	Three years. Can be extended mutually	One time transaction	Payable on Demand Rs. 9,91,325/-
d	Salient terms of the contracts or arrangements or transactions including the value, if any	At an interest of 10% p.a. Rs. 86,11,619/-	As per sub-let agreement Rs. 4,80,000/-	Reimbursement of transportation expenses	At an interest of 9.7% p.a.
e	Date(s) of approval by the Board, if any	March 29, 2016	March 12, 2014	NA	September 9, 2015
f	Amount paid as advances, if any	NIL	NIL	NIL	NIL

For and on behalf of the Board of Directors

Place : Pune	**B. N. Kalyani**	**Rajinder Singh Bhatia**
Date : May 15, 2018	**Director**	**Director**
	DIN : 00089380	**DIN : 05333963**

Annexure -"C"

Information as per Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 forming part of the Directors' Report for the year ended March 31, 2018.

(A) Conservation of Energy

a. Steps taken or impact on conservation of energy during 2017-2018

NIL

b. Steps taken by the Company for utilizing alternate sources of energy

NIL

c. Capital investment on energy conservation equipment

NIL

(B) Technology Absorption, Adaptation and Innovation

(1) Efforts made towards technology absorption, adaptation and innovation

The Company has continued its endeavor to absorb the best of technologies for its products.

(2) Benefits derived as a result of above efforts

The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(C) Foreign Exchange Earnings and Outgo

Total foreign exchange earnings and outgo for the financial year is as follows :

i)	Total Foreign Exchange Earning	:	NIL
ii)	Total Foreign Exchange Outgo	:	NIL

For and on behalf of the Board of Directors

Place : Pune	**B. N. Kalyani**	**Rajinder Singh Bhatia**
Date : May 15, 2018	**Director**	**Director**
	DIN : 00089380	**DIN : 05333963**

Auditor's Report

To the Members of BF Elbit Advanced Systems Private Limited

Report on the Financial Statements

I have audited the accompanying financial statements of **BF Elbit Advanced Systems Private Limited** ("the Company") which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss (including other comprehensive income), the Statement of changes in equity and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (IND ASs) specified under Section 133 of the Act, read with relevant rules issued thereunder. This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting the 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit.

I have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

I conducted my audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion on the financial statements.

Opinion

In my opinion and to the best of my information and according to the explanations given to me, the aforesaid financial statements, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the IND ASs; of the state of affairs of the Company as at 31st March, 2018, and its loss including other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, I give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, I report that:

   a) I have sought and obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of my audit.

   b) In my opinion, proper books of account as required by law have been kept by the Company, so far as appears from my 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 Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   d) In my opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder.

   e) On the basis of written representations received from the directors as on 31st March, 2018, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018, from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to my separate Report in "**Annexure B**".

   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in my opinion and to the best of my information and according to the explanations given to me :

      i. The Company does not have any pending litigations which would impact its financial position;

      ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses;

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

P. V. Deo
Chartered Accountant
Membership No. 041609
Place: Pune
Date : May 15th 2018

"ANNEXURE A" REFERRED TO IN THE INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF BF ELBIT ADVANCED SYSTEMS PRIVATE LIMITED FOR THE YEAR ENDED 31ST MARCH, 2018.

In terms of the information and explanations sought by me and given by the Company and the books and records examined by me in the course of audit and to the best of my knowledge and belief, I state that:

(i)

(a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) As explained to me, the fixed assets have been physically verified by the Management at reasonable intervals, during the financial year. According to the information and explanations given to me, no discrepancies were noticed on physical verification of the fixed assets.

(c) The Company does not own any immovable properties.

(ii) As explained to me, the Company was not required to hold any physical inventories during the financial year covered by this report. Thus, paragraph 3(ii) of the Order is not applicable to the Company.

(iii) The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

(iv) The Company has neither given any loan to any person or other body corporate nor given any guarantee or provided security in connection with a loan to any other body corporate or person. Similarly the Company has also not acquired by way of subscription, purchase or otherwise, the securities of any other body corporate.

(v) The Company has not accepted deposits from the public within the meaning of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013, and the rules framed, thereunder.

(vi) Requirement to maintain cost records under sub-section (1) of section 148 of the Companies Act, 2013 does not apply to the Company.

(vii)

(a) According to the records of the Company, the Company was found to be generally regular in depositing undisputed statutory dues including income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities, though there had been delays in few cases. As explained to me by the Management, the provisions of the Employees' State Insurance Act, 1948 and the Employees' Provident Fund and Miscellaneous Provisions Act 1952 do not apply to the Company. According to the information and explanations given to me, no undisputed amounts payable in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax and any other statutory dues were outstanding as at 31st March, 2018 for a period of more than six months from the date those became payable save and except the following liabilities which were outstanding for a period of more than six months from the date those became payable.

- Fee payable under section 234E of Income Tax Act 1961. : Rs 219,000/-

(b) According to the records of the Company, there are no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited on account of any dispute.

(viii) The Company does not have any loans or borrowings from any financial institution, banks, government or debenture holders. Accordingly, paragraph 3(viii) of the Order is not applicable.

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

(x) Based upon the audit procedures performed and the information and explanations given by the Management, I report that no fraud by the Company or no fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) The Company has not paid any managerial remuneration during the financial year covered by this report. Accordingly, paragraph 3 (xi) of the Order is not applicable.

(xii) In my opinion and according to the information and explanations given to me, the Company is not a Nidhi company. Accordingly, paragraph 3 (xii) of the Order is not applicable.

(xiii) According to the records of the Company and according to the information and explanations given to me, transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013 wherever applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.

(xiv) The Company has made private placement of equity shares during the year under review and based upon the audit procedures performed and the information and explanations given to me, the requirements of section 42 of the Companies Act, 2013 have been complied with and the amount raised has been used for the purposes for which the funds were raised.

(xv) According to the information and explanations given to me and based on my examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

P. V. Deo
Chartered Accountant
Membership No. 041609

Place : Pune
Date : May 15th 2018

"Annexure B" REFERRED TO IN THE INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF BF ELBIT ADVANCED SYSTEMS PRIVATE LIMITED FOR THE YEAR ENDED 31ST MARCH, 2018.

I have audited the internal financial controls over financial reporting of **BF Elbit Advanced Systems Private Limited** ("the Company") as of 31st March, 2018 in conjunction with my audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

My responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on my audit. I conducted my audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

My audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. My audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting 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 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 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

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

Opinion

In my opinion, the Company has, in all material respects, internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31st March, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

P. V. Deo
Chartered Accountant
Membership No. 041609

Place : Pune
Date : May 15th 2018

Balance sheet as at 31st March, 2018

	Notes	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
I. ASSETS			
1. Non-current assets			
a) Property, Plant and Equipment	3	**19,446**	66,934
b) Financial Assets			
i) Other financial assets	4	**25,000**	25,000
c) Other non-current assets	5	**20,215,590**	1,713,144
		20,260,036	1,805,078
2. Current assets			
a) Financial Assets			
i) Cash and cash equivalents	6	**14,442,506**	22,548
b) Other current assets	7	**-**	18,238,281
		14,442,506	18,260,829
TOTAL :		**34,702,542**	20,065,907
II. EQUITY AND LIABILITIES			
1. Equity			
a) Equity share capital	8	**19,804,080**	196,080
b) Other equity	9	**(95,763,331)**	(82,176,833)
		(75,959,251)	(81,980,753)
2. Current liabilities			
a) Financial Liabilities			
i) Borrowings	10(i)	**103,546,411**	100,117,108
ii) Trade Payables	10 (ii)	**6,896,382**	218,670
b) Other current liabilities	11	**219,000**	1,710,882
		110,661,793	102,046,660
TOTAL :		**34,702,542**	20,065,907
Significant Accounting Policies and Notes forming an integral part of the Financial Statements	1 to 27		

As per my attached report of even date,

P. V. Deo
Chartered Accountant

Place: Pune
Date: May 15th 2018

On behalf of the Board of Directors,

B.N.Kalyani
Director
DIN: 00089380
Place: Pune
Date: May 15th 2018

Rajinder Singh Bhatia
Director
DIN: 05333963

Statement of profit and loss for the year ended 31st March, 2018

	Notes	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
I. Income			
a) Other Income	12	**542,574**	-
Total Income		**542,574**	-
II. Expenses			
a) Finance Costs	13	**9,602,944**	8,740,475
b) Depreciation and amortization expenses	14	**70,378**	259,587
c) Other expenses	15	**4,455,750**	1,291,167
Total expenses		**14,129,072**	10,291,229
III. Loss before tax		**(13,586,498)**	(10,291,229)
IV. Tax expenses		**-**	-
V. Loss for the year		**(13,586,498)**	(10,291,229)
VI. Other Comprehensive Income		**-**	-
VII. Total Comprehensive Income for the period (V+VI)		**(13,586,498)**	(10,291,229)
VIII. Earnings per equity share for continuing operations [nominal value of share Rs.10/-]			
a) Basic (In Rs.)	19	**(35.80)**	(561.69)
b) Diluted (In Rs.)	19	**(35.80)**	(561.69)
Significant Accounting Policies and Notes forming an integral part of the Financial Statements	1 to 27		

As per my attached report of even date,

P. V. Deo
Chartered Accountant

Place: Pune
Date: May 15th 2018

On behalf of the Board of Directors,

B.N.Kalyani
Director
DIN: 00089380

Rajinder Singh Bhatia
Director
DIN: 05333963

Place: Pune
Date: May 15th 2018

Statement of changes in equity for the year ended 31st March, 2018

a Equity share capital

		Balance at the beginning of the year	Changes in Equity share Capital during the year	Balance at the end of the year
		Rs.	Rs.	Rs.
i)	For the Period ended 31st March 2018	196,080	19,608,000	19,804,080
ii)	For the Period ended 31st March 2017	135,130	60,950	196,080

b Other equity

	Retained Earnings Rs.
Balance at the beginning of the Year	(71,885,604)
Add :	
Total Comprehensive Income for the Year	(10,291,229)
Balance at the end of the Year 31st March, 2017.	(82,176,833)
Add :	
Total Comprehensive Income for the year	(13,586,498)
Balance at the end of the Year 31st March, 2018.	**(95,763,331)**
c Total equity (a+b)	**(75,959,251)**

Significant Accounting Policies and Notes forming an integral part of the Financial Statements 1 to 27

As per my attached report of even date,

P. V. Deo
Chartered Accountant

Place: Pune
Date: May 15th 2018

On behalf of the Board of Directors,

B.N.Kalyani
Director
DIN: 00089380
Place: Pune
Date: May 15th 2018

Rajinder Singh Bhatia
Director
DIN: 05333963

Cash Flow Statement for the year ended 31st March, 2018

			Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
(A)	**Cash flow from operating activities**			
	Loss before tax		**(13,586,498)**	(10,291,229)
	Add :			
	Depreciation		**70,378**	259,587
	Interest Paid		**9,602,944**	8,740,475
			(3,913,176)	(1,291,167)
	Less :			
	Foreign Exchange Gain Realised		**-**	(2,221)
	Operating loss before working capital changes		**(3,913,176)**	(1,293,388)
	Movements in working capital :			
	(Increase) / decrease in other non-current assets		**(18,502,446)**	(85,413)
	(Increase) / decrease in other current assets		**18,238,281**	416,304
	Increase / (decrease) in Trade Payables		**6,677,712**	97,200
	Increase / (decrease) in other Current liabilities		**(1,491,882)**	648,183
			4,921,665	1,076,274
	Cash generated from operations		**1,008,489**	(217,114)
	Direct taxes paid (net of refunds)		**-**	(119,540)
	Net cash flows from operating activities	**(A)**	**1,008,489**	(336,654)
(B)	**Cash flows from investing activities**			
	Purchase of Property, plant and equipment		**(22,890)**	-
	Net cash flows from investing activities	**(B)**	**(22,890)**	-
(C)	**Cash flows from financing activities**			
	Proceeds from issue of equity shares		**19,608,000**	63,171
	Proceeds from short term borrowings		**3,429,303**	8,370,428
	Interest Paid		**(9,602,944)**	(8,620,935)
	Net cash flows from financing activities	**(C)**	**13,434,359**	(187,336)
(D)	**Net increase / (Decrease) in cash and cash equivalents (A+B+C)**		**14,419,958**	(523,990)
(E)	**Cash and cash equivalents at the beginning of the year**		**22,548**	546,538
(F)	**Cash and cash equivalents at the end of the year**		**14,442,506**	22,548

		As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Components of cash and cash equivalents as at			
Balances with Banks in Current accounts		**14,442,506**	22,548
	TOTAL :	**14,442,506**	22,548
Significant Accounting Policies and Notes forming an integral part of the Financial Statements	1 to 27		

As per my attached report of even date,

P. V. Deo
Chartered Accountant

Place: Pune
Date: May 15th 2018

On behalf of the Board of Directors,

B.N.Kalyani
Director
DIN: 00089380

Rajinder Singh Bhatia
Director
DIN: 05333963

Place: Pune
Date: May 15th 2018

Notes forming part of the Financial Statements for the year ended 31st March, 2018.

1. **Corporate information:**

"BF Elbit Advanced Systems Private Limited was incorporated on 2nd August, 2012, as a private limited company under the erstwhile Companies Act, 1956. The Company is a subsidiary of Bharat Forge Limited and thus deemed to be a public company within the meaning of Sec. 2(71) of the Companies Act, 2013. The Company is a 51:49 Joint Venture between Bharat Forge Limited and Elbit Systems Land and C4I Limited of Israel. Bharat Forge Limited is the Holding Company.

The Company is engaged in the business of developing weapon systems with primary focus on artillery and mortar systems of all calibres. During the financial year covered by these statements, the Company was engaged exclusively in carrying out trial runs of its products."

2. **Significant accounting policies:**

2.1 **Basis of accounting and preparation of financial statements:**

These financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended thereafter and the provisions of the Companies Act, 2013 (to the extent notified).

Effective 1st April, 2016, the Company has adopted all the Ind AS standards and the adoption was carried out in accordance with Ind AS 101 "First time adoption of Indian Accounting Standards," with April 1, 2015 as the transition date. 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 have been prepared on a historical cost basis, except for the following assets and liabilities wherever existed, which have been measured at fair value:

i Derivative financial instruments,

ii Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

The financial statements are presented in INR and all values are rounded to the nearest Rupee.

2.2 **Current versus non-current bifurcation:**

The Company presents assets and liabilities in the balance sheet based on current and non-current classification.

An asset is treated as current when it is:

i Expected to be realised or intended to be sold or consumed in the normal operating cycle,

ii Held primarily for the purpose of trading,

iii Expected to be realised within twelve months after the reporting period, or iv 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 treated as current when:

i It is expected to be settled in normal operating cycle,

ii It is held primarily for the purpose of trading,

iii It is due to be settled within twelve months after the reporting period, or

iv There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

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 Company has identified twelve months as its operating cycle.

2.3 **Foreign currency transactions and translations :**

The Company’s financial statements are presented in INR, which is also the Company’s functional currency. Items included in the financial statements are measured using functional currency.

a) Transactions and balances

"Transactions in foreign currencies are initially recorded by the Company in its functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date, continuing the policy adopted for accounting for exchange difference arising from translation of long term foreign currency monetary items recognised in the financial statements for the year ended 31st March, 2016. Exchange difference that arise on settlement of monetary items or on reporting at each balance sheet date of the Company’s monetary items at the closing rate are recognized as income or expenses in the period in which they arise except for differences pertaining to Long Term Foreign Currency Monetary Items as mentioned subsequently.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively)."

b) Exchange differences

The Company has availed the option available under Ind AS 101 para D13 AA pertaining to long term foreign currency translation difference account (FCMITDA). Hence, the Company has continued the policy adopted for accounting for exchange differences arising from translation of long term foreign currency monetary items recognised in the financial statements for the period ended 31st March, 2016 as per previous GAAP. Accordingly, the exchange differences are accounted for as under

I Exchange differences arising on long-term foreign currency monetary items recognised in the financial statements for the year ended 31st March, 2016 related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset

ii Exchange differences arising on other long-term foreign currency monetary items recognised in the financial statements for the year ended 31st March, 2016 are accumulated in the “Foreign Currency Monetary Item Translation Difference Account” and amortized over the remaining life of the concerned monetary item

iii All other exchange differences are recognized as income or as expenses in the period in which they arise.

For the purpose of a and b above, the Company treats a foreign currency monetary item as “long-term foreign currency monetary item”, if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated 9th August, 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period. In other words, the Company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

2.4 Fair value measurement :

"The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:"

i In the principal market for the asset or liability, or

ii In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or l liabilities

ii Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

iii Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

"External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy."

2.5 **Revenue recognition:**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

2.6 **Taxes:**

"Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates and generates taxable income. The tax rates and tax laws used to compute the amount are those that are enacted, at the reporting date.

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

The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously."

Deferred tax is provided using the liability method on temporary differences between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset can be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent it has become probable that future taxable profits will allow the deferred tax assets 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 the tax rates (and the tax laws) that have been enacted or substantively enacted at the reporting date.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxation authority.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of temporary differences which reverse during the tax holiday period, to the extent the Company’s gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognized in the year in which the temporary differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become probable that future taxable profit will be available against which such deferred tax assets can be realized.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the guidance note on “Accounting for Credit Available in respect of Minimum Alternative Tax” under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as “MAT Credit Entitlement.” The Company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

Sales/ value added taxes/Goods and service tax paid on acquisition of assets or on incurring expenses

Expenses and assets are recognized net of the amount of sales/ value added taxes paid, except:

i 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 recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

ii 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.

2.7 Property, plant and equipment:

Property, plant and equipment, capital work in progress and investment property are stated at cost of acquisition or construction net of accumulated depreciation and accumulated impairment losses, if any. Internally manufactured property, plant and equipment are capitalized at factory cost, including excise duty, wherever applicable. All the significant costs relating to the acquisition and installation of property, plant and equipment or investment property are capitalized. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized in the profit or loss as incurred. The present value of the expected cost of the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for the provision are met.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Statement of Profit and Loss during the financial period in which they are incurred.

"Depreciation is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management.

Depreciation on additions to assets during the year is being provided on pro-rata basis from the date of acquisition/ installation. Depreciation on assets sold, discarded or demolished during the year, is being provided at their respective rates on pro-rata basis upto the date on which such assets are sold, discarded or demolished.

Assets under improvement to leased premises are fully depreciated over the lease period of the asset."

The Management's estimate of the useful lives of various fixed assets, which is in line with the provisions of Schedule II to the Companies Act, 2013 is given below.

	Type of Asset	Estimated useful life
i)	Building - Temporary structure	3 Years
ii)	Office equipment	5 Years

Losses arising from the retirement of, and gains and losses arising from disposal of property plant and equipment which are carried at cost are recognized in the Statement of Profit and Loss.

"An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its used or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and the methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate."

2.8 **Intangible assets:**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

2.9 **Leases :**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependant on the use of specific asset or assets and the arrangement conveys

Company as a Lessee

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

2.10 **Impairment of Non-financial assets:**

"The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators."

"The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus."

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

"Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 October at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired."

2.11 **Provisions, Contingent Liabilities:**

"Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements."

2.12 **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.

A **Financial Asset:**

a) 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 Company commits to purchase or sell the asset.

b) Subsequent measurement

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

i Debt instruments at amortised cost

ii Debt instruments at fair value through other comprehensive income (FVTOCI)

iii Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

iv Equity instruments measured at fair value through other comprehensive income (FVTOCI)

c) Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

i The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

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

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. 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 finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

d) Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

i The objective of the business model is achieved both by collecting contractual cash

flows and selling the financial assets, and

ii The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

e) Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

f) Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

g) Derecognition

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

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

ii The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

h) Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

i Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance

ii Financial assets that are debt instruments and are measured as at FVTOCI

iii Lease receivables under Ind AS 17

iv Trade receivables or any contractual right to receive cash or another financial asset that

result from transactions that are within the scope of Ind AS 11 and Ind AS 18

v Loan commitments which are not measured as at FVTPL

vi Financial guarantee contracts which are not measured as at FVTPL

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables or contract revenue receivables

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

i All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument

ii Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the P&L.

The balance sheet presentation for various financial instruments is described below:i. Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

Ii Loan commitments and financial guarantee contracts: ECL is presented as a provision in the balance sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

B **Financial liabilities :**

a) 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, or as derivatives designated as hedging instruments in an effective hedge, 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 Company's financial liabilities include trade and other payables.

b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

i Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

ii Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss.

iii Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

c) Derecognition

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 or loss.

C **Embedded derivatives :**

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index,

or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

D **Reclassification of financial assets :**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Original Classification	Revised Classification	Accounting Treatment
Amortised Cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.

FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised Cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised Cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

E **Offsetting of financial instruments :**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.13 Cash and cash equivalents :

"Cash and cash equivalents comprise cash at bank and in hand and short-term investments with an original maturity of three months or less, which are 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 Company’s cash management."

2.14 Dividend to equity holders :

The Company recognises a liability to make cash or non-cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.15 Segment reporting :

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified by the Board of Directors that makes strategic decisions.

2.16 Earnings per share:

Basic earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit attributable to the equity holders of the

Company as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

2.17 **Cash flow statement :**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.18 **Use of estimates**

"The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements.

Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revisions to accounting estimates are recognised prospectively in current and future periods."

2.19 **Ind AS 115- Revenue from Contract with Customers**

"Ind AS 115 was notified on 28th March 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

3 Property, Plant and equipment :

	Building - Temporary structure Rs.	Office Equipment's Rs.	Total Rs.
Gross Block, at Cost :	667,813	156,950	824,763
Additions Disposals Adjustments			
As at 31st March, 2017.	**667,813**	**156,950**	**824,763**
Additions Disposals Adjustments		22,890	**22,890**
As at 31st March, 2018.	**667,813**	**179,840**	**847,653**

Depreciation and Amortization :	416,258	81,984	498,242
Disposals			
Adjustments			
For the year	222,319	37,268	**259,587**
Upto 31st March, 2017.	**638,577**	**119,252**	**757,829**
Disposals			
Adjustments			
For the year	**29,236**	**41,142**	**70,378**
Upto 31st March, 2018.	**667,813**	**160,394**	**828,207**
Net Block :			
As at 31st March, 2017.	29,236	37,698	66,934
As at 31st March, 2018.		**19,446**	**19,446**

(a) The Company has elected to continue with the carrying values for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind ASs, measured as per the previous GAAP and use that as its deemed cost as at the date of transition to Ind ASs in accordance with paragraph D7AA of Ind AS 101 "First Time Adoption of Ind AS".

4. Other Financial Assets - Non Current
(Unsecured, Good)

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Deposits	**25,000**	25,000
TOTAL :	**25,000**	25,000

5. Other non-current assets
(Unsecured, Good)

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Capital Advance to a Related Party	**18,212,348**	
Balances with government authorities	**2,003,242**	1,713,144
TOTAL :	**20,215,590**	1,713,144

6. Cash and cash equivalents

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Balances with banks		
In Current accounts	**14,442,506**	22,548
TOTAL :	**14,442,506**	22,548

7. Other current assets
(Unsecured, Good)

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Prepaid Expenses		2,700
Advance against expenses		80,773
Advances recoverable in cash or in kind for value to be received		
From Related Party		18,154,808
TOTAL :		18,238,281

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Notes forming part of the Financial Statements for the year ended 31st March, 2018

8. Equity share capital

		As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Authorised			
15,000,000	(15,000,000) Equity shares of Rs. 10/- each	**150,000,000**	150,000,000
Issued			
1,980,408	(19,608) Equity shares of Rs. 10/- each	**19,804,080**	196,080
Subscribed and fully paid-up			
1,980,408	(19,608) Equity shares of Rs. 10/- each	**19,804,080**	196,080
Total issued, subscribed and fully paid-up share capital :		**19,804,080**	196,080

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Equity shares	As at 31st March, 2018		As at 31st March, 2017	
	Nos.	Rs.	Nos.	Rs.
At the beginning of the year	**19,608**	**196,080**	13,513	135,130
Shares Issued during the year	**1,960,800**	**19,608,000**	6,095	60,950
Shares bought back during the year				
Outstanding at the end of the year	**1,980,408**	**19,804,080**	19,608	196,080

(b) Terms/rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of Rs. 10/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive surplus assets of the Company, remaining after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

Name of Shareholder	As at 31st March, 2018		As at 31st March, 2017	
	Nos.	% of Holding	Nos.	% of Holding
Equity shares of Rs. 10 each fully paid				
Bharat Forge Limited, the Holding Company#	**1,010,000**	**51.00**	10,000	51.00
Elbit Systems Land and C4I Limited	**970,408**	**49.00**	9,608	49.00

including the shares held through nominees

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Notes forming part of the Financial Statements for the year ended 31st March, 2018

9. Other equity

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Retained earnings		
As per last account	**(82,176,833)**	(71,885,604)
Add : Total comprehensive income for the year	**(13,586,498)**	(10,291,229)
Less : Appropriations		
Closing balance	**(95,763,331)**	(82,176,833)

10. Financial Liabilities
(Unsecured, Good)

		As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
i)	**Borrowings :**		
	Unsecured		
	Demand loans from companies[(a)(b)]	**103,546,411**	100,117,108
	SUBTOTAL (i):	**103,546,411**	100,117,108
(a)	*Includes Loan from Bharat Forge Ltd, the Holding Company which carries interest @ 10% p.a.*	**92,437,437**	90,717,818
(b)	*Includes Loan from other related party which carries interest @ 9.70% p.a.*	**11,108,974**	9,399,290
ii)	**Trade Payables :**		
	Total outstanding dues of micro enterprises and small enterprises		
	Total outstanding dues of creditors other than micro enterprises and small enterprises	**6,896,382**	218,670
	SUBTOTAL (ii):	**6,896,382**	218,670
	TOTAL :	**110,442,793**	100,335,778

11. Other current liabilities

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Statutory liabilities	**219,000**	1,710,882
TOTAL :	**219,000**	1,710,882

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Notes forming part of the Financial Statements for the year ended 31st March, 2018

12. Other Income:

		Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Unrealised foreign exchange gain		**540,848**	-
Sundry balance written back		**1,726**	-
	TOTAL :	**542,574**	-

13. Finance costs :

		Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Interest on borrowings		**9,602,944**	8,740,475
	TOTAL :	**9,602,944**	8,740,475

14. Depreciation and amortization expenses

		Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Depreciation on property, plant and equipment		**70,378**	259,587
	TOTAL :	**70,378**	259,587

15. Other expenses

		Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Consumables		**1,812,744**	-
Rent (Refer Note 18)		**480,000**	480,000
Legal and professional fees		**49,275**	51,969
Payment to Auditors (Refer details below)		**90,000**	90,000
Foreign Exchange Loss		**-**	416,183
Rates & Taxes		**489,332**	131,202
Transportation		**839,613**	-
Travelling & Conveyance		**434,298**	-
Miscellaneous expenses#		**260,488**	121,813
	TOTAL :	**4,455,750**	1,291,167

Miscellaneous Expenses include general office expenses, printing and stationery, amounts written off etc.

Payment to auditors

		For the year ended 31st March, 2018 Rs.	For the year ended 31st March, 2017 Rs.
As auditor:			
- Audit fee		**80,000**	80,000
- Income Tax matters		**10,000**	10,000
	TOTAL :	**90,000**	90,000

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Notes forming part of the Financial Statements for the year ended 31st March, 2018

16. Segment Reporting :

The Company is engaged in the business of developing weapon systems with primary focus on artillery and mortar systems of all calibres. During the financial year covered by these statements, the Company was engaged exclusively in carrying out trial runs of its products. As such, there are no separate reportable operating segments, as per the Ind AS – 108 on 'Operating Segments'.

17. Related Party disclosures

(i) **Names of the related parties and related party relationship**

Holding Company	Bharat Forge Limited
Enterprises having significant influence in the Company:	Elbit Systems Land and C4I Limited, Israel
Fellow Subsidiary Companies :	Kalyani Strategic Systems Limited

(ii) **Related parties with whom transactions have taken place during the year**

Sr. No.	Nature of transaction	Note	Bharat Forge Limited	Elbit Systems Land and C4I Limited	Kalyani Strategic Systems Limited	Total
			Rs.	Rs.	Rs.	Rs.
1	Share capital issued	(a)	**10,000,000**	**9,608,000**	**-**	**19,608,000**
			-	(60,950)	-	(60,950)
2	Reimbursement of expenses paid	(b)	**904,832**	**-**	**-**	**904,832**
			-	-	-	-
3	Rent paid	(c)	**480,000**	**-**	**-**	**480,000**
			(480,000)	-	-	(480,000)
4	Interest Paid	(d) & (e)	**8,611,619**	**-**	**991,325**	**9,602,944**
			(7,828,744)	-	(911,731)	(8,740,475)

(a) Equity shares have been allotted by the Company at par to the related parties in accordance with the provisions of section 23 read with section 62 of the Companies Act, 2013.

(b) Expenses incurred by related parties on behalf of the Company are reimbursable at cost on demand.

(c) The Company has entered into an arrangement with the Holding Company, in the nature of cancellable operating lease for land for locating its manufacturing facilities. The lease is for a period of three years. The term of leases can be extended mutually by the parties.

(d) The loan borrowed from the Holding Company is unsecured and repayable on demand and the same is compliant with the provisions of section 180 of the Companies Act, 2013. The loan carried interest at the rate of 10 % p.a.

(e) The loan borrowed from other related party is unsecured and repayable on demand and the same is compliant with the provisions of section 180 of the Companies Act, 2013. The loan carried interest at the rate of 9.70% p.a.

(iii) **Balances outstanding**

Sr. No.	Nature of transaction		Bharat Forge Limited	Elbit Systems Land and C4I Limited	Kalyani Strategic Systems Limited	Total
			Rs.	Rs.	Rs.	Rs.
1	Demand Loans(including interest payable on these loans)		**92,437,437**	**-**	**11,108,974**	**103,546,411**
			(89,897,260)	-	(10,219,848)	(100,117,108)
2	Capital advance given		**-**	**17,671,500**	**-**	**17,671,500**
			-	-	-	-
3	Other advance given		**-**		**-**	**-**
			-	(18,154,808)	-	(18,154,808)

(Figures in bracket indicate previous year)

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Notes forming part of the Financial Statements for the year ended 31st March, 2018

18. Leases

The Company has entered into an arrangement in the nature of cancellable operating lease for land for locating its manufacturing facilities. The lease is for a period of three years. The term of leases can be extended mutually by the parties. The particulars as per the Ind AS 17 with regard to the above are as under :

Sr.No	Particulars	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
a)	Payments recognised in the statement of profit and loss	**480,000**	480,000
b)	There are no transactions in the nature of sub-lease.		

19. Earnings per share (EPS)

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Numerator for basic and diluted EPS		
Loss for the year attributable to shareholders as at 31st March	**(13,586,498)**	(10,291,229)
Weighted average number of equity shares in calculating basic EPS	**379,536**	18,322
EPS - Basic (in Rs.)	**(35.80)**	(561.69)
EPS - Diluted - (in Rs.)	**(35.80)**	(561.69)

20. Details of unhedged foreign currency exposures

The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

		As at March 31, 2018		As at March 31, 2017	
		USD	Rs.	USD	Rs.
a)	Capital Advance	**280,000**	**18,212,348**		
b)	Other Advance	-	-	280,000	18,154,808

21. Commitments

	As at March 31, 2018. Rs.	As at March 31, 2017. Rs.
Estimated amount of contracts remaining to be executed on capital account and not provided for.	9,106,174	-

22. Significant accounting judgements, estimates and assumptions :

The preparation of the Company'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

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Company.

Taxes

"Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company has R. 434,003/- (31st March, 2017: R. 371,313/-) of tax losses carried forward. These losses expire in 8 years and may not be used to offset taxable income. The Company neither has any material taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognise deferred tax assets on the tax losses carried forward. If the Company was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by R 256,862/- (31st March, 2017

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 23 and 24 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

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Notes forming part of the Financial Statements for the year ended 31st March, 2018

23. Fair Values

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

		Carrying value		Fair value	
		Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.	**Year ended 31st March, 2018 Rs.**	Year ended 31st March, 2017 Rs.
	Financial assets				
	Other current financial assets				
	Deposits	**25,000**	25,000	**25,000**	25,000
	Total	**25,000**	25,000	**25,000**	25,000
	Financial liabilities				
	Other current financial liabilities				
	Borrowings (including Interest accrued and due)	**103,546,411**	100,117,108	**103,546,411**	100,117,108
	Total	**103,546,411**	100,117,108	**103,546,411**	100,117,108

The management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

24. Fair value hierarchy :

	Date of Valuation	Quoted prices in active markets (Level 1) Rs.	Significant observable inputs (Level 2) Rs.	Significant unobservable inputs (Level 3) Rs.	Total Rs.
Assets for which fair value has been disclosed					
Deposits	**3/31/2018**	**-**	**-**	**25,000**	**25,000**
Liabilities for which fair value has been disclosed					
Fixed rate borrowing(including Interest accrued and due)	**3/31/2018**	**-**	**-**	**103,546,411**	**103,546,411**
Assets for which fair value has been disclosed					
Deposits	3/31/2017	-	-	25,000	25,000
Liabilities for which fair value has been disclosed					
Fixed rate borrowing(including Interest accrued and due)	3/31/2017	-	-	100,117,108	100,117,108

25. Financial risk management disclosure :

The Company's principal financial liabilities, other than derivatives, comprise borrowing, trade and other payables and Interest on borrowing. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include Deposits, cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The financial risk committee provides assurance to the Company’s senior management that the Company’s financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company’s policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below."

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTPL investments.

The sensitivity analyses in the following sections relate to the position as at 31st March, 2018 and 31st March, 2017.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations; provisions."

The following assumptions have been made in calculating the sensitivity analyses:

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31st March, 2018 and 31st March, 2017 including the effect of hedge accounting(if any).

i) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company’s exposure to the risk of changes in foreign exchange rates relates primarily to the Company’s operating activities (when revenue or expense is denominated in a foreign currency).

The Company does not hedges its exposure to fluctuations on the translation into INR of its foreign operations."

ii) Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Company’s profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded

	Change in USD Rate	Effect on profit before tax	Effect on equity pre-tax
		Rs.	Rs.
31st March, 2018	5.00%	910,617	910,617
	-5.00%	(910,617)	(910,617)
31st March, 2017	5.00%	907,740	907,740
	-5.00%	(907,740)	(907,740)

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

i) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's management in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

c) Liquidity risk

The Company monitors its risk of a shortage of funds using a liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The Company's financial liabilities based on contractual undiscounted payments is payable on demand.

26. The Company has incurred losses of Rs. 13,586,498/- (31st March, 2017 : Rs 10,291,229) during the year. As at 31st March, 2018, the Company's accumulated losses are Rs. 95,763,331/- (31st March, 2017 : Rs 82,176,833) which have completely eroded the net worth of the Company. The Company also has net current liabilities of Rs. 96,219,287/- as at 31st March, 2018 (31st March, 2017 : Rs 83,785,831). The management is confident of streamlining the operations so as to start generating profits upon commencement of commercial operations. The shareholders have infused equity funding in the Company during the financial year covered by these statements. The Company is also evaluating possibilities of having appropriate working capital facilities from banks and financial institutions for funding the requirements. Further, the majority shareholders have confirmed their commitment and have provided unconditional support to the Company to ensure that the Company

continues to operate and is able to meet all liabilities in future when they fall due for payment. Accordingly these financial statements have been prepared on going concern basis, and consequently, no adjustments have been made to the carrying values or classification of balance sheet accounts.

27. Income Tax :

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31st March 2018 and 31st March 2017:

	As at 31st March 2018 Rs.	As at 31st March 2017 Rs.
Accounting loss before tax	**(13,586,498)**	(10,291,229)
At India's enacted tax rate of 25.75% (31st March, 2017: 29.87%)	**-**	-
Income tax expense reported in the statement of profit and loss	**-**	-

As per my attached report of the even date,

On behalf of the Board of Directors,

P. V. Deo
Chartered Accountant

Place: Pune
Date: 15th May,2018

B.N.Kalyani	**Rajinder Singh Bhatia**
Director	**Director**
DIN : 00089380	**DIN: 05333963**

Place: Pune
Date: 15th May,2018

BF Infrastructure Limited

Directors	Registered Office	Auditors
Mr. Sandeep Kapoor Mr. Kishore Mukund Saletore Mrs. Deepti R. Puranik Mr. M.V. Krishna	Pune Cantonment, Mundhwa, Pune 411 036	RMA & Associates Chartered Accountants 48, UG-2, Hasanpur, I.P. Extension, New Delhi – 110 092

BOARD'S REPORT

To,
The Members,

Your Directors have pleasure in presenting the Board's Report on the business and operations of the Company and audited accounts for the Financial Year ended March 31, 2018.

1. FINANCIAL HIGHTLIGHTS

The financial results are summarized here under:

(Amount in Rupees)

Particulars	As on March 31, 2018	As on March 31, 2017
Revenue from operations (Gross)	-	-
Revenue from operations (Net)	**-**	**-**
Other income	4,688,482	5,381,830
Total Revenue	**4,688,482**	**5,381,830**
Project Expenses	-	-
Employee benefits expenses	6,574,026	5,457,587
Depreciation and amortization expenses	42,323	249,192
Finance costs	8,720,139	10,464,968
Other Expenses	19,480,961	23,533,628
Total expenses	**34,817,449**	**39,705,375**
Profit before exceptional items & tax	(30,128,967)	(34,323,545)
Exceptional items	(1,017,689,620)	-
Profit before tax from continuing operations	**(1,047,818,587)**	**(34,323,545)**
Current tax	-	-
Deferred tax	160,028	(1,223,160)
Profit/Loss for the period	(1,047,978,615)	(33,100,385)
Other Comprehensive income	16,810	(127,837)
Total comprehensive income for the period	**(1,047,961,805)**	**(33,228,222)**
Earnings per Equity Share a) Basic b) Diluted	 (8.38) (8.38)	 (0.35) (0.35)

2. DIVIDEND

No dividend is recommended for the year ended March 31, 2018.

3. STATE OF COMPANY'S AFFAIRS

- **Oil & Gas Exploration Project:**

Your Company (BFIL) with consortium partners Bharat Petro Resources Limited (BPRL), Engineers India Limited (EIL), Gas Authority of India Limited (GAIL) & Monnet Ispat & Energy Limited (MIEL) has jointly participated in the bidding process in NELP-IX in March 2011. The consortium had been awarded Block CB-ONN-2010/11 and Block CB-ONN-2010/08 in Cambay Basin of a 131 Sq. KM. and 42 Sq. KM. respectively. Work for exploration of these blocks under the Minimum Work Programme as well as Testing of Explored wells has been completed during the current financial year and based on testing results of the wells and its Techno economic visibility, company is exploring the proposition of not to proceed beyond MWP stage.

- **DFCC Track Laying Project:**

  Your Company had formed a Joint Venture Company named Ferrovia Transrail Solutions Private Limited (FTSPL) with PNC Infratech Limited, with shareholding of 49:51 respectively. FTSPL has won the Project of Design, procurement, Construction of Track and track related works and its testing & commissioning for double track electrified railway line on a Design Build Lump Sum Basis from New Karwandiya (Rly. Km. 564) to Durgawati (Rly. Km. 630) approx. 66 KMs on Mughalsarai-Sonnagar Section of Eastern Dedicated Freight Corridor (Project) as floated by the Dedicated Freight Corridor Corporation of India Limited (DFCCIL). The project has been completed as per the existing availability of site/work fronts and the process of handover to DFCCIL is proposed to be completed in next few days.

- **Railway Electrification Project:**

  Your Company (BFIL) has entered into a Joint Venture Agreement with JV Partner Cimechel Electrical Co. for business of design, supply, erection, testing & commissioning of 25 kV, 50 Hz, Single Phase, AC Electrification works includingg OHE, TSS & SCADA" as composite Electrical tender in Andal(Excl.) –Sitarampur (Excl.) via Jamuria - Ikhra section, Gr.168 of Asansol Division of Eastern Railway under RE Project Bhubneswar, Total 57 RKM / 94.1 TKMs (Project). CRS Inspection and authorization obtained in March, 2017. Provisional Acceptance Certificate (PAC) was issued on May 30, 2017 and site is operational. The reconciliation of books and materials is underway and expected to be completed in next few days.

4. SHARE CAPITAL

The Authorised Share Capital as at March 31, 2018 stood at Rs. 1,480,000,000/- divided into 126,000,000 Equity Shares of Rs. 10/- each and 22,000,000 6% Non- Cumulative Compulsorily Convertible Preference Shares of Rs.10/- each.

During the year under review the company has increased authorized equity share capital from Rs. 1,130,000,000/- divided into 113,000,000 Equity shares of Rs. 10/- each to Rs. 1,140,000,000/- divided into 114,000,000 equity shares of Rs. 10/- each at Shareholders' meeting held on April 28, 2017. Further, the Authorized Equity Share Capital was increased from Rs. 1,140,000,000/- divided into 114,000,000 equity shares of Rs. 10/- each to Rs. 1,260,000,000/- divided into 126,000,000 Equity shares of Rs. 10/- each at the Annual General Meeting held on August 7, 2017.

The paid-up Share Capital as at March 31, 2018 stood at Rs. 1,467,973,900/- divided into 1,249,833,400 Equity Shares of Rs. 10/- each and 21,814,050 6% Non- Cumulative Compulsorily Convertible Preference Shares of Rs. 10/- each.

The Company has issued 25,860,000 Equity Shares of Rs. 10/- each on September 4, 2017 and 3,595,640 Equity shares of Rs. 10/- each on November 16, 2017 ranking pari passu in all respect with existing equity shares.

Further during the year under review, the Company has not issued shares with differential voting rights nor has granted any stock options or sweat equity. As on March 31, 2018, none of the Directors of the Company hold instruments convertible into equity shares of the Company.

5. VARIATION IN TERMS AND CONDITIONS OF PREFERENCE SHARES

The 21,814,050, 6% Non- Cumulative Redeemable Preference Shares of Rs. 10/- each has been converted into 21,814,050 6% Non- Cumulative Compulsorily Convertible Preference Shares of Rs. 10/- each ('CCPS') at the Extraordinary General Meeting of the Company held on September 11, 2017.

6. MATERIAL CHANGES AND COMMITMENTS, IF ANY AFFECTING FINANCIAL POSITION OF THE COMPANY

There are no adverse material changes or commitments occurring after March 31, 2018 which may affect the financial position of the Company or may require disclosure.

7. SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANY

The Company has one Joint Venture Company named Ferrovia Transrail Solutions Private Limited (FTSPL) with JV Partner PNC Infratech Limited. The Company has another Associate company named Hospet Bellary Highways Private Limited. The Company has one unincorporated Joint Venture named BFIL-CEC JV with JV Partner Cimechel Electrical Co. The Company did not have any subsidiary company for the period under review.

8. PUBLIC DEPOSITS

The Company has not accepted deposits under Chapter V of the Companies Act, 2013 during the year.

9. AUDITORS AND AUDITORS' REPORT

At the Annual General Meeting held on September 3, 2014, M/s. RMA & Associates LLP, Chartered Accountants, were appointed as Statutory Auditors of the Company till the conclusion of AGM to be held in the year 2019, subject to ratification by the shareholders at every AGM.

The Companies (Amendment) Act, 2017, published in the Gazette of India on January 3, 2018, amended few sections of the Companies Act, 2013, including omission of first proviso to Section 139(1) of Companies Act 2013, which provided for ratification of appointment of Statutory Auditors by members at every AGM. The amendment to the said Section is effective from May 7, 2018.

In view of the above, the Board of Directors of Company have proposed partial modification of previous resolution of the members passed at the AGM held on September 3, 2014, on appointment of Statutory Auditors and recommended to continue their appointment for the period of five years commencing from the conclusion of AGM held on September 3, 2014, till the conclusion of AGM to be held in the year 2019, without seeking any further ratification of their appointment from members at this AGM and ensuing AGMs till the tenure of the Statutory Auditors.

In this regard, the Company has received a certificate from the auditors to the effect that if their appointment is ratified by the shareholder, will be in accordance with the provisions of Section 141 of the Companies Act, 2013.

The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

10. EXTRACT OF ANNUAL RETURN

The extract of the Annual Return of the Company in Form MGT-9 is annexed herewith as **Annexure "A"** to this report.

11. DIRECTORS AND KEY MANAGERIAL PERSONNEL

In terms of the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Sandeep Kapoor (DIN: 01235153), Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

During the year under review and till the date of this report, following changes in Key Managerial Personnel took place:

Mr. Vineet was appointed as the Chief Financial officer and designated as the Key Managerial Personnel of the Company w.e.f. April 21, 2017.

There were no other changes in Directors or Key Managerial Personnel.

STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTOR(S)

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under sub section (6) of Section 149 of the Companies Act, 2013.

12. NUMBER OF MEETINGS OF THE BOARD

In 2017-18, the Board of the Company met 8 (eight) times on April 21, 2017, May 18, 2017, August 14, 2017, September 4, 2017, October 26, 2017, November 16, 2017, January 9, 2018, and March 26, 2018. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

13. AUDIT COMMITTEE

The Audit Committee comprises of Mr. Kishore Mukund Saletore, Mr. Mogalapalli Venkata Krishna and Mrs. Deepti Rajeev Puranik. All the recommendations made by the Audit Committee were accepted by the Board.

14. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and remuneration Committee comprises of Mr. Kishore Mukund Saletore, Mr. Mogalapalli Venkata Krishna and Mrs. Deepti Rajeev Puranik. The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy for selection and appointment of Directors, KMPs and Senior Management Personnel and their remuneration. The Nomination and Remuneration policy is annexed herewith as **Annexure "B"** to this report.

15. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 134(5) of the Companies Act, 2013 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

a) in the preparation of the annual financial statement for the year ended March 31, 2018, the applicable Accounting Standards have been followed and there were no material departures;
b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and of the loss of the Company for the year under review;

c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
d) the Directors had prepared the annual accounts on a going concern basis; and
e) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

16. SIGNIFICANT AND MATERIAL ORDERS

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

17. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013

The details of loans, guarantees and investments under Section 186 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 are given in notes to the Financial Statements.

18. INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

The Company has in place adequate systems of internal control commensurate with its size and the nature of its operations.

Your Company is exposed risk from business risk, market risk and risk from changes in government policies. These risks are assessed and steps as appropriate to be taken to mitigate these risks.

19. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

Pursuant to Section 134 of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014, all contracts or arrangements entered into by the Company with Related Parties have been done at arm's length and are in the ordinary course of business.

The particulars of such transactions are provided in Form AOC-2 which is annexed herewith as **Annexure "C"** to this report. Related Party disclosures as per AS-18 have been provided in Note – 28 to the financial statement.

20. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 are annexed herewith as **Annexure "D"** to this report.

21. BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees. Performance evaluation has been carried out as per the Nomination and Remuneration Policy.

22. INFORMATION PURSUANT TO RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

The details of the employees of the Company in terms of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed herewith as **Annexure "E"** to this report.

23. SECRETARIAL AUDIT

Your Company had appointed Mr. Shivam Tyagi of M/s Shivam Tyagi & Associates, Company Secretaries to carry out Secretarial Audit for the year 2017-18. The detailed report on the same is appended as an **Annexure-F** to this Report. There were no qualifications, reservations or adverse remarks given by Secretarial Auditors of the Company.

24. OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

There were no complaints filed in terms of provision of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013.

25. APPRECIATION

The Board of Directors takes this opportunity to thank all its valued stakeholders, financial institutions, banks, Government and other authorities for their continued support to the Company.

For and on behalf of the Board Of Directors

Place: Pune
Date: May 08, 2018

Sandeep Kapoor
Chairman
DIN: 01235153

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

S. No.	Particulars	Details
1.	Name of the subsidiary	NIL
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA
3.	Reporting currency	NA
4.	Share capital	NA
5.	Reserves & surplus	NA
6.	Total assets	NA
7.	Total Liabilities	NA
8.	Investments	NA
9.	Turnover	NA
10.	Profit before taxation	NA
11.	Provision for taxation	NA
12.	Profit after taxation	NA
13.	Proposed Dividend	NA
14.	% of shareholding	

Notes:

1. Name of the subsidiaries which are yet to commence operations - Nil
2. Name of the subsidiaries which have been liquidated or sold during the year - Nil

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of associates/~~Joint Ventures~~	Ferrovia Transrail Solutions Private Limited	Hospet Bellary Highways Private Limited
1. Latest audited Balance Sheet Date	March 31, 2018	March 31, 2018
2. Shares of Associate/Joint Ventures held by the company on the year end:		
No.	4,900 equity shares	3,500 equity shares
Amount of Investment in Associates/Joint Venture	Rs.49,000/-	Rs.35,000/-
Extent of Holding%	49%	35%
3. Description of how there is significant influence	There is significant influence due to percentage (%) of Share Capital holding.	There is significant influence due to percentage (%) of Share Capital holding.

4. Reason why the associate/joint venture is not consolidated	Consolidated	Consolidated
5. Net worth attributable to shareholding as per latest audited Balance Sheet (in Rs.)	21,543/-	(129,602,225)/-
6. Profit/Loss for the year	Rs. 16,650/-	Rs. (32,903)/-
i. Considered in Consolidation	Rs. 8,158/-	Rs.(11,516)/-
ii. Not Considered in Consolidation	Rs. 8,492/-	Rs. (21,387)/-

Notes:

1. Name of the Associates or Joint Ventures which are yet to commence operations- Nil
2. Name of the Associates or Joint Ventures which have been liquidated or sold during the year- Nil

For and on behalf of the Board of Directors

Place: Pune
Date: May 08, 2018

K. M. Saletore
Director

Sandeep Kapoor
Director

Sneha Modi
Company Secretary

Rohit Gogia
Manager

Vineet
Chief Financial Officer

Annexure "A"

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on March 31, 2018
[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	U45203PN2010PLC136755
ii)	Registration date	July 5, 2010
iii)	Name of the Company	BF INFRASTRUCTURE LIMITED
iv)	Category/Sub category of the Company	Company Limited by Shares Indian Non-Government Company
v)	Address of the Registered office and contact details	Mundhwa, Pune Cantonment, Pune-411036, Maharashtra Tel. No. +91 120 463 8000 Fax No. +91 120 463 8099
vi)	Whether listed company	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company are as stated below:-

Sr. No.	Name and Description of main products/services	NIC Code of the product / service	% to total turnover of the Company*
1.	NIL	NIL	NIL

* On the basis of Gross Turnover.

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Bharat Forge Ltd. Mundhwa, Pune Cantonment, Pune-411036	L25209PN1961PLC012046	Holding	100%	Sec 2 (46)
2	Ferrovia Transrail Solutions Private Limited, 14th Floor, Antariksh Bhavan, 22, Kasturba Gandhi Marg, New Delhi – 110001	U45300DL2012PTC239645	Associate	49%	Sec 2(6)
3	Hospet Bellary Highways Private Limited CS 8-10, 6th Floor, Tower A The Corenthum, A-41, Sector 62, Noida Gautam Buddha Nagar UP 201301 India	U45400UP2012PTC048390	Associate	35%	Sec 2(6)
4	BFIL-CEC JV	NA	Associate	74%	Sec 2(6)

IV SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding as of March 31, 2018

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. **Promoters**									
(1) **Indian**									
a) Bodies Corp.	NIL	95,527,700	95,527,700	100	NIL	124,983,340	124,983,340	100	NA
Sub-total (A) (1):-	NIL	95,527,700	95,527,700	100	NIL	124,983,340	124,983,340	100	NA
(2) Foreign	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (A) (2):-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	NIL	95,527,700	95,527,700	100	NIL	124,983,340	124,983,340	100	NA
B. Public Shareholding									
1. Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2. Non-Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total Public Shareholding (B)=(B)(1)+(B)(2)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
C. Shares held by Custodian for GDRs & ADRs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Grand Total (A+B+C)	**NIL**	**95,527,700**	**95,527,700**	**100**	**NIL**	**124,983,340**	**124,983,340**	**100**	**NA**

ii) Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	% change in share holding during the year
1	Bharat Forge Limited with its nominees	124,983,340	100	NIL	124,983,340	100	NIL	NA

ii) Change in Promoters' Shareholding:

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	At the beginning of the year	95,527,700	100	95,527,700	100
2	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc)	Allotment of 25,860,000 Equity Shares on September 4, 2017	-	121,387,700	100
		Allotment of 3,595,640 Equity Shares on November 16, 2017	-	124,983,340	100
3	At the End of the year	124,983,340	100	124,983,340	100

iii) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Not applicable, since entire share capital is held by Bharat Forge Limited with its nominees who is the promoter of the Company.

iv) Shareholding of Directors and Key Managerial Personnel:

None of the Directors holds any shares in their individual capacity in the Company.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(Amount in Rupees)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness as at April 1, 2017				
i) Principal Amount	377,496,583	NIL	NIL	377,496,583
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	377,496,583	NIL	NIL	377,496,583
Change in Indebtedness during the financial year				
• Addition	1,158,815	-	-	1,158,815
• (Reduction)	-	-	-	-
Net Change	1,158,815	NIL	NIL	1,158,815
Indebtedness as at March 31, 2018				
i) Principal Amount	378,655,398	NIL	NIL	378,655,398
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	378,655,398	NIL	NIL	378,655,398

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Director and/or Manager

(Amount in Rupees)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount
		Mr. Rohit Gogia, Manager	
1.	Gross Salary		
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	1,655,292	1,655,292
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	15,000	15,000
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission:		
	- As a % of Profit		
	- others, specify	-	-
5.	Others, please specify	-	-
Total A		**1,670,292**	**1,670,292**
Ceiling as per the Act			**84,00,000/-***

**Amount mentioned in the "Ceiling as per Act" denotes the amount of total remuneration that can be paid as Managerial Remuneration, in compliance of the Provisions of Schedule V of the Companies Act, 2013.*

B. Remuneration to other Director

(Amount in Rupees)

Sr. No.	Particulars of Remuneration	Name of Directors	Total Amount
		NOT APPLICABLE	
1.	Independent Directors · Fee for attending board / committee meetings		NIL
	· Commission		NIL
	· Others, please specify		NIL
Total (1)			NIL
2.	Other Non-Executive Directors · Fee for attending board / committee meetings		NIL
	Commission:		NIL
	- others, specify		NIL
Total (2)			NIL
Total (B)=(1+2)			**NIL**
Total Managerial Remuneration			**1,670,292**
Overall Ceiling as per the Act			**84,00,000***

**Amount mentioned in the "Ceiling as per Act" denotes the amount of total remuneration that can be paid as Managerial Remuneration, in compliance of the Provisions of Schedule V of the Companies Act, 2013 including any amendment thereto.*

C. Remuneration to other Director

(Amount in Rupees)

Sr. No.	Particulars of Remuneration	Name of Directors	Total Amount
		NOT APPLICABLE	
1.	Independent Directors · Fee for attending board / committee meetings		NIL
	· Commission		NIL
	· Others, please specify		NIL
Total (1)			NIL
2.	Other Non-Executive Directors · Fee for attending board / committee meetings		NIL
	Commission:		NIL
	- others, specify		NIL
Total (2)			NIL
Total (B)=(1+2)			**NIL**
Total Managerial Remuneration			**1,670,292**
Overall Ceiling as per the Act			**84,00,000***

**Amount mentioned in the "Ceiling as per Act" denotes the amount of total remuneration that can be paid as Managerial Remuneration, in compliance of the Provisions of Schedule V of the Companies Act, 2013 including any amendment thereto.*

C. Remuneration to Key Managerial Personnel other than the Managing Director/Whole-time Director/Manager

(Amount in Rupees)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total
		Ms. Sneha Modi, Company Secretary	**Mr. Vineet** CFO**	
1.	Gross Salary			
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	494,856	353,735	848,591
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	15,000	14,167	29,167
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission:	-	-	-
	- As a % of Profit	-	-	-
	- others, specify	-	-	-
5.	Others, please specify	-	-	-
Total		509,856	367,902	877,758

Mr. Vineet was appointed as Chief Financial Officer of the Company w.e.f April 21, 2017.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / punishment / compounding fees imposed	Authority (RD/ NCLT/ COURT)	Appeal made, if any (give details)
A. Company					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B. Directors					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C. Other Officers in default					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

Annexure "B"

NOMINATION AND REMUNERATION POLICY OF BF INFRASTRUCTURE LIMITED

The Board of Directors of BF Infrastructure Limited ("the Company") constituted the "Nomination and Remuneration Committee" ("Committee") at the Meeting held on March 31, 2015 with immediate effect, consisting of Three (3) Non-Executive Directors of which majority are Independent Directors.

1. OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013, as amended from time to time, read along with the applicable rules thereto. The Key Objectives of the Committee would be:

1.1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel (hereinafter referred to as **"KMP")** and Senior Management.

1.2. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.

1.3. To recommend to the Board on Remuneration payable to the Directors, KMP and Senior Management.

1.4. To provide to KMP and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.

1.5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

1.6. To devise a policy on Board diversity.

1.7. To develop a succession plan for the Board and to regularly review the plan;

2. DEFINITIONS

2.1. **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
2.2. **Board** means Board of Directors of the Company.
2.3. **Directors** mean Directors of the Company.
2.4. **Key Managerial Personnel (KMP) means:**

2.4.1. **Chairman and Managing Director;**
2.4.2. Executive Directors;
2.4.3. Chief Financial Officer; and
2.4.4. Company Secretary;

2.5. **Senior Management** means personnel of the Company who are members of its core management team being functional heads not below grade of Senior Vice President.

3. ROLE OF COMMITTEE

3.1. **Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee**

The Committee shall:

3.1.1. Formulate the criteria for determining qualifications, positive attributes and independence of a director.

3.1.2. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.

3.1.3. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

3.2. Policy for appointment and removal of Director, KMP and Senior Management

3.2.1. Appointment Criteria and qualification:

a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.

b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

3.2.2. Term / Tenure:

a) Managing Director/Whole-time Director:
The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

b) Independent Director:
An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

3.2.3. Evaluation
The Committee shall carry out yearly evaluation of performance of every Director, KMP and Senior Management Personnel.

3.2.4. **Removal**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

3.2.5. **Retirement**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior

3.3. Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel

3.3.1 General**:**

a) The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

b) The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.

c) Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.

d) Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

e) In case any difficulty or doubt arises in the interpretation or implementation of this Policy, the decision of the Chairman & Managing Director of the Company shall be final. In exceptional circumstances, the Chairman & Managing Director shall be authorized to exercise functions vested in the committee in so far as these relate to Key Managerial Personnel covered under Clauses 2.4.3, 2.4.4 and the Senior Management; provided however that such actions taken by the Chairman & Managing Director shall be placed before the Committee for ratification in the succeeding meeting.

3.3.2 Remuneration to Whole-time / Executive / Managing Director. KMP and Senior Management Personnel:

a) Fixed pay**:**

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

b) Minimum Remuneration:

if, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

c) Provisions for excess remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

3.3.3 **Remuneration to Non- Executive / Independent Director:**

a) Remuneration / Commission:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

b) Sitting Fees**:**

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs. 1,00,000/- (Rupees One Lac Only) per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

c) Commission**:**

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

4. MEMBERSHIP

4.1. The Committee shall consist of a minimum 3 Non-Executive Directors, majority of them being Independent.

4.2. Minimum two (2) members shall constitute a quorum for the Committee meeting.

4.3. Membership of the Committee shall be disclosed in the Annual Report.

4.4. Term of the Committee shall be continued unless terminated by the Board of Directors.

5. CHAIRPERSON

5.1. Chairperson of the Committee shall be an Independent Director.

5.2. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.

5.3. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

5.4. Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

6. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

7. COMMITTEE MEMBERS' INTERESTS

7.1 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

7.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

8. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

9. VOTING

9.1 Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

9.2 In the case of equality of votes, the Chairman of the meeting will have a casting vote.

10. NOMINATION DUTIES

The duties of the Committee in relation to nomination matters include:

10.1 Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;

10.2 Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;

10.3 Identifying and recommending Directors who are to be put forward for retirement by rotation.

10.4 Determining the appropriate size, diversity and composition of the Board;

10.5 Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;

10.6 Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;

10.7 Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;

10.8 Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company, subject to the provisions of the law and their service contract.

10.9 Delegating any of its powers to one or more of its members or the Secretary of the Committee;

10.10 Recommend any necessary changes to the Board; and

10.11 Considering any other matters, as may be requested by the Board.

11. REMUNERATION DUTIES

The duties of the Committee in relation to remuneration matters include:

11.1 to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.

11.2 to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.

11.3 to delegate any of its powers to one or more of its members or the Secretary of the Committee.

11.4 to consider any other matters as may be requested by the Board.

11.5 Professional indemnity and liability insurance for Directors and senior management.

12. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

Annexure "C"

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

a	Name(s) of the related party and nature of relationship	Nil
b	Nature of contracts/arrangements/transactions	Nil
c	Duration of the contracts / arrangements/transactions	Nil
d	Salient terms of the contracts or arrangements or transactions including the value, if any	Nil
e	Justification for entering into such contracts or arrangements or transactions	Nil
f	date(s) of approval by the Board	Nil
g	Amount paid as advances, if any:	Nil
h	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	Nil
i	Name(s) of the related party and nature of relationship	Nil
j	Nature of contracts/arrangements/transactions	Nil
k	Duration of the contracts / arrangements/transactions	Nil

2 Details of material contracts or arrangement or transactions at arm's length basis

a	Name(s) of the related party and nature of relationship	BFIL – CEC JV (Associate)	Ferrovia Transrail Solutions Pvt. Ltd. (Associate)	BF-NTPC Energy Systems Limited (Fellow subsidiary)
b	Nature of contracts/ arrangements/ transactions	Rendering of Services	Rendering of Services	Reimbursement of expenses
c	Duration of the contracts / arrangements/transactions	On-going basis	On-going basis	On-going basis
d	Salient terms of the contracts or arrangements or transactions including the value, if any	On cost to cost basis	On cost to cost basis	On cost to cost basis
e	Date(s) of approval by the Board, if any	NA	NA	NA
f	Amount paid as advances, if any	Rs. 1,305,055/-	Rs. 44,256,821/-	Rs. 600,120/-

For and on behalf of the Board Of Directors

Place: Pune
Date: May 8, 2018

Sandeep Kapoor
Chairman
DIN: 01235153

Annexure "D"

Information as per Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 forming part of the Directors' Report for the year ended March 31, 2018.

(A) Conservation of Energy

a. Steps taken or impact on conservation of energy during 2017-18

The project is under implementation; however, the employees were adequately trained to conserve energy.

b. Steps taken by the Company for utilizing alternate sources of energy
NIL

c. Capital investment on energy conservation equipment
NIL

(B) Technology Absorption, Adaptation and Innovation

(1) Efforts made towards technology absorption, adaptation and innovation
The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(2) Benefits derived as a result of above efforts
The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(C) Foreign Exchange Earnings and Outgo

Total foreign exchange used and earned:

(Amount in Rupees)

Foreign Exchange earned	NIL	NIL
Foreign Exchange used	NIL	NIL
Net Foreign Exchange earned	NIL	NIL

For and on behalf of the Board Of Directors

Place: Pune
Date: May 8, 2018

Sandeep Kapoor
Chairman
DIN: 01235153

Annexure "E"

Information as per Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forming part of the Directors' Report for the year ended March 31, 2018.

Sr. No	Particulars	Details					
1	Name of Employee	Mr. Rohit Gogia	Mrs. Payal Singh	Ms. Sneha Modi	Mr. Vineet	Mrs. Meha Chaudhary	Mr. Mr. Premangshu Niyogi
2	Designation of Employee	Manager	HR- Head	Company Secretary	CFO	Executive HR	Executive Accounts
3	Remuneration Received	Rs. 1,670,292/-	Rs. 2,264,628/-	Rs. 509,856/-	Rs. 367,902/-	Rs. 274,404/-	Rs. 313,490/-
4	Nature of employment, whether contractual or otherwise	Permanent employee	Permanent employee	Permanent employee	Permanent employee	Permanent employee	Permanent employee
5	Qualification & Experience of Employee	Chartered Accountant 17 years	Diploma in Business Management 20 years	CS, B.com 4 years	B.Com	MBA HR, 5 years	B.Sc. 4 years
6	Date of commencement of employment	05.01.2013	01.04.2014	24.06.2016	21.04.2017	21.07.2014	02.09.2013
7	Age of such Employee	43 years	44 Years	28 years	29 years	30 Years	29 Years
8	The last employment held by such employee before joining the Company	Globus Pharmachem	Wings Biotech, New Delhi	Shilpi Cable Technologies Limited, New Delhi	Ferrovia Transrail Solutions Pvt. Ltd., Noida	M/s Capital Power Infrastructure Ltd., Noida	None
9	The percentage of equity share held by such employee, if any	-	-	-	-	-	-
10	Whether such employee is a relative of any Director or manager of the Company and if so, name of such director or manager	None	None	None	None	None	None

Annexure-"F"

Form No. MR-3
SECRETARIAL AUDIT REPORT
[FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018]
[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
BF Infrastructure Limited
Mundhwa, Pune Cantonment
Pune- 411036, Maharashtra

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **BF Infrastructure Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Company for the financial year ended on 31st March, 2018 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder (in so far they are made applicable);

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; [**Not Applicable as the Securities of the Company are not listed on any Stock Exchange]**

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; [**Not Applicable as the Equity shares of the Company are in physical form]**

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; **[Not applicable as the Company has not received any Foreign Direct Investment or made any Foreign Direct Investment]**

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI ACT') :- [**Not Applicable as the Securities of the Company are not listed on any Stock Exchange]**

    (a) The Securities and Exchange Board of India(Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
    (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; presently, (Prohibition of Insider Trading) Regulations, 2015

(a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

(b) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; and The Securities and Exchange Board of India (Shared Based Employees Benefits) Regulations, 2014 notified on 28th October, 2014;
(c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
(d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
(e) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
(f) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

(vi) No law is specifically applicable to the Company.

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India with respect to board and general meetings.

(ii) The Listing Agreements entered into by the Company with the Stock Exchange(s) pursuant to SEBI (Listing Obligations and Disclosure Requirements), 2015 [**Not Applicable as the Securities of the Company are not listed on any Stock Exchange]**

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except in some cases where Board meetings were held at a short notice to transact urgent business and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- All decisions at Board meetings and Committee meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

We further report that adequate systems and processes commensurate with the size and operations of the Company to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines; and

We further report that during the audit period following events/actions have taken place:

- **Issue of Equity shares on right basis:**

No of shares	Face value	Total amount (in Rs.)	Date of allotment
25,860,000	Rs. 10/-	258,600,000/-	September 4, 2017
3,595,640	Rs. 10/-	35,956,400/-	November 16, 2017

- **VARIATION IN TERMS AND CONDITIONS OF PREFERENCE SHARES**

  The 21,814,050, 6% Non- Cumulative Redeemable Preference Shares of Rs. 10/- each has been converted into 21,814,050 6% Non- Cumulative Compulsorily Convertible Preference Shares of Rs. 10/- each ('CCPS') at the Extraordinary General Meeting of the Company held on September 11, 2017.

For Shivam Tyagi & Associates
Company Secretaries

Shivam Tyagi
Proprietor
ACS No.: 50636
CP No.: 18738

Place: New Delhi
Date: May 08, 2018

AUDITOR'S REPORT

TO THE MEMBERS OF
BFINFRASTRUCTURE Limited

Report on the Standalone IND AS Financial Statements

We have audited the accompanying Standalone IND AS Financial Statements of **BF Infrastructure Limited** which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss including Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Change in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone IND AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone Ind AS Financial Statements that give a true and fair view of the financial position, financial performance and cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Amendment Rules, 2016 and Companies (Indian Accounting Standards) Amendment Rules, 2016. This responsibility also includes the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation maintenance of adequate accounting records in accordance with of the Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Standalone IND AS Financial Statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit of Standalone Ind AS Financial Statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding

Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Ind AS financial statements

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone IND AS Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its Profit/Loss for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the companies (auditor's report) rules,2016("the order")issued by the central Government of India in terms of the sub section (11) of the section 143 of the act , we give in the annexure A , a statement on the matters specified in paragraph 3 and 4 of the order.

2. As required by section 143 (3) of the Act, we report that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid Standalone Financial Statements ;

   b. In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of Financial Statements have been kept by the Company so far as it appears from our examination of those books and report of other auditors;

   c. The Standalone Balance Sheet, the Standalone Statement of Profit and Loss including the Statement Of Other Comprehensive Income , Standalone Cash Flow Statement and Statement Of Changes In Equity with by this Report are in agreement with the books of account for the purpose of Standalone financial statement ;

   d. In our opinion, the aforesaid Standalone IND AS Financial Statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2016 And the Companies (Indian Accounting Standards) Amendment Rules, 2016.

   e. On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act

   f. With respect to the adequacy of the Internal Financial Controls over financial reporting of the Holding Company and its subsidiary companies, associates companies and jointly controlled companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in **"Annexure B"**.

g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2017, in our opinion and to the best of our information and according to the explanations given to us:

i. The Standalone Financial Statements disclose the impact of the pending litigations on its Standalone financial position of the group , its associates and jointly controlled entities.

ii. The Group , and its associates does not have any have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, associates companies and jointly controlled companies incorporated in India.

For RMA & Associates LLP
Chartered Accountants
FRN: 000978N/N500062

CA Chandra Kishore Bajpai
Partner
M.No.077785

Place : Delhi
Date : May 8, 2018

"Annexure A" to the Independent Auditors' Report

Referred to in paragraph 1 under the heading 'Report on Other Legal & Regulatory Requirement' of our report of even date to the Financial Statements of the Company for the year ended 31th March,2018 :

1.
   a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets

   b. The Fixed Assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and nature of its business. Pursuant to the program, a portion of the fixed asset has been physically verified by the management during the year and no material discrepancies between the books records and the physical fixed assets have been noticed.

   c. No immovable property is held in the name of the company, hence this clause is not applicable.

2. There is no Inventory in the company, hence clause 2(a) and 2(b) is not applicable.

3. The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (c) of the Order are not applicable to the Company.

4. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees, and security.

5. The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.

6. As informed to us, the maintenance of Cost Records has not been specified by the Central Government under sub-section (1) of Section 148 of the Act, in respect of the activities carried on by the company.
   a. According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Sales tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities and there are no arrears of outstanding statutory dues on the last day of the financial year concerned (31.03.2018) for a period of more than six months from the date they became payable.

   b. According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute.

7. In our opinion and according to the information and explanations given to us, the Company has not availed any term loan from banks/financial institutions; hence this clause is not applicable on it.

8. Based on the audit procedures performed and information and explanations given to us by the management, the company has not raised moneys raised by way of initial public offer or further public offer (including debt instruments) an term loans .Hence the provisions of clause 3(ix) of the Order are not applicable to the company.

9. Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.

10. Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.

11. The Company is not a Nidhi Company. Hence this clause is not applicable on it.

12. In our opinion, all transactions with the related parties are in compliance with section177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.

13. Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.

14. Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company.

15. In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company.

For RMA & Associates LLP
Chartered Accountants
FRN: 000978N/N500062

CA Chandra Kishore Bajpai
Partner
M.No.077785

Place : Delhi
Date : May 8, 2018

"**ANNEXURE B**" to the Independent Auditor's Report of even date on the Standalone IND AS Financial Statements of **BF INFRASTRUCTURE Limited.**

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **BF INFRASTRUCTURE LTD. as** of March 31, 2018 in conjunction with our audit of the Standalone IND AS Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on these responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all materialrespects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting 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 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 authorizations of management and directors of the company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018.

For RMA & Associates LLP
Chartered Accountants
FRN: 000978N/N500062

CA Chandra Kishore Bajpai
Partner
M.No.077785

Place : Delhi
Date : May 8, 2018

Balance Sheet as at 31st March , 2018

	Notes	As at 31st March 2018	As at 31st March 2017
ASSETS		Rs.	Rs.
I Non-current assets			
(a) Property, Plant and Equipment	4	160,058	202,381
(b) Other intangible assets	5	68,258	68,258
(c) Intangible Assets under Development	5	-	534,468,011
(d) Investment in Associates and Joint Ventures	6	84,000	84,000
(e) Financial assets			
(f) Income Tax Assets	7	9,541,566	19,546,484
(i) Other non-current assets	8	23,693,515	37,214,762
(j) Deferred Tax Assets	9	957,225	1,117,253
II Current assets			
(a) Financial assets			
(ii) Loans	10	249,797,009	410,920,118
(v) Cash and cash equivalents	11	401,500,326	1,227,892
(vii) Other Financial Assets	12	5,482,011	5,176,464
Total Assets :		**691,283,967**	**1,010,025,623**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	13	1,249,833,400	955,277,000
(b) Other equity	14	(1,802,481,533)	(754,519,728)
Equity attributable to equity holders of the parent			
LIABILITIES			
I Non-current liabilities			
(a) Preference Share capital	13	218,140,500	218,140,500
(b) Provisions	15	415,055	402,767
(c) Other non-current liabilities	16	241,937	829,046
II Current liabilities			
(a) Financial liabilities			
(i) Borrowings	17	378,655,398	377,496,583
(ii) Trade payables	18	217,793,161	92,896,786
(iii) Other current financial liabilities	19	428,200,000	119,194,280
(b) Provisions	15	486,050	308,389
Total Equity and Liabilities :		**691,283,967**	**1,010,025,623**

The accompanying notes are an integral part of these financial statements.

As per our attached report of even date
For RMA & Associates LLP
Chartered Accountants
Firm Registration Number: 000978N/N500062

Chandra Kishore Bajpai
Partner
Membership No 078775

Place: Delhi
Date: May 8, 2018

On behalf of the Board of Directors

Kishore Saletore
Director
DIN:-01705850

Sandeep Kapoor
Director
DIN:-01235153

Sneha Modi
Company Secretary

Rohit Gogia
Manager

Vineet
Chief Finance Officer

Profit and Loss Account for the Year Ended March 31, 2018

	Note	As at 31st March 2018	As at 31st March 2017
Continuing Operations		**Rs.**	**Rs.**
Income			
Other income	**20**	4,688,482	5,381,830
Total Income (i)		**4,688,482**	**5,381,830**
Expenses			
Employee benefits expense	**21**	6,574,026	5,457,587
Depreciation and amortisation	**22**	42,323	249,192
Finance costs	**23**	8,720,139	10,464,968
Other expenses	**24**	19,480,961	23,533,628
Total expenses (ii)		**34,817,449**	**39,705,375**
Profit before share of profit/(loss) of associates, joint ventures, exceptional items and tax from continuing operations(i - ii)		**(30,128,967)**	**(34,323,545)**
Profit before exceptional items and tax from continuing operations		**(30,128,967)**	**(34,323,545)**
Exceptional Items-(Loss)/Gain	**25**	(1,017,689,620)	-
Profit before tax from continuing operations		**(1,047,818,587)**	**(34,323,545)**
Tax expenses			
Deferred tax		160,028	(1,223,160)
Total tax expense		160,028	(1,223,160)
Profit for the year from continuing operations		**(1,047,978,615)**	**(33,100,385)**
Discontinued Operations			
Share of Profit /(Loss) of joint ventures			-
		-	-
Profit for the year		**(1,047,978,615)**	**(33,100,385)**
Other Comprehensive Income:			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)			
Re-measurement gain/(losses) on defined benefit plans	**26**	16,810	(127,837)
Share of other comprehensive income in associates and joint ventures			-
		16,810	**(127,837)**
Other comprehensive income for the year, net of tax		**16,810**	**(127,837)**
Total Profit/(Loss) for the Period		**(1,047,961,805)**	**(33,228,222)**
Earnings per equity share			
[Nominal Value of share Rs. 10 (March 31 , 2018 Rs. 10)			
Basic		(8.38)	(0.35)
Diluted		(8.38)	(0.35)

The accompanying notes are an integral part of these financial statements.

As per our attached report of even date
For RMA & Associates LLP
Chartered Accountants
Firm Registration Number: 000978N/N500062

Chandra Kishore Bajpai
Partner
Membership No 078775

Place: Delhi
Date: May 8, 2018

On behalf of the Board of Directors

Kishore Saletore
Director
DIN:-01705850

Sandeep Kapoor
Director
DIN:-01235153

Sneha Modi
Company Secretary

Rohit Gogia
Manager

Vineet
Chief Finance Officer

Cash Flow Statement for the year Ended 31st March, 2018

Sr. No.	Particulars	For the Year Ended March 31, 2018		For the Year Ended March 31, 2017	
A	**Cash Flow from Operations**	Rs.		Rs.	
	Profit before Taxation		**(1,047,818,587)**		**(34,323,545)**
	Adjustments for:				
	Depreciation	42,323		249,192	
	Finance Charges	8,720,139		10,464,968	
	Interest Income	(244,090)		(704,386)	
	Items that will not be reclassified to Profit and loss	16,810	**8,535,182**	(127,837)	**9,881,937**
	Operating Profit before Working Capital Changes		**(1,039,283,405)**		**(24,441,608)**
	(Increase)/Decrease in Current Assets				
	Trade Receivables	-		-	
	Other Financial Assets	(305,547)		502,602	
	Income Tax Assets	10,004,918			
	Other Non-current Assets	13,521,247		5,928,585	
	Short-term Loans and Advances	161,123,109	**184,343,727**	(72,988,087)	**(66,556,900)**
	Increase/(Decrease) in Current Liabilities				
	Trade Payables	124,896,375		91,685,035	
	Other Current Liabilities	309,005,720		30,938,990	
	Other Long Term Liabilities	(587,109)		140,430	
	Long Term Provision	12,288		(326,113)	
	Short Term Provision	177,661	**433,504,935**	(3,402)	**122,434,940**
	Cash Inflow/(Outflow) from Operations		**(421,434,744)**		**31,436,432**
	Direct Taxes Paid				
	Income Tax Paid		-	-	
	Income Tax for Earlier years Written Back		-	-	-
	Net Cash Inflow/ (Outflow) from Operation (A)		**(421,434,744)**		**31,436,432**
B	**Cash Flow from Investing Activities**				
	Purchase of Fixed Assets		-		-
	Increase/(Decrease) in Intangible Assets Under Development		534,468,011		(364,775,396)
	Increase in Investment		-		-
	Interest Income		244,090		704,386
	Net Cash Inflow/ (Outflow) from Investing Activities (B)		**534,712,101**		**(364,071,010)**
C	**Cash Flow from Financing Activities**				
	Increase in Share Capital		294,556,400		279,581,000
	Finance Charges		(8,720,139)		(10,464,968)
	Net Cash Inflow/(Outflow) from Financing Activities (C)		**285,836,261**		**269,116,032**
	Net Change in Cash or Cash Equivalents during the Year		399,113,619		(63,518,547)
	Cash and Cash Equivalents at the beginning of the year		(376,268,691)		(312,750,144)
	Cash and Cash Equivalents at the end of the year		**22,844,928**		**(376,268,691)**

As per our attached report of even date
For RMA & Associates LLP
Chartered Accountants
Firm Registration Number: 000978N/N500062

On behalf of the Board of Directors

Kishore Saletore
Director
DIN:-01705850

Sandeep Kapoor
Director
DIN:-01235153

Chandra Kishore Bajpai
Partner
Membership No 078775

Sneha Modi
Company Secretary

Rohit Gogia
Manager

Place: Delhi
Date: May 8, 2018

Vineet
Chief Finance Officer

Statement of changes in equity for the year ended March 31, 2018

3. Changes in Equity - other equity	**Retained Earnings**	**Total**
	Rs.	**Rs.**
Balance at the beginning	(754,519,728)	(754,519,728)
Profit for the year	(1,047,978,615)	(1,047,978,615)
Other Comprehensive Income	16,810	16,810
Adjustments		
Acquisition of additional shares		
Transfer from retained earning		
Transfer to retained earning		
Transfer to General Reserve		
Transaction with owners in their capacity as owners		
- equity dividend		
- tax on equity dividend		
- interim equity dividend		
- tax on interim equity dividend		
Balance at the end of period	**(1,802,481,533)**	**(1,802,481,533)**

4. Property, plant and equipment	**Office equipments**	**Furniture and fixtures**	**Grand Total**
Cost	**Rs.**	**Rs.**	**Rs.**
Opening	1,713,490	529,377	2,242,867
Other adjustments			
Closing	**1,713,490**	**529,377**	**2,242,867**
Depreciation/ Amortisation	**Rs.**	**Rs.**	**Rs.**
Opening	1,626,950	413,536	2,040,486
Charge for the year	8,411	33,912	42,323
- Other adjustments	-	-	-
Closing	**1,635,361**	**447,448**	**2,082,809**
Net Block	**78,129**	**81,929**	**160,058**

5. Intangible Assets	**Software**	**Total**
Cost	**Rs.**	**Rs.**
Opening	2,700,936	2,700,936
Foreign Currency Translation Reserve		-
Other adjustments		
Closing	**2,700,936**	**2,700,936**
Depreciation/ Amortisation	**Rs.**	**Rs.**
Opening	2,632,678	2,632,678
Foreign Currency Translation Reserve		-
Charge for the year		-
Closing	**2,632,678**	**2,632,678**
Net Block	**68,258**	**68,258**

5. Intangible Assets under Development	**Ast at March 31, 2018**	**Ast at March 31, 2017**
	Rs.	**Rs.**
Project Work in Progress (OIL)	-	534,468,011
Total	**-**	**534,468,011**

6. Investment in associates and joint ventures	**As at March 31, 2018**	**As at March 31, 2017**
At Cost	**Rs.**	**Rs.**
In unquoted equity instruments		
Investments in Associates	84,000	84,000
Total	**84,000**	**84,000**

Notes to Financial statements for the year ended March 31, 2018

1 Corporate information

BF Infrastructure Limited (BFIL) is 100% subsidiary company of the world's largest forging giant – Bharat Forge Limited. BFIL has emerged out of the diversification scheme of Kalyani Group Company - Bharat Forge Limited. BF Infrastructure Limited, has been formed for the purpose of carrying out the business in India or abroad as Engineering, Procurement and Construction (EPC) contractors, Civil contractors and to carry out the business of manufacturing, assembling, installing, repairing, covering- buying, selling, exchanging, altering, Importing, exporting, hiring, for infrastructure projects in energy, power, oil & gas, transport, air-ways, toll ways, water ways, road, highway, port, culvert, hotels, hospitals, housing projects, railways etc. The company's CIN is U45203PN2010PLC136755.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended thereafter.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

2.2 Summary of significant accounting policies

a. Current versus non-current classification

The Company 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 equivalents 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 Company classifies all other liabilities as non-current.

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 Company has identified twelve months as its operating cycle.

b. Foreign currencies

The Company's financial statements are presented in INR, which is also its functional currency.

Transactions and balance

Transactions in foreign currencies are initially recorded by the Company in its functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange difference that arise on settlement of monetary items or on reporting at each balance sheet date of the Company's monetary items at the closing rate are recognized as income or expenses in the period in which they arise except for differences pertaining to Long Term Foreign Currency Monetary Items as mentioned subsequently.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or statement of profit and loss are also recognised in OCI or statement of profit and loss, respectively).

Further, the Company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

c. Fair value measurement

The Company measures financial instruments at fair value on initial recognition.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or

In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

Disclosures for valuation methods, significant estimates and assumptions

Financial instruments (including those carried at amortised cost)

d. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

Based on the Educational Material on Ind AS 18 issued by the ICAI, the Company has assumed that recovery of excise duty flows to the Company on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty.

However, sales tax/ value added tax (VAT) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the domestic sales is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Interest income

The Company recognizes the Interest income on accrual basis, Interest income is included in other income in the statement of profit and loss.

Dividends

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

e. Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised outside the statement of profit and loss is recognised outside the statement of profit and loss (either in other comprehensive income or in equity). Current tax items are recognised 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 tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it 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 realised 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 the statement of profit and loss is recognised outside the statement of profit and 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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the guidance note on “Accounting for Credit Available in respect of Minimum Alternative Tax” under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as “MAT Credit Entitlement.” The Company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

f. Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition or construction net of accumulated depreciation and impairment loss (if any). Internally manufactured property, plant and equipment are capitalised at cost, including non- cenvatable excise duty, wherever applicable. All significant costs relating to the acquisition and installation of property, plant and equipment are capitalised. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

The identified components are depreciated over their useful lives; the remaining asset is deprecated over the life of the principal asset.

Depreciation for identified components is computed on straight line method based on useful lives, determined based on internal technical evaluation as follows:

Type of assets	Estimated useful life
Office Equipment	5 years
Furniture & Fixture	10 years
Computer	3 years
Software	3 years
Website	3 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

g. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the net carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

h. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing cost.

i. Inventories

Cost of inventories have been computed to include all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Raw materials and components, stores and spares and loose tools are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Costs are determined on weighted average basis.

Work-in-progress and finished goods are valued at lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost of work-in-progress and finished goods are determined on a weighted average basis.

Scrap is valued at net realizable value.

Dies are valued at cost or net realisable value. Cost includes direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

j. OIL Acquisition, Exploration and Development Costs

Company is following Full Cost Method (FCM) for valuing oil Acquisition, Exploration and Development cost.

Under FCM all the costs pertaining to acquisition, exploration and development is treated as project work in progress or Intangible asset under development.

As minimum work programme as well as Testing of Explored wells has been completed during the current Financial year and based on testing results of the wells and it Techno economic visibility, company has decided not to proceed beyond MWP stage, the company has written off total expenditure pertaining to MWP during the current Financial year.

k. Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements. A disclosure for a contingent liability is made where there is a possible obligation arising out of past event, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation arising out of a past event where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

l. Employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The company presents the leave 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 company 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.

m. 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.

Initial recognition and measurement

All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

Subsequent measurement

Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.
If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.
Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:
The rights to receive cash flows from the asset have expired, or

The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

n. 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, or as derivatives designated as hedging instruments in an effective hedge, 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 Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

o. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

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

p. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

7. Income Tax Assets	As at March 31, 2018	As at March 31, 2017
At Cost	**Rs.**	**Rs.**
Income Tax Receivable	9,541,566	19,546,484
Total	**9,541,566**	**19,546,484**

8. Other assets	As at March 31, 2018	As at March 31, 2017
Non Current	**Rs.**	**Rs.**
Balances with Customs, Excise and Other Govt authorities	23,693,515	37,210,039
Others	-	4,723
Total	**23,693,515**	**37,214,762**

9. Deferred Tax	As at March 31, 2018	As at March 31, 2017
Reflected in the balance sheet as follows	**Rs.**	**Rs.**
Deferred tax assets	957,225	1,117,253
Deferred tax liabilities (net)	**957,225**	**1,117,253**

10. Loans	As at March 31, 2018	As at March 31, 2017
	Rs.	**Rs.**
Non Current (Unsecured, considered good)		
Loans to related parties		
Other Loans		
Current (Unsecured, considered good)		
Loans to related parties		
Loans to subsidiaries	24,711,992	93,915,165
Other Loans		
Other loans	225,085,017	317,004,953
Total	**249,797,009**	**410,920,118**

11. Cash and Bank Balances	As at March 31, 2018	As at March 31, 2017
	Rs.	**Rs.**
Cash and cash equivalents		
Balances with banks		
In Cash Credit and Current accounts	401,135,495	1,163,620
Less Cheque in Hand	400,000,000	-
Net Balance in Cash Credit and Current accounts	**1,135,495**	**1,163,620**
Cheque in Hand	**400,000,000**	**-**
Cash on hand	364,831	64,272
	401,500,326	**1,227,892**

12. Other financial assets	As at March 31, 2018	As at March 31, 2017
Non-current	**Rs.**	**Rs.**
Current		
Security Deposits	3,892,861	3,673,180
Other Receivables	1,589,150	1,503,284
Total	**5,482,011**	**5,176,464**

13. Share Capital

As at	As at March 31, 2018	As at March 31, 2017
	Rs.	Rs.
Authorized Shares (No.)	1,260,000,000	1,130,000,000
126,000,000 shares of par value of Rs.10/- each (Previous year 113,000,000 shares of par value of Rs.10/- each)		
2,20,00,000, 6% Non- Cumulative Compulsorily Convertible Preference Shares of par value of Rs.10/- each (Previous Year - 2,20,00,000 Non Cumulative Redemable Preference shares of par value of Rs.10/- each)	220,000,000	220,000,000
Total	**1,480,000,000**	**1,350,000,000**
Issued , Subscribed and Fully Paid up (No.)		
12,49,83,340 shares of par value of Rs.10/- each fully paid up (Previous year 95,527,700 shares of par value of Rs.10/- each fully paid-up)	1,249,833,400	955,277,000
2,18,14,050 6% Non- Cumulative Compulsorily Convertible Preference shares of par value of Rs.10/- each fully paid up (Previous Year - 2,18,14,050 Non Cumulative Redemable Preference shares of par value of Rs.10/- each fully paid up)	218,140,500	218,140,500
Total Issued , Subscribed and Fully Paid up Capital	**1,467,973,900**	**1,173,417,500**

(a) Reconciliation of the shares outstanding at the beginning and the at the end of the reporting period

Equity Shares	As at March 31, 2018		As at March 31, 2017	
	No.	In Rs.	No.	In Rs.
At the begining of the year	95,527,700	955,277,000	67,569,600	675,696,000
Issued During the year	29,455,640	294,556,400	27,958,100	279,581,000
Outstanding at the year end	124,983,340	1,249,833,400	95,527,700	955,277,000

Preference Shares	As at March 31, 2018		As at March 31, 2017	
	No.	In Rs.	No.	In Rs.
At the begining of the year	21,814,050	218,140,500	21,814,050	218,140,500
Issued During the year				
Outstanding at the year end	21,814,050	218,140,500	21,814,050	218,140,500

(b) Terms rights attached to equity shares

The Company has only one class of issued equity shares having a par value of ` 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive 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.

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

Out of Equity and Preference shares issued by the company , shares held by its holding company are as below :

Details of Equity Shares held by holding company

Particulars	As at March 31, 2018		As at March 31, 2017	
	No.	% Holding	No.	% Holding
Bharat Forge Limited	124,983,334	100%	95,527,694	100%
Total	**124,983,334**	**100%**	**95,527,694**	**100%**

Details of Preference Shares held by holding company

Particulars	As at March 31, 2018		As at March 31, 2017	
	No.	% Holding	No.	% Holding
Bharat Forge Limited	21,814,050	100%	21,814,050	100%
Total	**21,814,050**	**100%**	**21,814,050**	**100%**

(d) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date

There are no bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding reporting date.

e) Details of Equity Shareholders holding more that 5% shares in the company

Particulars	As at March 31, 2018		As at March 31, 2017	
	No.	% Holding	No.	% Holding
Bharat Forge Limited	124,983,334	100%	95,527,694	100%
Total	**124,983,334**	**100%**	**95,527,694**	**100%**

Details of Preference Shareholders holding more that 5% shares in the

Particulars	As at March 31, 2018		As at March 31, 2017	
	No.	% Holding	No.	% Holding
Bharat Forge Limited	21,814,050	100%	21,814,050	100%
Total	**21,814,050**	**100%**	**21,814,050**	**100%**

14. Other equity	As at March 31, 2018	As at March 31, 2017
	Rs.	Rs.
Special Capital Incentive		
Warrants Subscription Money		
Capital redemption reserve		
Securities premium account		
Debenture redemption reserve		
Opening Balance		-
Retained Earnings		
Opening Balance	(754,519,728)	(721,291,506)
Add :		
Net Profit for the year	(1,047,978,615)	(33,100,385)
Items of Other Comprehensive Income :		
(1) Re-measurement of defined benefit obligations	16,810	(127,837)
	(1,047,961,805)	**(33,228,222)**
Closing Balance	**(1,802,481,533)**	**(754,519,728)**
Non Controlling Interest		
Total Other equity	**(1,802,481,533)**	**(754,519,728)**

15. Provisions	As at March 31, 2018	As at March 31, 2017
	Rs.	Rs.
Provision for employee benefits		
Non Current		
Provision for gratuity	415,055	402,767
Provision for jubilee scheme		-
Provision for early retirement		-
Total	**415,055**	**402,767**
Current		
Provision for leave benefits	486,050	308,389
Total	**486,050**	**308,389**

16. Other Liabilities	As at March 31, 2018	As at March 31, 2017
Non-current	Rs.	Rs.
Others	241,937	829,046
Total	**241,937**	**829,046**

17. Borrowings	As at March 31, 2018	As at March 31, 2017
Rupee loans	Rs.	Rs.
Cash credit (secured)	378,655,398	377,496,583
Total current borrowings	**378,655,398**	**377,496,583**

Cash Credit from bank is duly paid as on 17.04.2018.

18. Trade and Other payables	As at March 31, 2018	As at March 31, 2017
	Rs.	Rs.
Trade payables	217,793,161	92,896,786
Total	**217,793,161**	**92,896,786**

19. Other financial liabilities	As at March 31, 2018	As at March 31, 2017
Other current financial liabilities at amortised cost	**Rs.**	**Rs.**
Investor Education and Protection Fund		
Others	428,200,000	119,194,280
Total	**428,200,000**	**119,194,280**

20. Other income	For The Year Ending March 31, 2018	For The Year Ending March 31, 2017
Interest income on	**Rs.**	**Rs.**
- Fixed deposits and others	244,090	704,386
Miscellaneous income	4,444,392	4,677,444
Total	**4,688,482**	**5,381,830**

21. Employee benefits expense	For The Year Ending March 31, 2018	For The Year Ending March 31, 2017
	Rs.	**Rs.**
Salaries, wages and bonus (including managing and whole time director's remuneration)	6,018,191	6,509,241
Contributions to provident and other funds / scheme	290,571	355,481
Gratuity expense	88,649	150,804
Staff welfare expenses	176,615	(1,557,939)
Total	**6,574,026**	**5,457,587**

22. Depreciation and amortisation	For The Year Ending March 31, 2018	For The Year Ending March 31, 2017
	Rs.	**Rs.**
Depreciation of tangible assets (Refer note 4)	42,323	86,723
Amortisation of intangible assets (Refer note 5)	-	162,469
Total	**42,323**	**249,192**

23. Finance costs	For The Year Ending March 31, 2018	For The Year Ending March 31, 2017
	Rs.	**Rs.**
Interest on bank facilities	8,422,370	8,616,956
Others	297,769	1,848,012
Total	**8,720,139**	**10,464,968**

24. Other expenses	For The Year Ending March 31, 2018	For The Year Ending March 31, 2017
	Rs.	**Rs.**
Rates and taxes	-	1,921
Insurance	48,488	159,725
Legal and professional fees	743,206	2,284,231
Payment to Auditors	235,000	235,000
Miscellaneous expenses	18,454,267	20,852,751
Total	**19,480,961**	**23,533,628**

25. Exceptional Items-(loss)/Gain	For The Year Ending March 31, 2018	For The Year Ending March 31, 2017
	Rs.	**Rs.**
Provision for Diminution in Value of Investment of OIL Activity (refer Note 25 (a)	822,062,640	-
Provision for Diminution in Value of Investment in Joint Venture with Ferrovia Transrail Solutions Pvt.Ltd **(FTSPL)** (refer Note 25 (b)	132,413,980	-
Provision for Diminution in Value of Investment in Associate BFIL-CEC JV (refer Note 25 (C)	63,213,000	-
Total	**1,017,689,620**	**-**

Note:-

25 (a) :- As minimum work programme as well as Testing of Explored wells has been completed during the current Financial year and based on testing results of the wells and it Techno economic visibility, company has decided not to proceed beyond MWP stage, the company has written off total expenditure pertaining to MWP during the current Financial year.

25 (b) :- Considering the significant decline in Business activities and losses incurred by FTSPL, the company has provided an amount of Rs. 13.24 Crores towards diminution in carrying cost of its investments in current year.

25 (c) :- Considering the significant decline in Business activities and losses incurred by BFIL-CEC JV, the company has provided an amount of Rs. 6.32 Crores towards diminution in carrying cost of its investments in current year.

26. Other Comprehensive Income	For The Year Ending March 31, 2018	For The Year Ending March 31, 2017
	Rs.	Rs.
Foreign exchange revaluation differences		
Currency forward contracts		
Reclassified to statement of profit and loss		
Gain /(Loss) on FVTOCI assets	16,810	(127,837)
Re-measurement gains (losses) on defined benefit plans	**16,810**	**(127,837)**

Note No. 27 to the Financial Statements

Related Party Disclosure:
Name of related parties and related parties relationship

Holding Company	Bharat Forge Limited	
Joint Ventures of Company	Ferovia Transrail Solution P. Ltd.	
Fellow Subsidiary	BF-NTPC Energy Systems Ltd.	
	BFIL-CEC JV (Associate)	
Key Managerial Persons	Mr. Kishore Mukund Saletore	(Director)
	Mr. Sandeep Kapoor	(Director)
	Mr. Rohit Gogia	(Manager)
	Ms. Sneha Modi	(Company Secretary)
	Mr. Vineet Vashisht	(Chief Financial Officer Appointed w.e.f 21st April, 2017)

Nature of Transaction	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Services Rendred	Rs.	Rs.
Associates		
1. Ferrovia Transrail Solutions Pvt.Ltd	3,204,000	3,667,734
Subsidiary		
1. BFIL-CEC JV	1,305,055	1,560,309
Reimburshment of Expenses		
Associates		
1. Ferrovia Transrail Solutions Pvt.Ltd	41,052,821	32,817,957
Holding Company		
1. Bharat Forge Limited	603,800,000	304,881,000
Subsidiary		
1. BFIL-CEC JV	-	5,360,078
2. BF-NTPC Energy Systems Limited	600,120	600,120
Total	**600,120**	**5,960,198**
Investments		
Associates		
1. Ferrovia Transrail Solutions Pvt.Ltd	49,000	49,000
2. Hospet Bellary Highways Private Limited	35,000	35,000
Total	**84,000**	**84,000**
Advance Given		
Associates		
1. Ferrovia Transrail Solutions Pvt.Ltd	221,862,800	311,986,783
Subsidiary		
1. BFIL-CEC JV	23,406,937	92,354,856
2. BF-NTPC Energy Systems Limited	-	737,850
Total	**23,406,937**	**93,092,706**

Balance Outstanding as at Year ended		
Towards Services Rendered		
Associates		
1. Ferrovia Transrail Solutions Pvt.Ltd	3,204,000	3,667,734
Subsidiary		
1. BFIL-CEC JV	1,305,055	1,560,309
Loan Outstanding		
Associates		
1. Ferrovia Transrail Solutions Pvt.Ltd	221,862,800	311,986,783
Subsidiary		
1. BFIL-CEC JV	23,406,937	92,354,856
2. BF-NTPC Energy Systems Limited		600,000
Total	**23,406,937**	**92,954,856**
Holding Company		
1. Bharat Forge Limited	428,200,000	83,000,000

28) Contingent Liabilities	**For the Year Ended March 31, 2018**	**For the Year Ended March 31, 2017**
	Rs.	Rs.
Bank Guarantees		
Bank Guarantees Extended for Project/Oil Business	208,473,362	213,473,362
Claims against the company not acknowledged as Debts- to the extent ascertained*#		10,000,000
Sales Tax Demand-Matters under dispute #	554,450	13,726,771
Total	**209,027,812**	**237,200,133**

The company is contesting the damands and the management, including its tax/legal advisors, believe that its position will likely be upheld in the appllate process. No tax expense has been accrued in the financial statements for the tax demand raised.

29. Details of Dues to Micro and Small enterprises as defined under MSMED Act, 2006

	For the Year Ended March 31, 2018	**For the Year Ended March 31, 2017**
	Rs.	Rs.
Principal amount due to supplier under MSMED Act , 2006	-	-
Interest accrued and due to suppliers under MSMED Act , 2006 on above	-	-
Payment made due to supplier (other than interest) beyond the appointed day during the year	-	-
Interest paid to suppliers under MSMED Act 2006 (other than sec 16)	-	-
Interest paid to suppliers under MSMED Act 2006 (sec 16)	-	-
Interest due and payable to suppliers under MSMED Act , 2006 for the payment already made.	-	-
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act , 2006	-	-
Total	**-**	**-**

The information has been given in respect of such vendor to

30. Gratuity and other Post-employment benefits plans

The company has a defined gratuity plan. Under the gratuity plan every employee who has completed at least five years of service gets a gratuity on departure at 15 days last drawn basic salary for each completed
year of service. The scheme is funded with an insurance in the form of a qualifying insurance poliy.

The following table summarizes the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for respective plan.

Table Showing Change in Present Value of Obligation :

For the Period	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Projected Benefit Obligatons (PBO) at the beginning of the year	407,307	484,094
Interest Cost	31,403	38,728
Service Cost	88,649	82,303
Benefits paid	-	266,319
Actuarial (gain) loss on obligations	(112,304)	68,501
PBO at the end of the year	**415,055**	**407,307**

Break Up of Service Cost

For the Period	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Past Service Cost	-	-
Current Service Cost	82,303	88,649
Curtailment Cost / (Credit) on plan amendments	-	-
Settlement Cost / (Credit) on plan amendments	-	-

TABLE SHOWING CHANGES IN FAIR VALUE OF PLAN ASSETS

For the Period	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Fair value of plan assets at the beginning of the period	1,471,339	1,613,372
Acquisition adjustments	-	-
Transfer In / (Out)	-	-
Interest Income	113,444	129,070
Contributions	100	176
Mortality Charges and Taxes	-	-
Benefits paid	-	(266,319)
Amount paid on settlement	-	-
Return on plan assets, excluding amount recognized in Interest Income - Gain / (Loss)	4,267	(4,960)
Fair value of plan assets at the end of the period	1,589,150	1,471,339
Actual return on plan assets	**117,711**	**124,110**

NET INTEREST (INCOME)/EXPENSE

For the Period	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Interest (Income) / Expense – Obligation	31,403	38,728
Interest (Income) / Expense – Plan assets	(113,444)	(129,070)
Net interest (Income) / Expense for the year	(82,041)	(90,342)

REMEASUREMENTS FOR THE YEAR (ACTUARIAL (GAIN) / LOSS)

For the Period	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Experience (Gain) / Loss on plan liabilities	(95,073)	55,546
Demographic (Gain) / Loss on plan liabilities	-	-
Financial (Gain) / Loss on plan liabilities	(17,231)	12,955
Experience (Gain) / Loss on plan assets	(8,534)	4,960
Financial (Gain) / Loss on plan assets	4,267	-

AMOUNTS RECOGNISED IN STATEMENT OF OTHER COMPREHENSIVE INCOME (OCI)

For the Period	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Opening amount recognised in OCI outside profit and loss account	73,461	-
Remeasurement for the year -obligation (Gain) / Loss	(112,304)	68,501
Remeasurement for the year -plan asset (Gain) / Loss	(4,267)	4,960
Total Remeasurements Cost / (Credit) for the year recognised in OCI	(116,571)	73,461
Closing amount recognised in OCI outside profit and loss account	(43,110)	73,461

THE AMOUNTS TO BE RECOGNISED IN THE BALANCE SHEET

For the Period	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Present value of obligation at the end of period	415,055	407,307
Fair value of the plan assets at the end of period	1,589,150	1,471,339
Surplus / (Deficit)	1,174,095	1,064,032
Current liability	-	4,550
Non-current liability	415,055	402,757
Amount not recognised due to asset ceiling	-	-
Net asset / (liability) recognised in balance sheet	1,174,095	1,064,032

EXPENSE RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS

For the Period	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Service Cost	88,649	82,303
Acquisition (Gain) / Loss	-	-
Past service cost	-	-
Net interest (Income)/ Expense	(82,041)	(90,342)
Curtailment (Gain) / Loss	-	-
Settlement (Gain) / Loss	-	-
Transfer In / (Out)	-	-
Net periodic benefit cost recognised in the statement of profit & loss at the end of period	6,608	(8,039)

RECONCILIATION OF NET ASSET / (LIABILITY) RECOGNISED

For the Period	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Net asset / (liability) recognised at the beginning of the period	1,064,032	1,129,278
Company contributions	100	176
Benefits directly paid by Company	-	-
Amount recognised outside profit & loss for the year	116,571	(73,461)
Expense recognised at the end of period	(6,608)	8,039
Mortality Charges and Taxes	-	-
Impact of Transfer (In) / Out	-	-
Net asset / (liability) recognised at the end of the period	1,174,095	1,064,032

MAJOR CATEGORIES OF PLAN ASSETS (AS A % OF TOTAL PLAN ASSETS)

For the Period	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Funds managed by insurer	100%	100%

SENSITIVITY ANALYSIS

(A) Impact of change in discount rate when base assumption is decreased/increased by 100 basis

For the Period	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Discount Rate		
7.10%	461,062	
9.10%	374,548	

(B) Impact of change in salary increase rate when base assumption is decreased/increased by 100

For the Period	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Salary increment rate		
5.00%	376,985	
7.00%	457,252	

(C) Impact of change in withdrawal rate when base assumption is decreased/increased by 100

For the Period	**For the Year Ended March 31, 2018**	**For the Year Ended March 31, 2017**
Withdrawal rate		
0.00%	408,802	
2.00%	420,793	

31. EPS Calculation	**For The Year Ending March 31, 2018**	**For The Year Ending March 31, 2017**
A. Numerator for Basic and Diluted EPS		
i. Net profit after tax attributable to shareholders from continuing operations	(1,047,961,805)	(33,228,222)

32. Significant accounting estimates and assumptions

The preparation of the financial statements of the Company requires management to make
The key assumptions concerning the future and other key sources of estimation uncertainty at the
The Company has elected to use carrying amount of all its property, plant and equipment as

The accompanying notes are an integral part of these financial statements.

As per our attached report of even date
For RMA & Associates LLP
Chartered Accountants
Firm Registration Number: 000978N/N500062

Chandra Kishore Bajpai
Partner
Membership No 078775

Place: Delhi
Date: May 8, 2018

On behalf of the Board of Directors

Kishore Saletore
Director
DIN:-01705850

Sandeep Kapoor
Director
DIN:-01235153

Sneha Modi
Company Secretary

Rohit Gogia
Manager

Vineet
Chief Finance Officer

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Kalyani Rafael Advanced Systems Private Limited

Directors	Registered Office	Auditors
Mr.Rajinder Singh Bhatia Mr.Vikram Manohar Munje Mr.Moshe Elazar	Pune Cantonment, Mundhwa, Pune 411036	Deloitte Haskins & Sells LLP 706 B Wing,ICC Trade Tower, Senapati Bapat Road, Pune - 411016

BOARD'S REPORT
FOR THE YEAR ENDED MARCH 31, 2018

To,

The Members,

Your Directors have pleasure in presenting the 3rd Board's Report on the business and operations of the Company and the Audited Financial Statements for the Financial Year ended March 31, 2018.

1. PERFORMANCE OF THE COMPANY

The summary of financial results is as under:

(Amount in Rupees)

Particulars	For Financial Year 2017-18	For Financial Year 2016-17
Total Revenue	10,090,480	NIL
Depreciation/Amortization	18,635,385	NIL
Other expenses	21,801,297	3,566,769
Total expenses	53,125,410	357,6737
Profit/(Loss) before tax	(43,034,930)	(3,576,737)
Current Tax	NIL	NIL
PAT	(43,034,930)	(3,576,737)
Earnings per equity share Basic/Diluted	(1.48)	(0.61)

2. DIVIDEND

Since the Company does not have any distributable profit, the Board has not recommended any dividend for the financial year ended March 31, 2018.

3. STATE OF COMPANY'S AFFAIRS

The Company is yet to start its commercial activities.

During the year under review, the Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Government of India has granted an Industrial License under the Arms Act 1959, to the Company, for manufacture, upgrade & overhaul of Tanks & other Armoured Fighting vehicles etc.

4. MATERIAL CHANGES AND COMMITMENTS

There are no adverse material changes or commitments occurring after March 31, 2018 which can affect the financial position of the Company or may require disclosure.

5. MEETINGS OF THE BOARD OF DIRECTORS

During the year 2017-18, the Board of the Company met 5 (five) times on April 5, 2017, May 12, 2017, September 7, 2017, January 2, 2018 and March 28, 2018. The maximum gap between any two Board Meetings was less than one Hundred and Twenty days.

6. DIRECTORS & KEY MANAGERIAL PERSONNEL

During the year under review, Rafael Advanced Defense Systems Limited ("Rafael"), one of the Joint Venture partners of the Company, nominated Mr. Moshe Elazar as a nominee director of Rafael on the board of the Company. Accordingly, Mr. Elazar was appointed as an Additional Director in accordance with the section 161 of the Companies Act, 2013 in the Board Meeting held on April 5, 2017. Subsequently, he was regularized as a Director by the shareholders in an Extra-Ordinary General Meeting held on April 5, 2017, in accordance with the provisions of Section 152(2) of the Companies Act, 2013 and the Articles of Association of the Company. Further, there was no other change in the composition of the Board of Directors of the Company.

Further, during the year, Ms. Swati Shirsat was appointed as a Company Secretary of the Company with effect from May 12, 2017. Ms. Shirsat resigned as a Company Secretary on September 6, 2017. Subsequently, the Board appointed Mr. Rohan Nirgudkar as a Company Secretary of the Company with effect from September 7, 2017.

7. SHARE CAPITAL

During the year the Company increased its authorized share capital from Rs.25,00,00,000/- to Rs.80,00,00,000/- in the member's meeting held on July 7, 2017.

With this increase, the Authorized Share Capital of the Company by the end of financial year March 31, 2018 stands to Rs.80,00,00,000/- (Rupees Eighty Crores Only) divided into 8,00,00,000 (Eight Crores) Equity Shares of Rs.10/- (Rupees Ten only) each.

The Paid-up Equity Share Capital of the Company as on March 31, 2018 stood at Rs. 39,80,29,430/-. During the year under review, the Company made an allotment of 1,00,01,765 shares to Rafael Advance Defense Systems Ltd. on Private Placement basis in the Board Meeting held on April 5, 2017. Further, the Company through Circular Resolution passed on October 17, 2017, allotted 1,93,91,178 Equity Shares of Rs.10/- each on Rights basis to its existing equity shareholders.

During the year under review, the Company has not issued shares with differential voting rights nor has granted any stock options or sweat equity. As on March 31, 2018, none of the Directors of the Company hold instrument that is convertible into Equity Shares of the Company.

8. SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE COMPANIES

The Company does not have any subsidiary, joint venture and associate company.

9. PUBLIC DEPOSITS

The Company has not accepted deposits under Chapter V of the Companies Act, 2013 during the year.

10. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 134(5) of the Companies Act, 2013, the Directors confirm that:

a) in the preparation of the annual financial statements for the year ended March 31, 2018, the applicable Accounting Standards have been followed and there were no material departures;

b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state-of-affairs of the Company as at March 31, 2018 and the loss of the Company for the year under review;

c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) they have prepared the annual accounts on a going concern basis;

e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

11. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT 2013

The Company has not given any loan, guarantee and investments covered under Section 186 of the Companies Act, 2013.

12. INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

The Company has in place the adequate systems of internal control commensurate with its size and the nature of its operations.

The Company is exposed to business risk, market risk and risk from changes in government policies. These risks are assessed and appropriate steps to mitigate these risks are taken from time-to-time.

13. SIGNIFICANT AND MATERIAL ORDERS

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

14. APPOINTMENT OF AUDITORS

The Company appointed Mr. Prashant V. Deo, Chartered Accountant, Pune (Membership No. 041609) as its Statutory Auditor in the meeting held on August 2, 2016 and was duly regularized and ratified by shareholders in the Annual General Meeting held on August 2, 2016. Stating his inability to continue as the Statutory Auditors of the Company, owing to personal reasons, Mr. Prashant V. Deo tendered his resignation to the Company as on 6th September, 2017 and the Company accepted it on the same date.

Subsequently, the Board proposed M/s. Deloitte Haskins & Sells LLP (Firm Registration No. 117366W/W-100018), Chartered Accountants, Pune to be appointed as its Statutory Auditors and they gave their consent to act in the same capacity. Following which, the Company then appointed the said firm at the Extra-Ordinary General Meeting held on September 7, 2017, pursuant to provisions of Section 139(8), till the Annual General Meeting.

The Board further proposes to appoint M/s. Deloitte Haskins & Sells LLP (Firm Registration No. 117366W/W-100018), Chartered Accountants, Pune as the Statutory Auditors of the Company for the period of 5 (five) consecutive years i.e. from the conclusion of the ensuing Annual General Meeting, till the conclusion of the 8th Annual General Meeting of the Company to be held in the Financial Year 2023-24. The Company has received a certificate from M/s. Deloitte Haskins & Sells

LLP (Firm Registration No. 117366W/W-100018) to effect that their appointment, if made, at the ensuing Annual General Meeting of the Company, will be in accordance with the conditions laid down under the Companies Act, 2013 and Rule 4 of Companies (Audit and Auditors) Rules, 2014.

15. AUDITORS' REPORT

The notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

16. EXTRACT OF ANNUAL RETURN

The extract of the Annual Return of the Company in Form MGT-9 is annexed herewith as **Annexure "A"** to this report.

17. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

During the financial year under review the Company has entered into the transactions with Related Parties. Details of the same are annexed herewith as **Annexure "B"**.

18. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014 are annexed herewith as **Annexure "C"** to this report.

19. INFORMATION PURSUANT TO RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIALPERSONNEL) RULES, 2014

In terms of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 information as to names of the top ten employees in terms of remuneration drawn is annexed as **Annexure "D"** to this report.

20. OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

There were no complaints filed in terms of provision of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013.

21. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company complies with all applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

22. ACKNOWLEDGEMENT

The Directors sincerely thanks all the members, clients, bankers and the employees for extending valuable support and cooperation all through the year.

For and on behalf of the Board of Directors

	Rajinder Singh Bhatia	**Vikram Munje**
Place : Pune	**Director**	**Director**
Date : May 10, 2018	**DIN : 05333963**	**DIN : 02772991**

Annexure - "A"

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on March 31, 2018

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	U29270PN2015PTC156252
ii)	Registration date	August 21, 2015
iii)	Name of the Company	Kalyani Rafael Advanced Systems Private Limited
iv)	Category/Sub category of the Company	Company Limited by Shares / Indian Non-Government Company
v)	Address of the Registered office and contact details	Mundhwa, Pune Cantonment, Pune 411 036. Tel. No. +91 6704 2343 Fax No. +91 2682 1250
vi)	Whether listed company	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company are as stated below:-

Sr. No.	Name and Description of main products/services	NIC Code of the product / service	% to total turnover of the Company*
	NIL	NIL	NIL

* On the basis of Gross Turnover.

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Kalyani Strategic Systems Limited, Mundhwa, Pune Cantonment, Pune- 411036	U31902PN2010PLC138025	Holding	50	Sec 2(6)

IV. SHARE HOLDING PATTERN
(Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding as of March 31, 2018

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a)Individual/HUF	NIL	1	1	0	NIL	NIL	NIL	NIL	NIL
b) Bodies Corp.	NIL	10,409,999	10,409,999	100	NIL	39,802,943	39,802,943	100	NIL
Sub-total (A) (1):-	NIL	10,410,000	10,410,000	100	NIL	39,802,943	39,802,943	100	NIL
(2) Foreign									
a)NRI Individual	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Bodies Corp.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (A) (2):-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**NIL**	**10,410,000**	**10,410,000**	**100**	**NIL**	**39,802,943**	**39,802,943**	**100**	**NIL**
B. Public Shareholding									
1. Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2. Non-Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total Public Shareholding (B)=(B)(1)+ (B)(2)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
C. Shares held by Custodian for GDRs & ADRs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Grand Total (A+B+C)	**NIL**	**10,410,000**	**10,410,000**	**100**	**NIL**	**39,802,943**	**39,802,943**	**100**	**NIL**

ii) Shareholding of Promoters :

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	%change in shareholding during the year
1	Kalyani Strategic Systems Limited (along with its nominee)	10,410,000	100.00	0.00	19,901,471	50.00	0.00	(50.00)
2	Rafael Advance Defense Systems Limited	0	0.00	0.00	19,503,442	49.00	0.00	49.00
	Total	**10,410,000**	**100.00**	**0.00**	**39,404,913**	**99.00**	**0.00**	

iii) Change in Promoters' Shareholding:

Sl. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
1.	**Kalyani Strategic Systems Limited**	Date	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	01/04/2017	10,410,000	100.00	10,410,000	100.00
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	05/04/2017 (transfer)	(204,118)	(1.96)	10,205,882	98.04
		17/10/2017(allotment)	9,695,589	24.36	19,901,471	50.00
	At the End of the year	31/03/2018	19,901,471	50.00	19,901,471	50.00

Sl. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
2.	**Rafael Advanced Defense Systems Limited**	Date	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	01/04/2017	0	0.00	0	0.00
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	05/04/2017(allotment)	10,001,765	49.00	10,001,765	49.00
		17/10/2017(allotment)	9,501,677	49.00	19,503,442	49.00
	At the End of the year	31/03/2018	19,503,442	49.00	19,503,442	49.00

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Sr. No.	For Each of the Top 10 Shareholders Name, Date & Reason of change	Shareholding at the beginning of the year (01-04-2017)		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	NIL	NIL	NIL	NIL	NIL

v) Shareholding of Directors and Key Managerial Personnel:

Shareholding of Directors:

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the Directors and KMP	**No. of shares**	**% of total shares of the company**	**No. of shares**	**% of total shares of the company**
1	At the beginning of the year				
	*Rajinder Singh Bhatia	1	Negligible	1	Negligible
2	Datewise increase/Decrease in shareholding during the year specifying reasons for increse/decrease e.g. Allotment/transfer/bonus/sweat equity etc. **Transfer of Shares on April 5, 2017**	1	Negligible	1	Negligible
3	At the end of the year	1	Negligible	NIL	NIL

Key Managerial Person:

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the Directors and KMP	**No. of shares**	**% of total shares of the company**	**No. of shares**	**% of total shares of the company**
1	At the beginning of the year	NIL	NIL	NIL	NIL
2	Date wise increase/Decrease in shareholding during the year specifying reasons for increse/decrease e.g. Allotment/transfer/bonus/sweat equity etc.	NIL	NIL	NIL	NIL
3	At the end of the year	NIL	NIL	NIL	NIL

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(Amount in Rupees)

Particulars	Secured Loans excluding deposit	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i.) Principal Amount	NIL	NIL	NIL	NIL
ii.) Interest due but not paid	NIL	NIL	NIL	NIL
iii.) Interest accrue but not due	NIL	NIL	NIL	NIL
Total(i+ii+iii)	NIL	NIL	NIL	NIL
Change in Indebtedness during the Financial year				
i.) Addition	NIL	NIL	NIL	NIL
ii.) Reduction	NIL	NIL	NIL	NIL
Net Change	NIL	NIL	NIL	NIL
Indebtedness at the end of the Financial year				
i.) Principal Amount	NIL	NIL	NIL	NIL
ii.) Interest due but not paid	NIL	NIL	NIL	NIL
iii.) Interest accrue but not due	NIL	NIL	NIL	NIL
Total(i+ii+iii)	NIL	NIL	NIL	NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Director and/or Manager

(Amount in Rupees)

Sr. No.	Particulars of Remuneration	Name of the Managing Director/Whole-time Director/Manager		Total Amount
1.	Gross Salary			
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	NIL	NIL	NIL
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL
2.	Stock Option	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL
4.	Commission:	NIL	NIL	NIL
	- As a % of Profit	NIL	NIL	NIL
	- others, specify	NIL	NIL	NIL
5.	Others, please specify	NIL	NIL	NIL
Total A		NIL	NIL	NIL
Ceiling as per the Act				NIL

B. Remuneration to other Directors

Sr. No.	Particulars of Remuneration	Name of the Director		Total Amount
1.	Gross Salary			
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	NIL	NIL	NIL
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL
2.	Stock Option	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL
4.	Commission:	NIL	NIL	NIL
	- As a % of Profit	NIL	NIL	NIL
	- others, specify	NIL	NIL	NIL
5.	Others, please specify	NIL	NIL	NIL
Total A		NIL	NIL	NIL
Ceiling as per the Act				NIL

C. Remuneration to Key Managerial Personnel other than the Managing Director/Whole-time Director/Manager

Sr. No.	Particulars of Remuneration	Name of the Key Managerial Personnel		Total Amount
1.	Gross Salary			
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	NIL	NIL	NIL
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL
2.	Stock Option	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL
4.	Commission:	NIL	NIL	NIL
	- As a % of Profit	NIL	NIL	NIL
	- others, specify	NIL	NIL	NIL
5.	Others, please specify	NIL	NIL	NIL
Total A		NIL	NIL	NIL
Ceiling as per the Act				NIL

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / punishment / compounding fees imposed	Authority (RD/ NCLT/ COURT)	Appeal made, if any (give details)
A. Company					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B. Directors					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C. Other Officers in default					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

For and on behalf of the Board of Directors

Rajinder Singh Bhatia
Director
DIN : 05333963

Vikram Munje
Director
DIN : 02772991

Place : Pune
Date : May 10, 2018

Annexure -"B"

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. **Details of contracts or arrangements or transactions not at arm's length basis**

   There are no contracts or arrangements or transactions entered into by the Company during the year ended March 31, 2018, which are not at arm's length basis.

2. **Details of material contracts or arrangement or transactions at arm's length basis**

a.	Name(s) of the related party and nature of relationship	Rafael Advanced Defense Systems Limited (Enterprise having significant influence over the Company)
b.	Nature of contracts / arrangements / transactions	Sales
c.	Duration of the contracts / arrangements / transactions	One Time
d.	Salient terms of the contracts or arrangements or transactions including the value, if any	Sale of Part of Guidance Unit Transaction Value : Rs. 6,749,443/-
e.	Date(s) of approval by the Board, if any	NA
f.	Amount paid/ received as advances, if any	NIL

Annexure -"C"

Information as per Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 forming part of the Directors' Report for the year ended March 31, 2018.

(A) Conservation of Energy

i. Steps taken or impact on conservation of energy during 2017-18

NIL

ii. Steps taken by the Company for utilizing alternate sources of energy

NIL

iii. Capital investment on energy conservation equipment

NIL

(B) Technology Absorption, Adaptation and Innovation

i. Efforts made towards technology absorption, adaptation and innovation

NIL

ii. Benefits derived as a result of above efforts

NIL

(C) Foreign Exchange Earnings and Outgo

Total foreign exchange earnings and outgo for the financial year is as follows:

i)	Total Foreign Exchange Earning	:	Rs. 6,749,444/-
ii)	Total Foreign Exchange Outgo	:	NIL

Annexure -"D"

DETAILS OF REMUNERATION

A statement showing the names of the top ten employees in terms of remuneration drawn

Statement under Section 197 (12) of the Companies Act, 2013, read with the companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Directors' Report for the year ended March 31, 2018.

Sr. No	Name of the employee	Remuneration received (Rs.) Per Annum	Nature of employment	Qualification	Experience (Years)	Date of commencement of employment	Age	Last employment	Percentage of equity shares held	Whether any such employee is relative of any Director and if so name of such Director
1	Ganeshan K	1,800,000	Permanent	B. Tech	32	3-Apr-17	58	Emergtech	NIL	No
2	Kara VV Pavan Kumar	1,400,004	Permanent	Diploma	22.5	1-Aug-17	45	Vedang Radio Technology Pvt Ltd	NIL	No
3	Subash A	1,050,000	Permanent	BE	12	18-May-17	36	Centum Electronics Ltd	NIL	No
4	AN Kotresh	740,004	Permanent	Diploma	11	16-Aug-17	39	Embedded IT Solutions India Pvt Ltd	NIL	No
5	Toram Veeranaga babu	660,000	Permanent	B. Tech	7.2	7-Jul-17	30	Mr. Dhobee Laundry Equipments	NIL	No
6	Chandram Pilli	660,000	Probation	Diploma	16	7-Apr-18	42	Kalyani Rafael Advanced Systems Pvt Ltd	NIL	No
7	Vikas Rastogi	625,200	Permanent	BE	7.5	10-May-17	33	Punj lloyd Ltd	NIL	No
8	S Venkata Ramana	625,200	Probation	Diploma	31	1-Mar-18	50	Analogic Controls India Limited	NIL	No
9	Ajaysinh Rana S	550,000	Permanent	BE	5.3	3-Jul-17	27	Texspin Bearings Ltd	NIL	No
10	A S Pawar	450,000	Permanent	Diploma	30.5	24-Jul-17	48	Indian Army	NIL	No

AUDITORS' REPORT

TO THE MEMBERS OF
KALYANI RAFAEL ADVANCED SYSTEMS PRIVATE LIMITED

Report on the IND AS Financial Statements

We have audited the accompanying IND AS financial statements of **KALYANI RAFAEL ADVANCED SYSTEMS PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the IND AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these IND AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (IND AS) prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the IND AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these IND AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the order issued under Section 143(11) of the Act.

We conducted our audit of the IND AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the IND AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the IND AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the IND AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the IND AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the IND AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the IND AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid IND AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the IND AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its loss, total comprehensive loss, its Cash Flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit 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 Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

   d) In our opinion, the aforesaid IND AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.

   e) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.

   f) Reporting on the adequacy of Internal Financial Control Over Financial Reporting of the Company and the operating effectiveness of such controls, under Section 143(3)(i) of the Act is not applicable in view of the exemption available to the company in terms of the notification no. G.S.R. 583(E) dated 13 June, 2017 issued by the Ministry of Corporate Affairs, Government of India, read with general circular No. 08/2017 dated 25 July, 2017.

   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, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations, which would impact its financial position.

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Sunil S Kothari
Partner
Membership No. 208238

Place : Pune
Date : May 10, 2018

ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) The Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under clause 3 (i)(c) of the Order is not applicable.

(ii) The Company does not have any inventory and hence reporting under clause 3 (ii) of the Order is not applicable.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act.

(iv) In our opinion and according to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees and hence reporting under clause 3 (iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposits during the year under Section 73 to 76 or any other relevant provisions of the Act and hence reporting under clause 3 (v) of the Order is not applicable to the Company.

(vi) Having regard to the nature of the Company's business, reporting under clause 3 (vi) of the Order is not applicable.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable except for as given below :

Name of Statute	Nature of Dues	Amount (Rs.)	Period to which amount relates	Due Date
Employee Provident Fund Act, 1992	Provident Fund	37,170	August, 2017	September 15, 2017

(c) There are no dues of Provident Fund, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax as on March 31, 2018 on account of any disputes.

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause 3 (viii) of the Order is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3 (ix) of the Order is not applicable to the Company.

(x) Based upon the audit procedures performed and according to the information and explanations given and representations made by the management, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) The Company is a private company and hence the provisions of Section 197 of the Act, do not apply to the Company.

(xii) The Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable to the Company.

(xiii) The Company is a private company and hence the provisions of Section 177 of the Act are not applicable to the Company. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 of the Act for transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us, the Company has made private placement of shares during the year under review.

In respect of the above issue, we further report that:

a) the requirement of Section 42 of the Act, as applicable, have been complied with; and
b) the amounts raised have been applied by the Company during the year for the purposes for which the funds were raised, other than temporary deployment pending application.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of Section 192 of the Act, are not applicable.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Sunil S Kothari
Partner
Membership No. 208238

Place: Pune
Date: May 10, 2018

Balance sheet as at March 31, 2018

Particulars	Note No.	As at March 31, 2018 Rs	As at March 31, 2017 Rs
I. ASSETS			
1. Non-current assets			
a) Property Plant & Equipment	3	**153,705,595**	-
b) Capital Work in Progress		**-**	23,538,460
c) Intangible Assets	3	**8,096,854**	-
d) Financial Assets			
i) Other financial assets	4	**1,823,560**	33,792,729
e) Other non-current assets	5	**12,580,990**	40,094,626
		176,206,999	97,425,815
2. Current assets			
a) Financial Assets			
i) Cash and cash equivalents	6	**16,109,805**	13,930,323
ii) Bank balances other than (i) above	6	**156,600,473**	100,028,884
iii) Other financial assets	4A	**745,194**	5,927
b) Other current assets	5A	**3,955,387**	631,764
		177,410,859	114,596,898
TOTAL Assets (1 + 2)		**353,617,858**	212,022,713
II. EQUITY AND LIABILITIES			
1. Equity			
a) Equity share capital	7	**398,029,430**	104,100,000
b) Other Equity	8	**(53,048,367)**	94,181,352
		344,981,063	198,281,352
2. Non-Current liabilities			
a) Financial Liabilities			
(i) Other financial Liabilities	9	**202,609**	163,962
b) Provisions	10	**81,362**	2,160
		283,971	166,122
3. Current liabilities			
a) Financial Liabilities			
i) Trade Payables	11	**1,849,223**	854,627
(ii) Other Financial Liabilities	9A	**5,914,774**	12,638,196
b) Other current liabilities	12	**580,305**	82,416
c) Provisions	10A	**8,522**	-
		8,352,824	13,575,239
TOTAL Equity and Liabilities (1+2+3)		**353,617,858**	212,022,713

Significant Accounting Policies 2

See accompanying part of the Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountant

Sunil S Kothari
Partner

Place: Pune
Date: May 10, 2018

On behalf of the Board of Directors,

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Rohan Nirgudkar
Company Secretary

Place: Pune
Date: May 10, 2018

Statement of Profit and Loss for the year ended March 31, 2018

Particulars	Note No.	For the year ended March 31, 2018 Rs	For the year ended March 31, 2017 Rs
I. Revenue from operations	13	**6,749,444**	-
II. Other income	14	**3,341,036**	-
III. Total Income (I + II)		**10,090,480**	-
IV. Expenses			
a) Purchases of Stock-in-trade	15	**6,694,679**	-
b) Changes in inventories of stock-in-trade	15A	**-**	-
c) Employee benefits expenses	16	**5,771,840**	-
d) Finance Cost	17	**222,209**	9,968
e) Depreciation & Amortisation	3	**18,635,385**	-
f) Other expenses	18	**21,801,297**	3,566,769
Total Expenses (IV)		**53,125,410**	3,576,737
V. Loss before tax (III - IV)		**(43,034,930)**	(3,576,737)
VI. Tax Expenses			
- Current Tax		**-**	-
- Deferred Tax		**-**	-
Total Tax Expenses (VI)		-	-
VII. Loss for the year (V - VI)		**(43,034,930)**	(3,576,737)
VIII. Other Comprehensive Income / (loss)			
Items that will not be recycled to profit or loss			
- Remeasurements of the defined benefit (liabilities) / asset		**(52,139)**	-
IX. Total Comprehensive loss for the year (VII + VIII)		**(43,087,069)**	(3,576,737)
X. Earnings per equity share - Basic and diluted (face value per equity share Rs.10/-)		**(1.48)**	(0.61)

Significant Accounting Policies 2

See accompanying part of the Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountant

Sunil S Kothari
Partner

Place: Pune
Date: May 10, 2018

On behalf of the Board of Directors,

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Rohan Nirgudkar
Company Secretary

Place: Pune
Date: May 10, 2018

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

A Changes in Equity

Particulars	As at March 31, 2018 Rs	As at March 31, 2017. Rs
a) Balance at the beginning of the year	**104,100,000**	1,500,000
b) Changes in Equity Share Capital during the year	**293,929,430**	102,600,000
c) Balance at the end of the year	**398,029,430**	104,100,000

B Changes in other equity

Particulars	Share Application money pending Allotment Rs.	Retained Earnings Rs.	Total Rs.
Balance at the beginning of the year	-	(2,259,561)	**(2,259,561)**
Amount received during the period	202,617,650	-	**202,617,650**
Loss for the year	-	(3,576,737)	**(3,576,737)**
Share Issue Expenses	-	-	**-**
Other comprehensive income /(loss) for the year, net of income tax	-	-	**-**
Allotment made during the year	(102,600,000)	-	**(102,600,000)**
Balance as at March 31, 2017	**100,017,650**	**(5,836,298)**	**94,181,352**
Balance at the beginning of the year	100,017,650	(5,836,298)	**94,181,352**
Amount received during the period	193,911,780	-	**193,911,780**
Loss for the year	-	(43,034,930)	**(43,034,930)**
Share Issue Expenses		(4,125,000)	**(4,125,000)**
Other comprehensive income /(loss) for the year, net of income tax	-	(52,139)	**(52,139)**
Allotment made during the year	(293,929,430)	-	**(293,929,430)**
Balance as at March 31, 2018	**-**	**(53,048,367)**	**(53,048,367)**

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountant

Sunil S Kothari
Partner

Place: Pune
Date: May 10, 2018

On behalf of the Board of Directors,

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Rohan Nirgudkar
Company Secretary

Place: Pune
Date: May 10, 2018

Cash Flow Statement for the year ended March 31, 2018

Particulars		Year ended March 31, 2018 Rs	Year ended March 31, 2017. Rs
Cash flow from operating activities			
Loss before tax		**(43,034,930)**	(3,576,737)
Adjustments for :			
Depreciation & amortisation		**18,635,385**	-
Finance Costs incurred		**66,910**	-
Stamp duty for increase in authorised share capital		**1,393,938**	-
Interest Income		**(3,146,017)**	-
Income Tax Expenses		**-**	7,168
Operating loss before working capital changes		**(26,084,714)**	(3,569,569)
Movements in working capital :			
(Increase) / decrease in other financial assets		**31,952,677**	(1,162,538)
(Increase) / decrease in other non-current assets		**(8,883,631)**	(39,649,310)
(Increase) / decrease in current assets		**(3,323,623)**	(580,787)
Increase / (decrease) in other financial liabilities		**38,647**	141,043
Increase / (decrease) in Provisions		**87,724**	2,160
Increase / (decrease) in trade payables		**994,596**	(1,188,219)
Increase / (decrease) in other current liabilities		**497,889**	71,751
Cash generated from operations		**(4,720,435)**	(45,935,469)
Income taxes paid		**(211,119)**	(66,281)
Net cash generated by operating activities	**(A)**	**(4,931,554)**	(46,001,750)
Cash flows from investing activities			
Acquisition of Property, Plant and Equipment (including capital work in progress and capital advances)		**(127,055,315)**	(10,900,264)
Fixed deposit with banks not considered as cash and cash equivalents		**(156,600,473)**	(32,132,008)
Interest Income		**2,423,242**	-
Amounts kept with banks in current accounts, earmarked for share application money		**-**	(100,028,884)
Net cash flows (used)/ generated by investing activities	**(B)**	**(281,232,546)**	(143,061,156)
Cash flows from financing activities			
Proceeds from issue of equity shares (net of share issue expenses)		**289,804,430**	102,600,000
Share application money, pending for allotment		**-**	100,017,650
Stamp duty for increase in authorised share capital		**(1,393,938)**	-
Finance Cost		**(66,910)**	-
Net cash (added) / generated from financing activities	**(C)**	**288,343,582**	202,617,650
Net increase in cash and cash equivalents (A+B+C)		**2,179,482**	13,554,744
Cash and cash equivalents at the beginning of the year		**13,930,323**	375,579
Cash and cash equivalents at the end of the year		**16,109,805**	13,930,323
Components of cash and cash equivalents		**As at March 31, 2018 Rs**	As at March 31, 2017 Rs
Balances with banks In Current accounts		**16,109,805**	13,930,323
	TOTAL :	**16,109,805**	13,930,323

Significant Accounting Policies **2**

See accompanying part of the Financial Statements

In terms of our report attached

For Deloitte Haskins & Sells LLP

Chartered Accountant

Sunil S Kothari
Partner

Place: Pune
Date: May 10, 2018

On behalf of the Board of Directors,

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Rohan Nirgudkar
Company Secretary

Place: Pune
Date: May 10, 2018

Notes forming part of the financial statements

1. CORPORATE INFORMATION

"Kalyani Rafael Advanced Systems Private Limited was incorporated on August 21, 2015, as a private limited company under the Companies Act, 2013.

The Company has been formed as a joint venture between Kalyani Group and Rafael Advanced Defence Systems Limited, Israel, with the object to engage in business of defence and aerospace that will include activities of conceptualization, research, design, development, production, integration, manufacture, assembly, modification, upgrade overhaul, engineering support, marketing, sales, after sales /product life cycle support and related activities of such programs and to act as off-set partner and/or to undertake off-set activities for original equipment manufacturers in defence, aerospace and other sectors. During the financial year, the Company operations mainly entailed in setting up its manufacturing facilities at Raviryala, Ranga Reddy District, in the state of Telangana, which has been commissioned on August 3, 2017. The Company has commenced its commercial operations thereafter. "

2. SIGNIFICANT ACCOUNTING POLICIES:

2.01 Statement of Compliance:

These financial statements have been prepared in accordance with Indian Accounting Standards (IND AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) Rules, 2016. The Company adopted IND AS from 1st April, 2016. The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency.

2.02 Basis of preparation and presentation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policy 2.19. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.03 Use of estimate

"The preparation of these financial statements in conformity with the recognition and measurement principles of IND AS requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities, disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of income and expense for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and differences between actual results and estimates are recognized in the periods in which the results are known/materialize.

Key source of estimation of uncertainty at the date of the financial statements, which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is in respect of impairment of investments, useful lives of property, plant and equipment, valuation of deferred tax liabilities

Useful lives of property, plant and equipment

The Company reviews the useful life of property, plant and equipment at the end of each reporting period. This reassessment may result in change in depreciation expense in future periods.

Valuation of deferred tax assets

The Company reviews recognition of deferred tax at the end of each reporting period. The policy for the same has been explained under Note 2.08.

Provisions and contingent liabilities

"Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money (if the impact of discounting is significant) and the risks specific to the obligation. The increase in the provision due to unwinding of discount over passage of time is recognized as finance cost. Provisions are reviewed at the each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

A disclosure for a contingent liability is made where there is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from the past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Contingent liabilities are not recognised in the financial statements. A contingent asset is neither recognised nor disclosed in the financial statements."

Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Company has obtained independent fair valuation for financial instruments wherever necessary to determine the appropriate valuation techniques and inputs for fair value measurements. In some cases the fair value of financial instruments is done internally by the management of the Company using market-observable inputs.

"In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The qualified external valuers establish the appropriate valuation techniques and inputs to the model. The external valuers report the management of the Company findings every reporting period to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note no -26."

2.04 Revenue Recognition / Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

a) Sale of goods

"Revenue from the sale of goods is recognised when the goods are delivered and titles have passed at which time all the following conditions are satisfied :

(i) Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized: the company has transferred to the buyer the significant risks and rewards of ownership of the goods;

(ii) the company retains neither continuing managerial remuneration involvement to the degree usually associated with the ownership nor effective control over the goods sold;

(iii) the amount of revenue can be measured reliably;

(iv) it is probable that the economic benefits associated with the transaction will flow to the company ; and

(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably."

"b) Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition."

2.05 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

"Operating Lease

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Finance Lease

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss."

2.06 Foreign Currency

"The functional currency of the Company is Indian rupee.

Initial Recognition

Income and expenses in foreign currencies are recorded at exchange rates prevailing on the date of the transaction.

Conversion

Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date and exchange gains and losses arising on settlement and restatement are recognised in the statement of profit and loss."

2.07 Employee benefits

a) Short-term Employee Benefits -

The undiscounted amount of short-term employee benefits expected to be paid in exchange of services rendered by the employees is recognised during the year when the employees render the service.

b) Post Employment Benefits -

"(1) Defined Contribution Plan:

Payments to defined contribution retirement benefit schemes viz. Company's Provident Fund Scheme is recognised as an expense when the employees have rendered the service entitling them to the contribution.

"(2) Defined Benefit Plan:

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. "

"Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

• service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

• net interest expense or income; and

• remeasurement."

(i) Gratuity: The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15/26 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company accounts for the liability for gratuity benefits payable in future based on an independent actuarial valuation. The Company has taken a cash accumulation policy with LIC of India for future payment of gratuity to the eligible employees.

(ii) Compensated Absences: The Company provides for the encashment of compensated absences with pay subject to certain rules. The employees are entitled to accumulate compensated absences subject to certain limits, for future encashment. Such benefits are provided based on the number of days of un utilised compensated absence on the basis of an independent actuarial valuation.

2.08 Taxation

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Income tax expense represents the sum of the tax currently payable and deferred tax.

"Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income/statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period."

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying units intends to settle the asset and liability on a net basis.

"Deferred income taxes

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction."

Deferred income tax asset 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. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

The Company recognises interest levied and penalties related to income tax assessments in income tax expenses.

2.9 Property, Plant and Equipment

Property plant & equipment are stated at cost of acquisition or construction where cost includes amount added/deducted on revaluation less accumulated depreciation / amortization and impairment loss, if any. All costs relating to the acquisition and installation of fixed assets are capitalised and include borrowing costs relating to funds attributable to construction or acquisition of qualifying assets, up to the date the asset / plant is ready for intended use. The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item of property, plant and equipment, if it is probable that the future economic benefits embodies within the part will flow to the Company and its cost can be measured reliably with the carrying amount of the replaced part getting derecognized. The cost for day-to-day servicing of property, plant and equipment are recognized in Statement of Profit and Loss as and when incurred.

"Depreciation on tangible property plant & equipment has been provided on straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of plant and machinery, in whose case the life of the assets has been assessed based on the technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc.

i) Plant & Machinery - 10 Years

Fixed assets individually costing Rs. 5,000 or less are depreciated fully in the year of acquisition. Depreciation on assets acquired/purchased, sold/discarded during the year is provided on a pro-rata basis from the date of each addition / till the date of sale/discard."

The estimated useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.10 Intangible Assets

"Intangible assets acquired separately:

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on written down value method over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses."

2.11 Impairment

"i) Financial assets (other than at fair value)

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired.

IND AS 109 requires expected credit losses to be measured through a loss allowance. Company performs credit assessment for customers on an annual basis. Company recognizes credit risk, on the basis of lifetime expected losses and where receivables are due for more than six months.

For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition."

ii) Non-financial assets

Tangible and intangible assets

"Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in the statement of profit and loss."

2.12 Inventories

Inventories of raw materials and components, work-in-progress, stock-in-trade, stores & spares and tools & instruments are valued at the lower of cost and net realizable value after providing for obsolescence and other losses, where considered necessary. Cost is ascertained on a weighted average basis. The cost of work-in-progress and finished goods is determined on absorption cost basis.

2.13 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

"Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

"Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order 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."

"Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business 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."

"Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in profit or loss. "

"Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method."

"Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition."

"Equity instruments

An equity instrument is a contract that evidences residual interest in the assets of the company after deducting all of its liabilities. Company recognises equity instrument at proceeds received net of direct issue costs."

"Reclassification of Financial Assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the company's operations. Such changes are evident to external parties. A change in the business model occurs when a company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognized gains, losses (including impairment gains and losses) or interest."

"Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously."

2.14 Earnings Per Share (EPS)

The Company reports basic and diluted earnings per share in accordance with IND AS 33 on Earnings per share. Basic earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period as adjusted for the effects of all diluted potential equity shares except where the results are anti-dilutive.

2.15 Critical Accounting Judgments and key sources of estimation, uncertainty

"The preparation of financial statements and related notes in accordance with IND AS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and revenues and expenses.

Actual results could differ from those estimates due to those uncertainties on which assumptions are based. Estimates and assumptions are reviewed annually in order to verify they still reflect the best available knowledge of the Company's operations and of other factors deriving from actual circumstances. Changes, if any, are immediately accounted for in the income statement.

The present economic context, whose effects are spread into some businesses in which the company operates, determined the need to make assumptions related to future development with a high degree of uncertainty. For this reason, it is not possible to exclude that, in the next or in subsequent financial years, actual results may differ from estimated results. These differences, at present unforeseeable and unpredictable, may require adjustments to book values. Estimates are used in many areas, including accounting for non-current assets, deferred tax assets, bad debt provisions on accounts receivable, inventory obsolescence, employee benefits, contingent liabilities and provisions for risks and contingencies."

2.16 Cash flow statement

The Cash Flow Statement is prepared by the indirect method set out in IND AS 7 on Cash Flow Statements and presents cash flows by operating, investing and financing activities of the Company.

2.17 Current/Non-Current Classification

"The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is classified as current when it satisfies any of the following criteria:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle

- It is held primarily for the purpose of trading

- It is expected to be realized within 12 months after the date of reporting period, or

- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting period."

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

"A liability is current when it satisfies any of the following criteria:

- 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 12 months after the reporting period, or

- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period Current liabilities include the current portion of long term financial liabilities.

The Company classifies all other liabilities as non-current."

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

The operating cycle is the time between the acquisition of assets and their realization in cash and cash equivalents. The Company has identified 12 months as its operating cycle.

2.18 Share Capital

"Ordinary Shares

Ordinary shares are classified as equity. Incremental costs, if any, directly attributable to the issue of ordinary shares are recognized as a deduction from other equity, net of any tax effects."

2.19 Fair Value Measurement

"Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell an asset or transfer the liability takes place either:

- in the principle market for the asset or liability

- in the absence of principle market, in the most advantageous market for the asset or liability.

The principle or the most advantageous market must be accessible by the Company."

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

"All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (Unadjusted) Market prices in active markets for incidental assets or liabilities

- Level 2 –Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 – Valuation Techniques for which the lowest level input that is significant to the fair value measurement is unobservable"

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers that have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Determination of Fair Value

"1) Financial Assets

The fair value of financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purpose"

"2) Non-Derivative financial liabilities

Fair Value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date."

2.20 Dividend

Dividend on share is recorded as liability on the date of approval by the shareholders.

2.21 Segment Reporting

Information reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Company is enaged in the business of defence and aerospace that will include activities of conceptualization, research, design, development, production, integration, manufacture, assembly, modification, upgrade overhaul, engineering support, marketing, sales, after sales /product life cycle support and related activities of such programs and to act as off-set partner and/or to undertake off-set activities for original equipment manufacturers in defence, aerospace and other sectors., which in the context of Indian Accounting Standard 108 'Segment Information' represents single reportable business segment. The accounting policies of the reportable segments are the same as the accounting policies disclosed in Note 2. The revenues, total expenses and net profit as per the Statement of Profit and Loss represents the revenue, total expenses and the net profit of the sole reportable segment.

Notes forming part of the financial statements

3 Property, Plant & Equipment

Amount in Rs

Description	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET CARRYING VALUE
	As at April 01, 2017	Additions during the year	Disposal/ adjustments during the year	As at March 31, 2018	As at April 01, 2017	For the year	Disposal	As at March 31, 2018	As at March 31, 2018
A) TANGIBLE ASSETS									
Leasehold Improvements	-	54,710,057	-	54,710,057	-	7,993,364	-	7,993,364	46,716,693
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Plant and machinery	-	91,698,774	-	91,698,774	-	6,142,199	-	6,142,199	85,556,575
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Computer equipments	-	18,437,498	-	18,437,498	-	3,590,166	-	3,590,166	14,847,332
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Furniture and fixtures	-	5,894,361	-	5,894,361	-	364,889	-	364,889	5,529,472
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Office equipments	-	1,188,878	-	1,188,878	-	133,355	-	133,355	1,055,523
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Sub total (A)	**-**	**171,929,568**	**-**	**171,929,568**	**-**	**18,223,973**	**-**	**18,223,973**	**153,705,595**
Previous Year	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
B) INTANGIBLE ASSETS (other than internally generated)									
Computer software	-	8,508,266	-	8,508,266	-	**411,412**	-	411,412	8,096,854
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Sub total (B)	**-**	**8,508,266**	**-**	**8,508,266**	**-**	**411,412**	**-**	**411,412**	**8,096,854**
Previous Year	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Grand total (A+B)	**-**	**180,437,834**	**-**	**180,437,834**	**-**	**18,635,385**	**-**	**18,635,385**	**161,802,449**
Previous Year	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)

Figures in brackets represents previous year .

Notes forming part of the Financial Statements for the year ended March 31, 2018.

4 Other Non-current financial assets (unsecured, considered good unless otherwise stated)

	Particulars	As at March 31, 2018 Rs	As at March 31, 2017. Rs
a)	Security Deposits	**1,823,560**	1,660,721
b)	Balances with banks in term deposits[(a)(b)]	**-**	32,132,008
	TOTAL :	**1,823,560**	33,792,729
(a)	Under bank's lien for issue of Letter of credit.	**-**	27,996,522
(b)	Under bank's lien as margin for bank guarantees issued.	**-**	4,135,486

4A Other Current financial assets (unsecured, considered good unless otherwise stated)

	Particulars	As at March 31, 2018 Rs	As at March 31, 2017. Rs
a)	Loans and advances to employees	22,419	5,927
b)	Interest Accrued but not due	722,775	-
	TOTAL :	**745,194**	5,927

5. Other non-current assets (unsecured, considered good unless otherwise stated)

	Particulars	As at March 31, 2018 Rs	As at March 31, 2017. Rs
a)	Capital Advances	**-**	36,608,386
b)	Lease prepayments	**18,107**	130,946
c)	Tax paid in advance less provision (current tax)	**270,232**	59,113
d)	Balances with Government Authorities other than income tax	**12,292,651**	3,296,181
	TOTAL :	**12,580,990**	40,094,626

5A Other current assets (unsecured, considered good unless otherwise stated)

	Particulars	As at March 31, 2018 Rs	As at March 31, 2017. Rs
a)	Advance for supplies	1,225,209	-
b)	Lease prepayments	112,839	112,839
c)	Prepaid expenses	2,617,339	518,925
	TOTAL :	**3,955,387**	631,764

Notes forming part of the Financial Statements for the year ended March 31, 2018.

6 Cash and Cash Equivalents

Particulars	As at March 31, 2018 Rs	As at March 31, 2017. Rs
A) Current Cash and Bank Balance		
a) Unrestricted Balance with Banks	10,109,805	13,930,323
b) Balance with banks in deposit accounts with original maturity of less than 3 months	6,000,000	-
Cash and Cash Equivalent as per balance sheet	**16,109,805**	13,930,323
B) Other Bank balances		
a) Balance with banks in deposit accounts with original maturity of more than 3 months(a)	156,600,473	-
b) In earmarked accounts		
Share Application Money Pending Allotment	-	100,028,884
Other Bank balances	**156,600,473**	100,028,884

(a) Under bank's lien as margin for bank guarantees issued. **5,600,486** **-**

7. Equity share capital

Particulars		As at March 31, 2018 Rs	As at March 31, 2017. Rs
Authorised Capital			
80,000,000	(25,000,000) Equity shares of Rs 10 each	**800,000,000**	250,000,000
TOTAL :		**800,000,000**	250,000,000
Issued Capital			
39,892,943	(20,411,765) Equity shares of Rs 10 each	**398,929,430**	204,117,650
TOTAL :		**398,929,430**	204,117,650
Subscribed and fully paid-up Capital			
39,802,943	(10,410,000) Equity shares of Rs 10 each	**398,029,430**	104,100,000
TOTAL :		**398,029,430**	104,100,000

(a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting year

	Particulars	As at March 31, 2018		As at March 31, 2017	
		Nos.	Rs	Nos.	Rs
	At the beginning of the year	**10,410,000**	**104,100,000**	150,000	1,500,000
Add:	Shares Issued during the year	**29,392,943**	**293,929,430**	10,260,000	102,600,000
Less:	Shares forfeited / bought back during the year	**-**	**-**	-	-
	No. of shares outstanding at the end of the year	**39,802,943**	**398,029,430**	10,410,000	104,100,000

(b) Details of shareholders holding more than 5% shares in the Company

Name of Shareholder	As at March 31, 2018		As at March 31, 2017	
	Nos.	**% of Holding**	**Nos.**	**% of Holding**
Equity shares of Rs. 10 each fully paid				
Kalyani Strategic Systems Limited	**19,901,471**	**50.00%**	10,410,000	100.00%
Rafael Advanced Defence Systems Ltd.	**19,503,442**	**49.00%**	-	0.00%

(c) Terms/rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of Rs. 10/- Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive surplus assets of the Company, remaining amounts after deducting all its liabilities in proportion to the number of equity shares held.

8. Other equity

Particulars		As at March 31, 2018 Rs	As at March 31, 2017. Rs
Share Application money pending Allotment			
Balance at the beginning of the year		**100,017,650**	-
Application money received during the year		**193,911,780**	202,617,650
Allotment made during the year		**(293,929,430)**	(102,600,000)
Balance at the end of the year	**Subtotal (I) :**	**-**	100,017,650
Retained earnings			
Balance at the beginning of the year		**(5,836,298)**	(2,259,561)
Loss for the year		**(43,034,930)**	(3,576,737)
Share Issue Expenses		**(4,125,000)**	-

Remeasurements of defined benefits plans, net of tax		**(52,139)**	-
Balance at the end of the year	**Subtotal (II) :**	**(53,048,367)**	(5,836,298)
Grand Total (I + II):		**(53,048,367)**	94,181,352

9 Other non-current financial Liabilities :

Particulars	**As at March 31, 2018 Rs**	As at March 31, 2017. Rs
Rent Equalization Liability	**202,609**	163,962
TOTAL :	**202,609**	163,962

9A Other Financial Liabilities

Particulars	**As at March 31, 2018 Rs**	As at March 31, 2017. Rs
Payable on purchase of property, plant & equipment	**5,914,774**	12,638,196
TOTAL :	**5,914,774**	12,638,196

10 Non-Current Provisions

Particulars	**As at March 31, 2018 Rs**	As at March 31, 2017. Rs
Provision For Employee Benefits		
Gratuity (Please refer note no - 27)	**56,771**	2,160
Leave Encashment	**24,591**	-
TOTAL :	**81,362**	2,160

10A Current Provisions

Particulars	As at March 31, 2018 Rs	As at March 31, 2017. Rs
Provision For Employee Benefits		
Leave Encashment	**8,522**	-
TOTAL :	**8,522**	**-**

11 Trade Payables :

Particulars	As at March 31, 2018 Rs	As at March 31, 2017. Rs
Trade Payables for goods & services		
Total outstanding dues of micro enterprises and small enterprises (Refer Note - 23)	**-**	**-**
Total outstanding dues of creditors other than micro enterprises and small enterprises		
i) Acceptances	**-**	**-**
ii) Other than Acceptances	**1,849,223**	854,627
TOTAL :	**1,849,223**	854,627

12 Other current liabilities :

Particulars	As at March 31, 2018 Rs	As at March 31, 2017. Rs
Statutory liabilities (other than income-tax)	**580,305**	71,890
Share application money refundable	**-**	10,526
TOTAL :	**580,305**	82,416

13 Revenue From Operations

Particulars	Year ended March 31, 2018 Rs	Year ended March 31, 2017. Rs
Revenue from Sale of Goods	**6,749,444**	**-**
TOTAL :	**6,749,444**	-

14 Other income

Particulars	Year ended March 31, 2018 Rs	Year ended March 31, 2017. Rs
(a) Interest Income		
(i) Bank Deposits (Refer note 29)	**3,146,017**	**-**
(ii) Income Tax Refund	**2,657**	**-**
(iii) others	**112,839**	**-**
(b) Miscellaneous Income	**67,000**	**-**
(c) Net gain on foreign currency transactions	**12,523**	**-**
TOTAL :	**3,341,036**	**-**

15 Purchase of traded goods

Particulars	Year ended March 31, 2018 Rs	Year ended March 31, 2017. Rs
Purchases of stock in trade	**6,694,679**	-
TOTAL :	**6,694,679**	**-**

15A Changes in inventories of stock-in-trade

Particulars	Year ended March 31, 2018 Rs	Year ended March 31, 2017. Rs
Inventories at the end of the year:		
Stock-in-trade	-	-
Inventories at the beginning of the year:		
Stock-in-trade	-	-
NET (INCREASE) / (DECREASE) :	-	-

16 Employee benefit expenses

Particulars	Year ended March 31, 2018 Rs	Year ended March 31, 2017. Rs
a) Salaries and wages (Refer note 29)	**5,226,929**	-
b) Contribution to Provident & other funds (Refer Note 27)	**155,519**	-
c) Staff welfare expenses	**389,392**	
TOTAL :	**5,771,840**	**-**

17 Finance cost :

Particulars	Year ended March 31, 2018 Rs	Year ended March 31, 2017. Rs
- - -		
a) Interest Expenses - Others	**66,910**	9,968
b) Other borrowing cost - Bank Charges	**155,299**	-
TOTAL :	**222,209**	9,968

18 Other expenses

Particulars	Year ended March 31, 2018 Rs	Year ended March 31, 2017. Rs
a) Power & Fuel (Refer note 29)	**2,366,185**	
b) Rent including lease rentals (Refer note 29)	**2,538,819**	639,876
c) Repairs & Maintenance - others	**1,080,588**	-
d) Rates, Insurance and Taxes	**492,932**	66,450
e) Communication Expenses	**261,039**	
f) Traveling And Conveyance	**1,080,051**	-
g) Printing & Stationery	**176,214**	-
h) Legal and Professional Fees	**3,231,049**	162,814
i) Inauguration Expenses	**1,907,693**	-
j) Share Issue Expenses	**1,393,938**	2,594,200
k) Payment to Auditors towards Statutory Audit	**500,000**	50,000
l) Equipment Hire Charges	**2,960,229**	-
m) IT Maintenance charges	**1,735,265**	-
n) General Expenses	**451,181**	-
o) Manpower Outsourcing	**1,086,143**	-
p)Miscellaneous Expenses	**539,971**	53,429
TOTAL :	**21,801,297**	3,566,769

19 Segment Reporting :

Information reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Company engaged in the business of defence and aerospace that will include activities of conceptualization, research, design, development, production, integration, manufacture, assembly, modification, upgrade overhaul, engineering support, marketing, sales, after sales /product life cycle support and related activities of such programs and to act as off-set partner and/or to undertake off-set activities for original equipment manufacturers in defence, aerospace and other sectors, which in the context of Indian Accounting Standard 108 'Segment Information' represents single reportable business segment. The accounting policies of the reportable segments are the same as the accounting policies disclosed in Note 2. The revenues, total expenses and net profit as per the Statement of Profit and Loss represents the revenue, total expenses and the net profit of the sole reportable segment.

20 Related Party disclosures

(i) Names of the related parties and related party relationship

Ultimate Holding Company :	Bharat Forge Limited
Holding Company :	Kalyani Strategic Systems Limited
Enterprise having significant influence over the Company:	Rafael Advanced Defense Systems Limited, Israel

(ii) Related parties with whom transactions have taken place during the period

Sr. No.	Nature of transaction	Kalyani Strategic Systems Limited	Rafael Advanced Defense Systems Limited	Total
		Rs	Rs	Rs
1	Issue of Share Equity	**96,955,890**	**195,034,420**	**291,990,310**
		(102,600,000)	(-)	(102,600,000)
2	Share application money received	**96,955,890**	**95,016,770**	**191,972,660**
		(-)	(100,028,176)	(100,028,176)
3	Sales	**-**	**6,749,443**	**6,749,443**
		(-)	(-)	(-)
	Total	**193,911,780**	**296,800,633**	**490,712,413**

(iii) Balances outstanding

Sr. No.	Nature of transaction	Rafael Advanced Defense Systems Limited Rs	Total Rs
1	Share application money received	**(100,028,176)**	(100,028,176)
	Total	**(100,028,176)**	(100,028,176)

21 Contingent Liabilities & Commitments

Sr. No	Particulars	**Year ended March 31, 2018.** **Rs**	Year ended March 31, 2017. Rs
a)	Contingent Liabilities (To the extent not provided for)	**-**	-
b)	Estimated amount of contracts remaining to be executed on capital contracts and not provided for (net of advances)	**-**	108,377,660

22 Leases

The Company has entered into an arrangements in the nature of non-cancellable operating leases for land and building for locating its manufacturing facilities. The lease agreement are for the period 63 months & 72 months with a lock-in period of three years. The Company has an option to get the leases extended by a further period of three years. The lease rent is subject to annual escalation of seven percent. The particulars as per the Ind AS 17 with regard to the above are as under :

Sr. No	Particulars	**Year ended March 31, 2018.** **Rs**	Year ended March 31, 2017. Rs
a)	Future non-cancellable minimum lease commitments		
	- Not later than one year	**2,292,253**	3,106,464
	- Later than one year but not Later than five years	**843,887**	2,123,475
	- Later than five years	-	-
b)	Expenses recognised in the statement of profit & loss	**2,538,819**	639,876
c)	Lease Rent capitalised	**1,050,213**	1,684,884

23 Dues to Micro and Small Enterprises

Based on the information available with the company, there are no supplier who are registered as micro, small and medium enterprise under the micro, small and medium enterprises development Act,2006. This is as represented by the management and relied upon by the auditors.

24 Earnings per share (EPS)

Particulars	As at March 31, 2018. Rs	As at March 31, 2017. Rs
Loss for the year attributable to equity shareholders	**(43,034,930)**	(3,576,737)
Weighted average number of equity shares	**29,121,159**	5,884,356
Earning per share - Basic & diluted	**(1.48)**	(0.61)

25 Financial Instruments and Risk Review

Capital Management

"For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. "

Financial Risk Management Framework

Kalyani Rafael Advanced System Private Limited is exposed primarily to credit risk, liquidity risk, which may adversely impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Company.

i) Credit Risk

Credit risk is the risk of financial loss arising from counterparty failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit.

Financial instruments that are subject to concentrations of credit risk principally consist of trade payables and borrowings. None of the financial instruments of the Company result in material concentration of credit risk.

The carrying amount of financial liability represents the maximum credit exposure. The maximum exposure to credit risk was Rs. NIL as of March 31, 2018 and April 1, 2017 respectively.

Trade receivables

Ind AS requires expected credit losses to be measured through a loss allowance. The Company assesses at each date of statements of financial position whether a financial asset or a group of financial assets is impaired. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

There are no trade receivables outstanding as on March 31, 2017 and March 31, 2018 respectively.

ii) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rates, interest rates, credit, liquidity and other market changes. The Company's exposure to market risk is primarily on account of foreign currency exchange rate risk.

Foreign Currency exchange rate risk

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss and other comprehensive income and equity, where any transaction references more than one currency or where assets / liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in US Dollar, Euro, Singapore Dollar, Great Britain Pound, Japanese Yen against the respective functional currencies of the Company. The Company, as per its risk management policy, uses derivative instruments primarily to hedge foreign exchange.

The Company evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks. It hedges these risks by using derivative financial instruments in line with its risk management policies. The information on derivative instruments is as follows.

1) Foreign currency exposures hedged by derivatives - Rs. Nil (Previous Year - Rs. Nil)

2) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise - Rs. Nil (Previous Year - Rs. Nil)

iii) Liquidity Risk

a) Liquidity risk management

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

b) Maturities of financial liabilities

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The amount disclosed in the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

Particulars	March 31, 2018		March 31, 2017	
	Less than 1 Year	1-3 Years	Less than 1 Year	1-3 Years
Financial liabilities				
Trade payables	1,849,223	-	854,627	-
Payable for Property, Plant & Equipment	5,914,774	-	-	-
Others	-	202,609	12,638,196	163,962

26 Fair Value

Set out below is the comparison by class of the carrying amounts and fair value of the Company's financials instruments

Particulars	Carrying amount		Fair Value	
	3/31/2018 Rs.	3/31/2017 Rs.	3/31/2018 Rs.	3/31/2017 Rs.
FINANCIAL ASSETS				
Financial assets measured at amortised cost				
(a) Security Deposits	1,823,560	1,660,721	1,823,560	1,660,721
(b) Loans to employees	22,419	5,927	22,419	5,927
(c) Interest accrued on deposits	722,775	-	722,775	-
(d) Cash in hand	-	-	-	-
(e) Balance with banks in current account	10,109,805	13,930,323	10,109,805	13,930,323
(f) Balances with banks in deposit accounts	162,600,473	-	162,600,473	-
(g) Balances with banks in earmarked accounts	-	100,028,884	-	100,028,884
Financial assets measured at fair value through Statement of Profit & Loss	-	-	-	-

FINANCIAL LIABILITIES **Financial liabilities measured at amortised cost**				
(a) Payables on purchase of property plant & equipment	5,914,774	-	5,914,774	-
(b) Trade Payable	1,849,223	13,492,823	1,849,223	13,492,823
(c) Others	202,609	163,962	202,609	163,962
Financial liabilities measured at fair value through Statement of Profit & Loss	-	-	-	-

The management assessed that the fair values of short term financial assets and liabilities significantly approximate their carrying amounts largely due to the short - term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Company determines fair values of financial assets and financial liabilities by discounting the contractual cash inflows/outflows using prevailing interest rates of financials instruments with similar terms. The initial measurement of financial assets and financial liabilities is at fair value. The fair value of investment is determined using quoted net assets value from the fund. Further, the subsequent measurement of all financial assets and liabilities (other than investment in mutual funds) is at amortised cost, using the effective interest method.

Discount rates used in determining fair value

The interest rate used to discount estimated future cash flows, where applicable, are based on the incremental borrowing rate of the borrower which in case of financial liabilities is the weighted average cost of borrowing of the Company and in case of financial assets is the average market rate of similar credit rated instrument.

The Company maintain policies and procedure to value financial assets or financial liabilities using the best and most relevant data available. In addition, the Company internally reviews valuation, including independent price validation for certain instruments.

Fair value of financial assets and liabilities is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The following methods and assumptions were used to estimate fair value:

(a) Fair value of short term financial assets and liabilities significantly approximate their carrying amounts largely due to the short term maturities of these instruments.

(b) Security deposit paid are evaluated by the Company based on parameters such as interest rate non performance risk of the customer. The fair value of the Company's security deposit paid are determined by estimating the incremental borrowing rate of the borrower (primarily the landlords). Such rate has been determined using discount rate that reflects the average interest rate of borrowing taken by similar credit rate companies where the risk of non performance risk is more than significant.

(c) The fair value of the Company’s interest bearing borrowing received are determined using discount rate that reflects the entity's borrowing rate as at the end of the reporting period. The own non performance risk as at the reporting was assessed to be insignificant.

27 - Employee benefits

(a) Defined Contribution Plan

The Company makes Provident Fund contributions to defined contribution plan administered by the Regional Provident Fund Commissioner. Under this scheme, the Company is required to contribute a specified percentage of payroll cost to fund the benefits. The Company has recognized Rs. 155,519 for Provident Fund contributions (March 31, 2017 : Rs. Nil) in the Statement of Profit and Loss. The provident fund payable by the Company are in accordance with rules framed by the Government from time to time.

(b) Defined Benefit Plans:

Gratuity

"The present value of defined benefit obligation and the related current service costs are measured using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date.

The gratuity benefits are governed by the Payment of Gratuity Act, 1972. Under the Act, every employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn) for each completed year of service as per the provisions of the Payment of Gratuity Act, 1972. The Plan is unfunded as on the valuation date."

Defined benefit plans – as per actuarial valuation on 31st March, 2018

Particulars	Funded Plan	
	Gratuity	
	March 31, 2018 Rs.	March 31, 2017 Rs.
Service Cost		
Past service cost and (gains)/losses from settlements	-	-
Current Service Cost	2,316	2,160
Net interest expense	156	-
Components of defined benefit costs recognised in profit or loss	2,472	2,160
Re- Measurement on the net defined benefit liability		
Return on plan assets (excluding amount included in net interest expense)	-	-
Actuarial gains and loss arising from changes in financial assumptions	(1,030)	-
Actuarial gains and loss arising from experience adjustments	53,169	-

Actuarial gains and loss arising from demographic adjustments	-	-
Components of defined benefit costs recognised in other comprehensive income	52,139	-
Total	**54,611**	**2,160**
I. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March		
1. Present value of defined benefit obligation as at 31st March	56,771	-
2. Fair value of plan assets as at 31st March	-	-
3. Surplus/(Deficit)	(56,771)	-
4. Current portion of the above	-	-
5. Non current portion of the above	56,771	-
II. Change in the obligation during the year ended 31st March		
1. Present value of defined benefit obligation at the beginning of the year	2,160	-
2. Add/(Less) on account of Scheme of Arrangement/Business Transfer	-	-
3. Expenses Recognised in Profit and Loss Account		
- Current Service Cost	2,316	2,160
- Past Service Cost	-	-
- Interest Expense (Income)	156	-
4. Recognised in Other Comprehensive Income		
Remeasurement (gains) / losses		
- Actuarial Gain (Loss) arising from:		
i. Demographic Assumptions	-	-
ii. Financial Assumptions	1,030	-
iii. Experience Adjustments	53,169	-
5. Benefit payments	-	-
7. Present value of defined benefit obligation at the end of the year	**56,671**	**2,160**

Particulars	Funded Plan	
	Gratuity	
	March 31, 2018 Rs.	March 31, 2017 Rs.
III. Change in fair value of assets during the year ended 31st March		
1. Fair value of plan assets at the beginning of the year	-	-
2. Add/(Less) on account of Scheme of Arrangement/Business Transfer	-	-
3. Expenses Recognised in Profit and Loss Account		
- Expected return on plan assets	-	-
4. Recognised in Other Comprehensive Income		
Remeasurement gains / (losses)		
- Actual Return on plan assets in excess of the expected return	-	-
5. Contributions by employer (including benefit payments recoverable)	-	-
6. Benefit payments	-	-
7. Fair value of plan assets at the end of the year	**-**	**-**
IV. The Major categories of plan assets (As % of Total Plan Assets)		
Funds Managed By Insurer	0%	0%
V. Actuarial assumptions		
1. Discount rate	7.60%	7.20%
3. Attrition rate	12.00%	12.00%

Maturity Profile of Defined Benefit Obligation:

Year Ending March 31	Expected Benefit Payment Rounded to the nearest thousand (in Rs.)
2018	-
2019	-
2020	-
2021	-
2022	1,000
2023	1,000
2023-2027	249,000

Sensitivity analysis for each significant actuarial assumption is required to be given, (illustration for medical inflation given below. Company needs to provide for others)

A. Effect of 1 % change in the assumed discount rate	**1% Increase**		**1% Decrease**	
	March 31, 2018 Rs.	**March 31, 2017 Rs.**	**March 31, 2018 Rs.**	**March 31, 2017 Rs.**
Defined Benefit Obligation	59,437	-	54,386	-

B. Effect of 1 % change in the assumed Salary Escalation Rate	**1% Increase**		**1% Decrease**	
	March 31, 2018 Rs.	**March 31, 2017 Rs.**	**March 31, 2018 Rs.**	**March 31, 2017 Rs.**
Defined Benefit Obligation	59,053	-	54,688	-

C. Effect of 1 % change in the assumed Withdrawal Rate	**1% Increase**		**1% Decrease**	
	March 31, 2018 Rs.	**March 31, 2017 Rs.**	**March 31, 2018 Rs.**	**March 31, 2017 Rs.**
Defined Benefit Obligation	57,005	-	56,514	-

VIII. Experience Adjustments:	**Year Ended**	
	March 31, 2018 Rs.	**March 31, 2017 Rs.**
	Gratuity	
1. Defined Benefit Obligation	56,671	2,160
2. Fair value of plan assets	-	-
3. Surplus/(Deficit)	(56,771)	-
4. Experience adjustment on plan liabilities [(Gain)/Loss]	54,611	-
5. Experience adjustment on plan assets [Gain/(Loss)]	-	-

The expected rate of return on plan assets is based on the average long term rate of return expected on investments of the fund during the estimated term of obligation.

The estimate of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

28 Income Taxes

(i) The Company has not recognized deferred tax assets/ liabilities in the absence of timing differences of material amounts.

(ii) Reconciliation of effective tax rate

	Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
	(a) Income before income tax	(43,034,930)	(3,576,737)
	(b) Enacted tax rate in India	33.06%	33.06%
	(c) Net current tax expenses recognised in statement of Profit & Loss (a*b)	-	-

29. The Company operations during the year mainly entailed in the setting up of its manufacturing facilities at Village Raviryala, Ranga Reddy District, in state of Telangana. Direct Expenses directly related to setting up of plant and equipment till August 2, 2017 aggregating to Rs 4,712,810 have been capitalised as part of plant and equipment. Details of which is as follows:

Particulars	Amount Rs.
Lease Rent	2,735,097
Power & Fuel	1,533,688
Salary	1,416,303
Total	**5,685,088**
Less: Interest income earned	**(972,278)**
Net expenses capitalised	**4,712,810**

30. During the year the Company has incurred losses. The Company has commissioned its Plant only during August, 2017 and started its commercial operations only there after. Thus the Company is only in its initial stage of commercial operations with limited trading activities and is expected to generate profits in the future on commencement of all commercial activities including manufacturing operations. Accordingly these Financial Statements have been prepared considering the Company to be going concern.

31. The financial statements of the Company for the year ended March 31, 2017, were audited by Prashant V. Deo Chartered Accountant, the predecessor statutory auditor.

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountant

Sunil S Kothari
Partner

Place: Pune
Date: May 10, 2018

On behalf of the Board of Directors,

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Rohan Nirgudkar
Company Secretary

Place: Pune
Date: May 10, 2018

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Kalyani Strategic Systems Limited

Directors	Registered Office	Auditors
Mr.Rajinder Singh Bhatia Mr.Kishore Mukund Saletore Mr.Vikram Manohar Munje	Pune Cantonment, Mundhwa, Pune 411036	P.V.Deo Chartered Accountant 604 Jeevan Heights, Thorat Colony,Erandwana, Pune - 411004

BOARD'S REPORT
FOR THE YEAR ENDED MARCH 31, 2018

To,
The Members,

Your Directors have pleasure in presenting the Board Report on the business and operations of the Company and the audited accounts for the Financial Year ended March 31, 2018.

1. PERFORMANCE OF THE COMPANY

The financial results are summarized here under:

(Amount in Rupees)

Particulars	As on March 31, 2018	As on March 31, 2017
Revenue from operations	5,220,767	NIL
Other Income	1,619,972	1,144,335
Total Revenue	**6,840,739**	**1,144,335**
Total expenses	**8,396,679**	**370,476**
Depreciation/Amortization	14,148	4,219
Profit/(Loss) before Taxes	(1,555,940)	773,859
Current Tax	471,142	329,000
Deferred Tax	13,142	-
Profit/(Loss) after Taxes	(2,040,224)	444,859
Earnings per equity share Basic/ Diluted	(0.08)	0.05

2. DIVIDEND

Since the Company does not have any distributable profit, the Board has not recommended any dividend for the financial year ended March 31, 2018.

3. RESERVES

During the year under review, no amount is proposed to be transfer to the General Reserves.

4. STATE OF COMPANY'S AFFAIRS

The Company is yet to start its commercial activities.

5. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATES AND THE DATE OF THE REPORT

There are no adverse material changes or commitments occurring after March 31, 2018 which affect the financial position of the Company or may require disclosure.

6. **SHARE CAPITAL**

The paid-up Equity Share Capital as at March 31, 2018 stood at Rs. 361,136,840/-. During the year under review, the Company has allotted 90,00,000 Equity Shares of Rs.10/- each on Right Issue basis on August 30, 2017 and 7,523,684 Equity Shares of Rs.10/- each on Rights Issue basis on December 13, 2017.

Further, during the year under review, the Company reclassified its Authorised Share Capital into Rs.300,000,000 (Thirty Crore Only) divided into 30,000,000 (Three crore) Equity Shares of Rs. 10/- (Rupees Ten Only) each and Rs. 200,000,000 (Twenty Crore Only) divided into 20,000,000 (Two Crore) Preference Shares of Rs. 10 (Rupees Ten Only) each in its Extra-ordinary General Meeting held on August 11, 2017. Subsequently, the Company again reclassified its Authorised Share Capital into Rs. 500,000,000/- (Rupees Fifty Crore Only) divided into 50,000,000 (Five Crore) Equity Shares of Rs. 10/- (Rupees Ten Only) each in its Extra-ordinary General Meeting held on November 4, 2017.

However the Company has not issued shares with differential voting rights nor has granted any stock options or sweat equity. As on March 31, 2018, none of the Directors of the Company hold instruments convertible into equity shares of the Company.

7. **MEETINGS OF THE BOARD OF DIRECTORS**

In 2017-18, the Board of Directors of the Company met five times during the year i.e. on May 15, 2017, August 11, 2017, August 30, 2017, November 4, 2017 and February 13, 2018. The maximum gap between any two Board Meetings was less than one Hundred and Twenty days.

8. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

In terms of the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Kishore Mukund Saletore, Director (DIN: 01705850) of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

During the year, Mr. Arun Kumar Sahni (DIN: 07871111) has been appointed as an Additional Independent Director till the ensuing Annual General Meeting of the Company.

Also, pursuant to Section 203 of the Companies Act, 2013 and applicable rules thereunder, Mr. Pramod Madhukar Puranik has been appointed as the Chief Executive Officer (CEO) with effect from March 1, 2018 in place of Mr. Somalinga Mahadevan Shivakumar, who resigned as CEO on February 28, 2018. Mr. Yogendra Shrikrishna Thakar has been appointed as the Chief Financial Officer (CFO) of the Company with effect from November 4, 2017 in place of Mr. Shodhan Avinash Ligam who resigned as CFO of the Company on July 6, 2017. Both of them were appointed as the Key Managerial Personnel (KMP) of the Company. Further, pursuant to Section 203 of the Companies Act, 2013 and applicable rules thereunder, Ms. Jenny Chhabada has been appointed as the Company Secretary of the Company with effect from February 13, 2018.

9. **DECLARATION BY AN INDEPENDENT DIRECTORS, IF ANY**

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013.

10. NOMINATION AND REMUNERATION POLICY

The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy for selection and appointment of Directors, Key Managerial Personnel and Senior Management Personnel and their remuneration. The Nomination and Remuneration Policy is attached herewith as **Annexure- "A"**

11. AUDITORS

At the Annual General Meeting (AGM) of the Company, held on August 1, 2015 the shareholders had approved appointment of Mr. Prashant V. Deo, Chartered Accountant, as Statutory Auditors of the Company till the conclusion of AGM to be held in the year 2020, subject to ratification by the shareholders at every AGM.

The Companies (Amendment) Act, 2017, published in the Gazette of India on January 3, 2018, amended few sections of the Companies Act, 2013, including omission of first proviso to Section 139(1) of Companies Act 2013, which provided for ratification of appointment of Statutory Auditors by members at every AGM. The amendment to the said Section is effective from May 7, 2018.

In view of the above, the Board of Directors of Company have proposed partial modification of previous resolution of the members passed at the AGM held on August 1, 2015, on appointment of Statutory Auditors and recommended to continue their appointment for the period of five years commencing from the conclusion of AGM held on August 1, 2015, till the conclusion of AGM to be held in the year 2019, without seeking any further ratification of their appointment from members at this AGM and ensuing AGMs till the tenure of the Statutory Auditors.

In this regard, the Company has received a certificate from the auditors to the effect that if their appointment is ratified by the shareholder, will be in accordance with the provisions of Section 141 of the Companies Act, 2013.

12. AUDITORS' REPORT

The notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remarks.

13. INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

The Company has in place adequate systems of internal control commensurate with its size and the nature of its operations.

Your Company is exposed to business risk, market risk and risk from changes in government policies. These risks are assessed and appropriate steps to mitigate these risks are taken from time-to-time.

14. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 134(5) of the Companies Act, 2013 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

a) in the preparation of the annual financial statements for the year ended March 31, 2018, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state-of-affairs of the Company as at March 31, 2018 and of the loss account of the Company for the year under review;

c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the Directors had prepared the annual accounts on a going concern basis;

e) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

15. SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE COMPANIES

A statement containing the salient features of the financials of the Financial Statement of Company's subsidiary and joint venture in the prescribed format AOC-1 is annexed herewith as **Annexure "B"** to this report, in a separate section forming part of the Financial Statement.

16. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT 2013

The Company has not given any loan, guarantee and investments covered under Section 186 of the Companies Act, 2013.

17. PUBLIC DEPOSITS

The Company has not accepted deposits under Chapter V of the Companies Act, 2013 during the year.

18. SIGNIFICANT AND MATERIAL ORDERS

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

19. EXTRACT OF ANNUAL RETURN

The extract of the Annual Return of the Company in Form MGT-9 is annexed herewith as **Annexure "C"** to this report.

20. PARTICULARS OF CONTRACTS OR ARRRANGEMENT WITH RELATED PARTIES

All transactions or arrangement entered into by the Company with Related Parties have been done at arm's length and are in ordinary course of business.

Pursuant to section 134 of the Companies Act, 2013 read with rule 8(2) of the Companies (Accounts) Rules, 2014 the particulars of such transactions are provided in form AOC-2 which is annexed herewith as **"Annexure D"** to this report. Related Part disclosure as per AS-18 has been provided in Note-28 to the financial statement.

21. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 134(3) (m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014 are annexed herewith as **Annexure "E"** to this report.

22. INFORMATION PURSUANT TO RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

There are no employees whose particulars are needed to be disclosed in terms of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

23. OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

There were no complaints filed in terms of provision of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013.

24. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company complies with all applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

25. ACKNOWLEDGEMENT

The Directors sincerely thanks all the members, clients, bankers and the employees for extending valuable support and co-operation all through the year.

For and on behalf of the Board of Directors
Kalyani Strategic Systems Limited

Place: Pune	**Rajinder Singh Bhatia**	**Vikram Manohar Munje**
Date: May 12, 2018	**Director**	**Director**
	DIN : 05333963	**DIN : 02772991**

Annexure - "A"

Nomination and Remuneration Policy of
Kalyani Strategic Systems Limited

The Board of Directors of Kalyani Strategic Systems Limited ("the Company") constituted the "Nomination and Remuneration Committee" ("Committee") at the Meeting held on November 4, 2017 with immediate effect, consisting of three (3) Non-Executive Directors of which majority are Independent Directors.

1. OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013, as amended from time to time. The Key Objectives of the Committee would be:

1.1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel (hereinafter referred to as **"KMP")** and Senior Management.

1.2. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.

1.3. To recommend to the Board on Remuneration payable to the Directors, KMP and Senior Management.

1.4. To provide to KMP and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.

1.5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

1.6. To devise a policy on Board diversity.

1.7. To develop a succession plan for the Board and to regularly review the plan;

2. DEFINITIONS

2.1. **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

2.2. **Board** means Board of Directors of the Company.

2.3. **Directors** mean Directors of the Company.

2.4. **Key Managerial Personnel (KMP)** means

2.4.1. Managing Director

2.4.2. Executive Directors;

2.4.3. Chief Executive Officer

2.4.4. Chief Financial Officer; and

2.4.5. Company Secretary;

2.5. **Senior Management** means personnel of the Company who are members of its core management team being functional head one level below the Board.

3. ROLE OF COMMITTEE

3.1. Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee

The Committee shall:

3.1.1. Formulate the criteria for determining qualifications, positive attributes and independence of a director.

3.1.2. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.

3.1.3. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

3.1.4. Formulate the criteria for evaluation of performance of independent directors and Board of Directors.

3.1.5. Determine whether to extend or continue the term of appointment of independent directors, on the basis of the report of performance evaluation of independent directors."

3.2. Policy for appointment and removal of Director, KMP and Senior Management

3.2.1. Appointment criteria and qualifications

a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.

b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

3.2.2. Term / Tenure

a) **Managing Director/Whole-time Director:**
The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

b) Independent Director:

An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment for further period of five years, on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

3.2.3. <u>Evaluation</u>

The Committee shall carry out yearly evaluation of performance of every Director, KMP and Senior Management Personnel.

3.2.4. <u>Removal</u>

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel, subject to the provisions and compliance of the said Act, rules and regulations.

3.2.5. <u>Retirement</u>

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

3.3. <u>Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel</u>

3.3.1. <u>General:</u>

a) The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

b) The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.

c) Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.

d) Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

3.3.2. **Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:**

a) Fixed pay:

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board / the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

c) Provisions for excess remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

3.3.3. **Remuneration to Non- Executive / Independent Director:**

a) Remuneration / Commission:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

b) Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs. 1,00,000/- (Rupees One Lac Only) per meeting of the Board or Committee or such amount as may be prescribed by the Central Government and approved by the Board of Directors from time to time.

c) Commission:

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

4. MEMBERSHIP

4.1 The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.

4.2 Minimum two (2) members shall constitute a quorum for the Committee meeting.

4.3 Membership of the Committee shall be disclosed in the Annual Report.

4.4 Term of the Committee shall be continued unless terminated by the Board of Directors.

5. CHAIRPERSON

5.1 Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.

5.2 In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

5.3 Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

6. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

7. COMMITTEE MEMBERS' INTERESTS

7.1 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

7.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

8. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

9. VOTING

9.1 Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

9.2 In the case of equality of votes, the Chairman of the meeting will have a casting vote.

10. NOMINATION DUTIES

The duties of the Committee in relation to nomination matters include:

10.1 Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;

10.2 Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;

10.3 Identifying and recommending Directors who are to be put forward for retirement by rotation.

10.4 Determining the appropriate size, diversity and composition of the Board;

10.5 Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;

10.6 Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;

10.6 Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;

10.7 Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.

10.8 Delegating any of its powers to one or more of its members or the Secretary of the Committee;

10.9 Recommend any necessary changes to the Board; and

10.10 Considering any other matters, as may be requested by the Board.

11. REMUNERATION DUTIES

The duties of the Committee in relation to remuneration matters include:

11.1 to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.

11.2 to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.

11.3 to delegate any of its powers to one or more of its members or the Secretary of the Committee.

11.4 to consider any other matters as may be requested by the Board.

11.5 Professional indemnity and liability insurance for Directors and senior management.

12. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

For Kalyani Strategic Systems Limited

Sd/-
Rajinder Singh Bhatia
Director

Date: November 4, 2017

Place: Pune

Annexure-B

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Sr. No.	Particulars	Details
1.	Name of the subsidiary	Kalyani Rafael Advanced Systems Private Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	April 1, 2017 to March 31, 2018
3.	Reporting currency	INR
4.	Share capital	398,029,430
5.	Reserves & surplus	NIL
6.	Total assets	353,617,858
7.	Total Liabilities	8,636,795
8.	Investments	156,600,473
9.	Turnover	6,749,444
10.	Profit before taxation	(43,034,930)
11.	Provision for taxation	NIL
12.	Profit after taxation	(43,034,930)
13.	Proposed Dividend	NIL
14.	% of shareholding	50%

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Latest audited Balance Sheet Date	31 March, 2018
Shares of Associate/Joint Ventures held by the Company on the year end	
(i) No. of Shares	10,000
(ii) Amount of investment in Associate/Joint Venture	Rs. 100,000
(iii) Extend of Holdings@	50%
Description of how there is significant influence	There is significant influence due to percentage of holding of share capital
Reason why the associate/joint venture is not consolidated	As per the exemption provided in Rule 6 of the Companies (Accounts) Rules, 2014, as amended from time to time.
Net worth attributable to shareholding as per latest audited Balance Sheet	Rs. 39,199.50
Profit/Loss for the year	
(i) Considered in Consolidation	NIL
(ii) Not Considered in Consolidation	NIL

Annexure - "C"

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on March 31, 2018
[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	U31902PN2010PLC138025
ii)	Registration date	December 20, 2010
iii)	Name of the Company	Kalyani Strategic Systems Limited
iv)	Category/Sub category of the Company	Company Limited by Shares / Indian Non-Government Company
v)	Address of the Registered office and contact details	Mundhwa, Pune Cantonment, Pune 411 036. Tel. No. +91 6704 2343 Fax No. +91 2682 1250
vi)	Whether listed company	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company are as stated below:-

Sr. No.	Name and Description of main products/services	NIC Code of the product / service	% to total turnover of the Company
	NIL	NIL	NIL

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Bharat Forge Ltd. Mundhwa, Pune Cantonment, Pune-411036	L25209PN1961PLC012046	Holding	51	Sec 2(46)
2	Kalyani Rafael Advanced Systems Private Limited	U29270PN2015PTC156252	Subsidiary*	50	Sec 2(46)
3	BF Premier Energy Systems Private Limited Mundhwa, Pune Cantonment, Pune-411036	U24292PN2015PTC154278	Joint Venture	50	Sec 2(6)

*Having common control

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding as of March 31, 2018

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a)Individual/HUF	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Bodies Corp.	NIL	9,990,895	9,990,895	51	NIL	18,417,973	18,417,973	51	NIL
Sub-total (A) (1):-	NIL	9,990,895	9,990,895	51	NIL	18,417,973	18,417,973	51	NIL
(2) Foreign									
a)NRI Individual	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Bodies Corp.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (A) (2):-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**NIL**	**9,990,895**	**9,990,895**	**51**	**NIL**	**18,417,973**	**18,417,973**	**51**	**NIL**
B. Public Shareholding									
1. Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2. Non-Institutions	NIL	9,599,105	9,599,105	49	NIL	17,695,711	17,695,711	49	NIL
Total Public Shareholding (B)=(B)(1)+(B)(2)	NIL	9,599,105	9,599,105	49	NIL	17,695,711	17,695,711	49	NIL
C. Shares held by Custodian for GDRs & ADRs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Grand Total (A+B+C)	**NIL**	**19,590,000**	**19,590,000**	**100**	**NIL**	**36,113,684**	**36,113,684**	**100**	NIL

ii) Shareholding of Promoters :

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	% change in shareholding during the year
1	Bharat Forge Limited	9,990,895	51	NIL	18,417,973	51	NIL	NIL

iii) Change in Promoters' Shareholding:

Sl. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
1.	**Bharat Forge Limited**	Date	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	01/04/2017	9,990,895	51	9,990,895	51
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	30/08/2017(Allotment)	4,590,000	51	14,580,895	51
		13/12/2017(Allotment)	3,837,078	51	18,417,973	51
	At the End of the year	31/03/2018	18,417,973	51	18,417,973	51

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Sl. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
1.	**Kalyani Global Engineering Private Limited**	Date	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	01/04/2017	2,154,900	11	2,154,900	11
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	30/08/2017(Allotment)	990,000	11	3,144,900	11
		13/12/2017(Allotment)	827,606	11	3,972,506	11
	At the End of the year	31/03/2018	3,972,506	11	3,972,506	11

Sl. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
2.	**Sundaram Trading and Investment Private Limited**	Date	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	01/04/2017	3,722,100	19	3,722,100	19
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	30/08/2017(Allotment)	1,710,000	19	5,432,100	19
		13/12/2017(Allotment)	1,429,500	19	6,861,600	19
	At the End of the year	31/03/2018	6,861,600	19	6,861,600	19

Sl. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
3.	**Saarloha Advanced Materials Private Limited** **(Previously known as Kalyani Carpenter Special Steels Private Limited)**	Date	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	01/04/2017	3,722,100	19	3,722,100	19
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	30/08/2017(Allotment)	1,710,000	19	5,432,100	19
		13/12/2017(Allotment)	1,429,500	19	6,861,600	19
	At the End of the year	31/03/2018	6,861,600	19	6,861,600	19

v) Shareholding of Directors and Key Managerial Personnel:

<u>Shareholding of Directors</u>:

Sl. No.		**Shareholding at the beginning of the year (01-04-2017)**		**Cumulative Shareholding during the year**	
	For Each of the Directors and KMP	**No. of shares**	**% of total shares of the company**	**No. of shares**	**% of total shares of the company**
1	At the beginning of the year	NIL	NIL	NIL	NIL
2	Datewise increase/Decrease in shareholding during the year specifying reasons for increse/decrease e.g. Allotment/transfer/bonus/sweat equity etc.	NIL	NIL	NIL	NIL
3	At the end of the year	NIL	NIL	NIL	NIL

Key Managerial Person

Sl. No.		**Shareholding at the beginning of the year (01-04-2017)**		**Cumulative Shareholding during the year (31-03-2018)**	
	For Each of the Directors and KMP	**No. of shares**	**% of total shares of the company**	**No. of shares**	**% of total shares of the company**
1	At the beginning of the year	NIL	NIL	NIL	NIL
2	Datewise increase/Decrease in shareholding during the year specifying reasons for increse/decrease e.g. Allotment/transfer/bonus/sweat equity etc.	NIL	NIL	NIL	NIL
3	At the end of the year	NIL	NIL	NIL	NIL

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(Amount in Rupees)

Particulars	Secured Loans excluding deposit	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i.) Principal Amount	NIL	NIL	NIL	NIL
ii.) Interest due but not paid	NIL	NIL	NIL	NIL
iii.) Interest accrue but not due	NIL	NIL	NIL	NIL
Total(i+ii+iii)	NIL	NIL	NIL	NIL
Change in Indebtedness during the Financial year				
i.) Addition	NIL	NIL	NIL	NIL
ii.) Reduction	NIL	NIL	NIL	NIL
Net Change	NIL	NIL	NIL	NIL
Indebtedness at the end of the Financial year				
i.) Principal Amount	NIL	NIL	NIL	NIL
ii.) Interest due but not paid	NIL	NIL	NIL	NIL
iii.) Interest accrue but not due	NIL	NIL	NIL	NIL
Total(i+ii+iii)	NIL	NIL	NIL	NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Director and/or Manager

(Amount in Rupees)

Sr. No.	Particulars of Remuneration	Name of the Managing Director/Whole-time Director/Manager		Total Amount
1.	Gross Salary			
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	NIL	NIL	NIL
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL
2.	Stock Option	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL
4.	Commission:	NIL	NIL	NIL
	- As a % of Profit	NIL	NIL	NIL
	- others, specify	NIL	NIL	NIL
5.	Others, please specify	NIL	NIL	NIL
Total A		NIL	NIL	NIL
Ceiling as per the Act		NA		

B. Remuneration to other Directors

Sr. No.	Particulars of Remuneration	Name of the Director		Total Amount
1.	Gross Salary	**Mr. T V Prasad**	**Mr. Arun Sahni**	
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	NIL	NIL	NIL
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL
	c. Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL
2.	Stock Option	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL
4.	Commission:	NIL	NIL	NIL
	- As a % of Profit	NIL	NIL	NIL
	- others, specify	NIL	NIL	NIL
5.	Others, please specify – **Sitting Fees**	5,000	NIL	5,000
	Total	**5,000**	**NIL**	**5,000**
Ceiling as per the Act		NA		

C. Remuneration to Key Managerial Personnel other than the Managing Director/Whole-time Director/Manager

The Company does not pay remuneration to any Key Managerial Personnel

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / punishment / compounding fees imposed	Authority (RD/ NCLT/ COURT)	Appeal made, if any (give details)
A. Company					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B. Directors					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C. Other Officers in default					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

For and on behalf of the Board of Directors
Kalyani Strategic Systems Limited

Rajinder Singh Bhatia
Director
DIN : 05333963

Vikram Manohar Munje
Director
DIN : 02772991

Place: Pune
Date: May 12, 2018

Annexure -"D"

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

There are no contracts or arrangements or transactions entered into by the Company during the year ended March 31, 2018, which are not at arm's length basis.

2. Details of material contracts or arrangement or transactions at arm's length basis

a.	Name(s) of the related party and nature of relationship	**BF Elbit Advanced Systems Private Limited**	**Analogic Controls India Limited**	**Analogic Controls India Limited**	**Analogic Controls India Limited**
b.	Nature of contracts / arrangements / transactions	Interoperate Loan	Capital Advance given	Purchase of land & factory building	Rent received
c.	Duration of the contracts / arrangements / transactions	Payable on demand	Six months form February 1, 2017	One time transaction	36 months form March 30, 2018 till March 29, 2021
d.	Salient terms of the contracts or arrangements or transactions including the value, if any	Rs. 911,325 interest receivable on ICD accrued during FY 2017-18	Balance amount given for sale of Land & Building thereon for a Lump sum consideration of Rs. 5,27,70,000/- plus applicable taxes out of which Rs. 5,08,08,080/- was given in the previous year.	Amount paid for purchase of Land and Factory building costing Rs. 5,27,70,000/- plus applicable taxes. Rs. 5,62,45,850/-	Monthly rent of Rs. 1,44,983/- to be paid till 10th of every month out of which Rs. 9,354/- being partly rent paid for the month of March.
e.	Date(s) of approval by the Board, if any	August 25, 2015	February 1, 2017	February 1, 2017	March 29, 2018 (Audit Committee approval date)
f.	Amount paid/ received as advances, if any	NIL	Rs. 22,61,920/-	NIL	NIL

Annexure -"E"

Information as per Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 forming part of the Directors' Report for the year ended March 31, 2018.

(A) Conservation of Energy

a. Steps taken or impact on conservation of energy during 2017-2018

NIL

b. Steps taken by the Company for utilizing alternate sources of energy

NIL

c. Capital investment on energy conservation equipment

NIL

(B) Technology Absorption, Adaptation and Innovation

a. Efforts made towards technology absorption, adaptation and innovation

The Company has continued its endeavor to absorb the best of technologies for its products.

b. Benefits derived as a result of above efforts

The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(C) Foreign Exchange Earnings and Outgo

Total foreign exchange earnings and outgo for the financial year is as follows:

i)	Total Foreign Exchange Earning	:	NIL
ii)	Total Foreign Exchange Outgo	:	NIL

Auditor's Report

To the Members of Kalyani Strategic Systems Limited

Report on the Financial Statements

I have audited the accompanying standalone financial statements of **Kalyani Strategic Systems Limited** ("the Company") which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss (including other comprehensive income), the Statement of changes in equity and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (IND ASs) specified under Section 133 of the Act, read with relevant rules issued thereunder. This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting the 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.

Auditor's Responsibility

My responsibility is to express an opinion on these standalone financial statements based on my audit.

I have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

I conducted my audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the standalone financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion on the standalone financial statements.

Opinion

In my opinion and to the best of my information and according to the explanations given to me, the aforesaid financial statements, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the IND ASs; of the state of affairs of the Company as at 31st March, 2018, and its loss including other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, I give in the **"Annexure A"** a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, I report that:
   a) I have sought and obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of my audit.

   b) In my opinion, proper books of account as required by law have been kept by the Company, so far as appears from my 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 Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   d) In my opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015.

   e) On the basis of written representations received from the directors as on 31st March, 2018, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018, from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to my separate Report in "**Annexure B**".

   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in my opinion and to the best of my information and according to the explanations given to me :

      i. The Company does not have any pending litigations which would impact its financial position;

      ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses;

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

P. V. Deo
Chartered Accountant
Membership No. 041609
Place : Pune
Date : May 12, 2018

"ANNEXURE A" REFERRED TO IN THE INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE FINANCIAL STATEMENTS OF KALYANI STRATEGIC SYSTEMS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2018.

In terms of the information and explanations sought by me and given by the Company and the books and records examined by me in the course of audit and to the best of my knowledge and belief, I state that:

(i)

(a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) As explained to me, the fixed assets have been physically verified by the Management at reasonable intervals, during the financial year. According to the information and explanations given to me, no discrepancies were noticed on physical verification of the fixed assets.

(c) According to the information and explanations given to me and on the basis of my examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.

(ii) The inventory comprising stock in trade was physically verified at reasonable intervals during the year by the management. As explained to us, no material discrepancies were noticed by the management on physical verification of stocks.

(iii)

(a) The Company has granted unsecured loan to one company covered in the register maintained under section 189 of the Companies Act, 2013.

(b) The terms and conditions of the grant of the said loan were not found prima facie prejudicial to the Company's interest.

(c) The said loan is repayable on demand and hence no schedule of repayment of principal or payment of interest has been stipulated. Principal repayments or interest payments had not fallen due during the period covered by this report.

(iv) In my opinion and according to the information and explanations given to me, the Company has not granted any loans in contravention of sections 185 and 186 of the Companies Act, 2013. The Company has complied with the provisions of section 186 of the Act, with respect to the investments made. The Company has not given any guarantee or provided security in connection with a loan to any other body corporate or person.

(v) The Company has not accepted deposits from the public within the meaning of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013, and the rules framed, thereunder.

(vi) Requirement to maintain cost records under sub-section (1) of section 148 of the Companies Act, 2013 does not apply to the Company.

(vii)

(a) According to the records of the Company, the Company was found to be generally regular in depositing undisputed statutory dues including income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities. As explained to me by the Management, the provisions of the Employees' State Insurance Act, 1948 and the Employees' Provident Fund and Miscellaneous Provisions Act 1952 do not apply to the Company. According to the information and explanations given to me, no undisputed amounts payable in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax and any other statutory dues were outstanding as at 31st March, 2018 for a year of more than six months from the date those became payable ***save and except the following liability, which were outstanding as at 31st March, 2018 for a period of more than six months from the date those became payable.***

- ***Service tax liability : Rs. 101,614/-.*** The Company has since paid the said amount.

(b) According to the records of the Company, there are no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited on account of any dispute.

(viii) The Company does not have any loans or borrowings from any financial institution, banks, government or debenture holders. Accordingly, paragraph 3(viii) of the Order is not applicable.

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

(x) Based upon the audit procedures performed and the information and explanations given by the Management, I report that no fraud by the Company or no fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) The Company has not paid any managerial remuneration during the financial year covered by this report. Accordingly, paragraph 3 (xi) of the Order is not applicable.

(xii) In my opinion and according to the information and explanations given to me, the Company is not a Nidhi Company. Accordingly, paragraph 3 (xii) of the Order is not applicable.

(xiii) According to the records of the Company and according to the information and explanations given to me, transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013 wherever applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.

(xiv) The Company has made private placement of equity shares during the year under review and based upon the audit procedures performed and the information and explanations given to me, the requirements of section 42 of the Companies Act, 2013 have been complied with and the amount raised has been used for the purposes for which the funds were raised.

(xv) According to the information and explanations given to me and based on my examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

P. V. Deo
Chartered Accountant
Membership No. 041609

Place : Pune
Date : May 12, 2018

“Annexure B” REFERRED TO IN THE INDEPENDENT AUDITOR’S REPORT ON THE STANDALONE FINANCIAL STATEMENTS OF KALYANI STRATEGIC SYSTEMS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2018.

I have audited the internal financial controls over financial reporting of **Kalyani Strategic Systems Limited** (“the Company”) as of 31st March, 2018 in conjunction with my audit of the standalone financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

My responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on my audit. I conducted my audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

My audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. My audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting 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 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

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

Opinion

In my opinion, the Company has, in all material respects, internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31st March, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

P. V. Deo
Chartered Accountant
Membership No. 041609

Place : Pune
Date : May 12, 2018

Balance Sheet as at 31st March, 2018

	Notes	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
I. ASSETS			
1. Non-current assets			
a) Property, Plant and Equipment	3	**56,379,633**	88,931
b) Capital Work In Progress		**75,741,700**	653,250
c) Financial Assets			
i) Investments	4	**200,014,710**	104,600,000
ii) Other non current financial assets	5	**25,000**	25,000
d) Other non-current assets	6	**787,456**	51,249,750
		332,948,499	156,616,931
2. Current assets			
a) Inventories	7	**-**	5,054,126
b) Financial Assets			
i) Trade Receivable	8	**61,038**	-
ii) Cash and cash equivalents	9	**9,477,811**	18,410,254
iii) Bank balances other than (i) above	9	**-**	2,808,031
iv) Loans	10	**11,108,974**	10,219,848
v) Others current financial assets	11	**18,898**	6,957
c) Other current assets	12	**19,620**	-
		20,686,341	36,499,216
TOTAL :		**353,634,840**	193,116,147
II. EQUITY AND LIABILITIES			
1. Equity			
a) Equity share capital	13	**361,136,840**	195,900,000
b) Other equity	14	**(9,326,262)**	(7,286,038)
		351,810,578	188,613,962
2. Non-Current liabilities			
a) Deferred Tax Liabilities (net)	15	**13,142**	-
		13,142	-
2. Current liabilities			
a) Financial Liabilities			
i) Trade Payables	16	**1,176,289**	1,496,426
ii) Other Current Financial Liabilities	17	**-**	2,041,180
b) Other Current Liabilities	18	**184,383**	745,711
c) Current Tax Liabilities	19	**450,448**	218,868
		1,811,120	4,502,185
TOTAL :		**353,634,840**	193,116,147
Significant Accounting Policies and Notes forming an integral part of the Financial Statements	1 to 37		

As per my attached report of even date,	**On behalf of the Board of Directors,**	
P. V. Deo **Chartered Accountant**	**Rajinder Singh Bhatia** **Director** **DIN: 05333963**	**Vikram Munje** **Director** **DIN: 02772991**
	Yogendra Thakar **Chief Financial Officer**	**Ms. Jenny Chhabada** **Company Secretary**
Place: Pune **Date: May 12, 2018**	**Place: Pune** **Date: May 12, 2018**	

Statement of Profit and Loss for the year ended 31st March, 2018

		Notes	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
I.	**Revenue from operations**	20	**5,220,767**	-
II.	**Other Income**	21	**1,619,972**	1,144,335
	Total revenue		**6,840,739**	1,144,335
III.	**Expenses**			
	Purchase of Stock in trade	22	**-**	5,054,126
	Changes in inventories of Stock in trade	23	**5,054,126**	(5,054,126)
	Finance Cost	24	**22,000**	-
	Depreciation and amortization expense	25	**14,148**	4,219
	Other expenses	26	**3,306,405**	366,257
IV.	**Total expenses**		**8,396,679**	370,476
V.	**Profit/ (Loss) before tax (III - IV)**		**(1,555,940)**	773,859
VI.	**Tax expenses**			
	Current tax		**471,142**	329,000
	Deferred tax		**13,142**	-
			484,284	329,000
VII.	**Profit/ (Loss) for the year (V - VI)**		**(2,040,224)**	444,859
VIII.	**Other Comprehensive Income**		**-**	-
IX.	**Total Comprehensive Income for the period (VII+VIII)**		**(2,040,224)**	444,859
X.	**Earnings per equity share [nominal value of share x 10/-]**			
a)	Basic (In x)	29	**(0.08)**	0.05
b)	Diluted (In x)	29	**(0.08)**	0.05
	Significant Accounting Policies and Notes forming an integral part of the Financial Statements	1 to 37		

As per my attached report of even date,

P. V. Deo
Chartered Accountant

Place: Pune
Date: May 12, 2018

On behalf of the Board of Directors,

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Yogendra Thakar
Chief Financial Officer

Ms. Jenny Chhabada
Company Secretary

Place: Pune
Date: May 12, 2018

Statement of changes in equity for the year ended 31st March, 2018

a Equity share capital

	Balance at the beginning of the year Rs.	Changes in Equity share Capital during the year Rs.	Balance at the end of the year Rs.
i) For the Year ended 31st March, 2018	195,900,000	165,236,840	361,136,840
ii) For the Year ended 31st March, 2017	28,300,000	167,600,000	195,900,000

b Other equity

	Retained Earnings p
Balance at the beginning of the Year	(7,730,897)
Add :	
Total Comprehensive Income for the Year	444,859
Balance at the end of the period 31st March, 2017	(7,286,038)
Add :	
Total Comprehensive Income for the year	(2,040,224)
Balance at the end of the Year 31st March, 2018	**(9,326,262)**
c Total equity (a+b)	**351,810,578**

Significant Accounting Policies and Notes forming an integral part of the Financial Statements 1 to 37

As per my attached report of even date,

On behalf of the Board of Directors,

P. V. Deo
Chartered Accountant

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Yogendra Thakar
Chief Financial Officer

Ms. Jenny Chhabada
Company Secretary

Place: Pune
Date: May 12, 2018

Place: Pune
Date: May 12, 2018

Cash Flow Statement for the year ended 31st March, 2018

				Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
(A)	**Cash flow from operating activities**				
	Profit/(loss) before tax			(1,555,940)	773,859
	Add :				
		Depreciation		14,148	4,219
		Interst on Income Tax		22,000	-
		Income tax expenses		17,942	12,331
				(1,501,850)	790,409
	Less : Income considered separately				
		Interest received On loan to a fellow subsidiary		(991,325)	(911,731)
		Interest received from bank		(183,522)	(232,604)
	Operating loss before working capital changes			(2,676,697)	(353,926)
	Movements in working capital :				
	Increase / (decrease) in Trade Payables			(320,137)	1,446,426
	Increase / (decrease) in Other Current Liabilities			(561,328)	2,786,891
	Increase / (decrease) in Other Current Liabilities			(2,041,180)	-
	(Increase) / decrease in other non-current assets			50,462,294	(50,907,551)
	(Increase) / decrease in Trade Receivable			(61,038)	-
	(Increase) / decrease in other financial assets			(11,941)	(796,615)
	(Increase) / decrease in other current assets			(19,620)	15,472
	(Increase) / decrease in Inventories			5,054,126	(5,054,126)
				52,501,176	(52,509,503)
	Cash generated from operations			49,824,479	(52,863,429)
	Direct taxes paid (net of refunds)			(279,504)	(76,639)
	Net cash from/(used in) operating activities		(A)	49,544,975	(52,940,068)
(B)	**Cash flows from investing activities**				
	Purchase of Property, Plant and Equipment			(131,393,300)	(746,400)
	Investments in Equity Shares			(95,414,710)	(102,600,000)
	Investments In fixed deposits			2,808,031	(208,031)
	Interest received on loans			991,325	911,731
	Interest received from bank			183,522	231,146
	Net cash used in investing activities		(B)	(222,825,132)	(102,411,554)
(C)	**Cash flows from financing activities**				
	Proceeds from issue of Equity Shares			165,236,840	167,600,000
	Inter corporate loans given			(889,126)	-
	Net cash flows from financing activities		(C)	164,347,714	167,600,000
(D)	**Net increase / (Decrease) in cash and cash equivalents (A+B+C)**			(8,932,443)	12,248,378
(E)	**Cash and cash equivalents at the beginning of the year**			18,410,254	6,161,876
(F)	**Cash and cash equivalents at the end of the year**			9,477,811	18,410,254

Components of cash and cash equivalents			As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Cash in Hand			-	-
Balances with banks				
	In Current accounts		6,504,611	18,410,254
	In fixed deposits		2,973,200	-
		TOTAL :	9,477,811	18,410,254

Significant Accounting Policies and Notes forming an integral part of the Financial Statements 1 to 37

As per my attached report of even date,

P. V. Deo
Chartered Accountant

On behalf of the Board of Directors,

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Yogendra Thakar
Chief Financial Officer

Ms. Jenny Chhabada
Company Secretary

Place: Pune
Date: May 12, 2018

Place: Pune
Date: May 12, 2018

Kalyani Strategic Systems Limited
CIN U31902PN2010PLC138025

Notes forming part of the Financial Statements for the year ended 31st March, 2018

1. Corporate information:

Kalyani Strategic Systems Limited was incorporated on December 20, 2010, as a public limited company under the erstwhile Companies Act, 1956. The Company is a subsidiary of Bharat Forge Limited, which holds 51% of the issued and subscribed equity share capital of the Company. The Company's CIN is U31902PN2010PLC138025.

The Company has been formed with the object to engage in the business of scientific, technical and other research and development in the field of developing/ deploying advance defence, aerospace and other strategic areas.

The Company has identified 12 months as its operating cycle.

In view of amendment to the Companies (Accounts) Rules, 2014, made vide the notification no G.S.R. 742(E) dated 27th July, 2016 issued by the Ministry of Corporate Affairs, the Company has decided not to present consolidated financial statements for the year ended 31st March 2018, since its holding company namely Bharat Forge Ltd. is going to present the consolidated financial statements and the conditions prescribed as per the Companies (Accounts) Rules, 2014 are complied with."

2. Significant accounting policies:

2.1 Basis of accounting and preparation of financial statements:

These financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended thereafter and the provisions of the Companies Act, 2013 (to the extent notified).

Effective 1st April, 2016, the Company has adopted all the Ind AS standards and the adoption was carried out in accordance with Ind AS 101 "First time adoption of Indian Accounting Standards," with 1st April, 2015 as the transition date. 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 have been prepared on a historical cost basis, except for the following assets and liabilities wherever existed, which have been measured at fair value:

i Derivative financial instruments,

ii Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

The financial statements are presented in INR and all values are rounded to the nearest Rupee.

2.2 Current versus non-current bifurcation:

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

i Expected to be realised or intended to be sold or consumed in the normal operating cycle,

ii Held primarily for the purpose of trading,

iii Expected to be realised within twelve months after the reporting period, or

iv 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 treated as current when:

i It is expected to be settled in normal operating cycle,

ii It is held primarily for the purpose of trading,

iii It is due to be settled within twelve months after the reporting period, or

iv There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

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 Company has identified twelve months as its operating cycle.

2.3 Foreign currency transactions and translations :

The Company's financial statements are presented in INR, which is also the Company's functional currency. Items included in the financial statements are measured using functional currency.

a) Transactions and balances

"Transactions in foreign currencies are initially recorded by the Company in its functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date, continuing the policy adopted for accounting for exchange difference arising from translation of long term foreign currency monetary items recognised in the financial statements for the year ended 31st March, 2016. Exchange difference that arise on settlement of monetary items or on reporting at each balance sheet date of the Company's monetary items at the closing rate are recognized as income or expenses in the period in which they arise except for differences pertaining to Long Term Foreign Currency Monetary Items as mentioned subsequently.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively)."

b) Exchange differences

The Company has availed the option available under Ind AS 101 Para D13 AA pertaining to long term foreign currency translation difference account (FCMITDA). Hence, the Company has continued the policy adopted for accounting for exchange differences arising from translation of long term foreign currency monetary items recognised in the financial statements for the year ended 31st March, 2016 as per previous GAAP. Accordingly, the exchange differences are accounted for as under

i Exchange differences arising on long-term foreign currency monetary items recognised in the financial statements for the year ended 31st March, 2016 related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.

ii Exchange differences arising on other long-term foreign currency monetary items recognised in the financial statements for the year ended 31st March, 2016 are accumulated in the “Foreign Currency Monetary Item Translation Difference Account” and amortized over the remaining life of the concerned monetary item.

iii All other exchange differences are recognized as income or as expenses in the period in which they arise.

For the purpose of a and b above, the Company treats a foreign currency monetary item as “long-term foreign currency monetary item”, if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated August 9, 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period. In other words, the Company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

2.4 Fair value measurement :

"The Company measures financial instruments at fair value at each balance sheet date.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:"

i In the principal market for the asset or liability, or

ii In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

ii Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

iii Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

"External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years.
For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy."

2.5 Revenue recognition :

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principle in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks."

However, value added tax (VAT)/ Goods and Services Tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity/service by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

i) Sale of goods
Revenue from the domestic sales is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue from export sales are recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on the basis of dates of bill of lading. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

ii) Interest Income
For all debt instruments measured either at amortised cost or at fair value through other comprehensive

discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

iii) Dividend Income

Revenue is recognised when the Company’s right to receive the payment is established, which is generally when shareholders approve the dividend.

iv) Profit / Loss on sale of investments

Profit / Loss on sale of investments is recognised when all the significant risk and rewards of ownership in investment is transferred.

2.6 Government grants :

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant or subsidy relates to revenue, it is recognized as income on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and is allocated to statement of profit and loss over the periods and in the proportions in which depreciation on those assets is charged.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

2.7 Taxes :

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates and generates taxable income. The tax rates and tax laws used to compute the amount are those that are enacted, at the reporting date.

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

The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously."

Deferred tax is provided using the liability method on temporary differences between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset can be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent it has become probable that future taxable profits will allow the deferred tax assets 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 realised or the liability is settled, based on the tax rates (and the 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxation authority.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of temporary differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognized in the year in which the temporary differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become probable that future taxable profit will be available against which such deferred tax assets can be realized.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the guidance note on "Accounting for Credit Available in respect of Minimum Alternative Tax" under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

Sales/ value added taxes/Goods and service tax paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales/ value added taxes paid, except:

i 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

ii 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.

2.8 Property, plant and equipment :

Property, plant and equipment, capital work in progress and investment property are stated at cost of acquisition or construction net of accumulated depreciation and accumulated impairment losses, if any. Internally manufactured property, plant and equipment are capitalised at factory cost, including excise duty, wherever applicable. All the significant costs relating to the acquisition and installation of property, plant and equipment or investment property are capitalised. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost of the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for the provision are met.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Profit and Loss during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management.

Depreciation on additions to assets during the year is being provided on pro-rata basis from the date of acquisition/ installation. Depreciation on assets sold, discarded or demolished during the year, is being provided at their respective rates on pro-rata basis upto the date on which such assets are sold, discarded or demolished.

Assets under improvement to leased premises are fully depreciated over the lease period of the asset."

The Management's estimate of the useful lives of various fixed assets, which is in line with the provisions of Schedule II to the Companies Act, 2013 is given below.

Type of Asset		Estimated useful life
i)	Factory Building	30 Years
ii)	Plant and Machinery	15 Years

Losses arising from the retirement of, and gains and losses arising from disposal of property plant and equipment which are carried at cost are recognised in the Statement of Profit and Loss.

An item of property, plant and equipment or any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and the methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate."

2.9 Intangible assets :

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

2.10 Leases :

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependant on the use of specific asset or assets and the arrangement conveys a right to use the asset or assets, even if the right is not explicitly specified in the arrangement.

Company as a Lessee

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease unless the same is in line with inflation. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.11 Inventories :

Inventories are stated at the lower of cost and net realisable value.

2.12 Impairment of Non-financial assets :

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators."

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus."

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.
Intangible assets with indefinite useful lives are tested for impairment annually as at 31 October at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired."

2.13 Provisions, Contingent Liabilities :

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

2.14 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.

A Financial Asset :

a) 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 Company commits to purchase or sell the asset.

The Company’s investments in its subsidiary, associate and joint venture are carried at cost in accordance with Ind AS 27.

b) Subsequent measurement

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

i Debt instruments at amortised cost

ii Debt instruments at fair value through other comprehensive income (FVTOCI)

iii Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

iv Equity instruments measured at fair value through other comprehensive income (FVTOCI)

c) Debt instruments at amortised cost

A ‘debt instrument’ is measured at the amortised cost if both the following conditions are met:

i The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

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

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. 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 finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

d) Debt instrument at FVTOCI

A ‘debt instrument’ is classified as at the FVTOCI if both of the following criteria are met:

i The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

ii The asset’s contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

e) Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as ‘accounting mismatch’). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

f) Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

The Company has chosen to account for investments in subsidiaries, joint ventures and associates at cost determined in accordance with IND AS -27.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.
Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

g) Derecognition

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

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

ii The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

h) Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

i Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance

ii Financial assets that are debt instruments and are measured as at FVTOCI

iii Lease receivables under Ind AS 17

iv Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18

v Loan commitments which are not measured as at FVTPL vi Financial guarantee contracts which are not measured as at FVTPL

The Company follows ‘simplified approach’ for recognition of impairment loss allowance on trade receivables or contract revenue receivables

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

i All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument

ii Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head ‘other expenses’ in the P&L.

The balance sheet presentation for various financial instruments is described below:

i Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

ii Loan commitments and financial guarantee contracts: ECL is presented as a provision in the balance sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

B Financial liabilities :

a) 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, or as derivatives designated as hedging instruments in an effective hedge, 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 Company's financial liabilities include trade and other payables.

b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

i Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

ii Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss.

iii Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

c) Derecognition

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 or loss.

C Embedded derivatives :

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

D Reclassification of financial assets :

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company’s senior management determines change in the business model as a result of external or internal changes which are significant to the Company’s operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Original Classification	Revised Classification	Accounting Treatment

Amortised Cost FVTPL Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.

FVTPL Amortised Cost Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.

Amortised Cost FVTOCI Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.

FVTOCI Amortised Cost Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.

FVTPL FVTOCI Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI FVTPL Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

E Offsetting of financial instruments :

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.15 Cash and cash equivalents :

Cash and cash equivalents comprise cash at bank and in hand and short-term investments with an original maturity of three months or less, which are 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 Company’s cash management."

2.16 Dividend to equity holders :

The Company recognises a liability to make cash or non-cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.17 Segment reporting :

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified by the Board of Directors that makes strategic decisions.

2.18 Earnings per share:

Basic earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit attributable to the equity holders of the Company as equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

2.19 Cash flow statement:

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.20 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements.

Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revisions to accounting estimates are recognised prospectively in current and future periods."

2.21 Ind AS 115- Revenue from Contract with Customers

Ind AS 115 was notified on 28th March 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under Ind AS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1st April 2018. The Company will adopt the new standard on the required effective date using the modified retrospective method. The Company has established an implementation team to implement Ind AS 115 related to the recognition of revenue from contracts with customers and it continues to evaluate the changes to accounting system and processes, and additional disclosure requirements that may be necessary. A reliable estimate of the quantitative impact of Ind AS 115 on the financial statements will only be possible once the implementation project has been completed.

Notes forming part of the Financial Statements for the year ended 31st March, 2018

3. Property, Plant and Equipment :

	Freehold Land Rs.	Building Rs.	Plant and Machinery Rs.	Total Rs.
Gross Block, at Cost :				
Opening Balance	-	-	-	**-**
Additions	-	-	93,150	**93,150**
Disposals	-	-	-	**-**
As at 31st March, 2017	-	-	93,150	**93,150**
Additions	27,332,200	28,972,650	**-**	**56,304,850**
Disposals	-	-	**-**	**-**
As at 31st March, 2018	**27,332,200**	**28,972,650**	**93,150**	**56,398,000**
Depreciation and Amortization :				
Opening Balance	-	-	-	**-**
Disposals	-	-	-	**-**
For the period	-	-	4,219	**4,219**
Upto 31st March, 2017	-	-	4,219	**4,219**
Disposals	-	-	**-**	**-**
For the period	-	7,938	6,210	**14,148**
As at 31st March, 2018	**-**	**7,938**	**10,429**	**18,367**
Net Block :				
As at 31st March, 2017	-	-	88,931	**88,931**
As at 31st March, 2018	**27,332,200**	**28,964,712**	**82,721**	**56,379,633**

The Company has elected to continue with the carrying values for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind ASs, measured as per the previous GAAP and use that as its deemed cost as at the date of transition to Ind ASs in accordance with paragraph D7AA of Ind AS 101 "First Time Adoption of Ind AS".

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Notes forming part of the Financial Statements for the year ended 31st March, 2018

4. Investments :

			As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Equity Instruments, Unquoted :				
(At Cost)				
Investments in Subsidiary :				
19,901,471	(10,410,000)	Equity shares having Face value of p 10/- each, fully paid up, of Kalyani Rafael Advanced Systems Private Limited[(a)]	**199,014,710**	104,100,000
Investments in Joint Ventures :				
100,000	(50,000)	Equity shares having Face value of p 10/- each, fully paid up, of BF Premier Energy Systems Private Limited	**1,000,000**	500,000
		TOTAL :	**200,014,710**	104,600,000

(a) Kalyani Rafael Advanced Systems Private Limited (KRAS) was a wholly owned subsidiary as at 31st March, 2017. On 31st March, 2018, Kalyani Strategic Systems Ltd., Kalyani Technoforge Ltd. (KTFL) and Rafael Advanced Defense Systems Limited held 50%, 1% and 49%, respectively of the equity share capital of KRAS. As per the Inter Se Agreement between the Company and KTFL, KTFL has agreed always to act in accordance with the directions or instructions of the Company, including in exercising its voting rights. KRAS is, therefore, considered to be a subsidiary in view of the control exercised by the Company.

5. Others non current financial assets :
(Unsecured, Good)

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Deposits	**25,000**	25,000
TOTAL :	**25,000**	25,000

6. Other non-current assets
(Unsecured, Good)

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Capital advance to a fellow subsidiary (Refer Note No. 28)	-	50,808,080
CENVAT credits and GST receivable	787,456	441,670
TOTAL :	787,456	51,249,750

7. Inventories

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Stock in trade	-	5,054,126
TOTAL :	-	5,054,126

8. Trade Receivable :
(Unsecured)

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Outstanding for more than six months from the date those became due for payment, Good	50,000	-
Other Trade Receivables		-
Good	11,038	
Doubtful	2,856,721	
Less : Provision	(2,856,721)	
TOTAL :	61,038	-

9. Cash and cash equivalents :

		As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
	Cash and Cash Equivalents :		
	Cash in Hand	**-**	-
	Balances with banks		
	In Current accounts	**6,504,611**	18,410,254
	In fixed deposits[(a)]	**2,973,200**	-
		9,477,811	18,410,254
	Other bank balances :		
	In fixed deposits[(b)]	**-**	2,808,031
		-	2,808,031
(a)	With original maturity of less than 3 Months		
(b)	Maturing after 3 Months but before 12 Months		
	TOTAL :	**9,477,811**	21,218,285

10. Loans :
(Unsecured, Good)

		As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
	Loans to related parties:		
	Inter-corporate loan to a fellow subsidiary[(a)]	**11,108,974**	10,219,848
	TOTAL :	**11,108,974**	10,219,848
(a)	Including interest due, thereon		

11. Other current financial assets :
(Unsecured, Good)

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Deposits	**3,998**	6,957
Other advance		
To a fellow subsidiary	**14,900**	-
TOTAL :	**18,898**	6,957

12. Other Current Assets :
(Unsecured, Good)

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Duty refund receivable		
Other advance		
To a key managerial personal	**19,620**	-
TOTAL :	**19,620**	-

Kalyani Strategic Systems Limited

Notes forming part of the Financial Statements for the year ended 31st March, 2018

13. Equity share capital

				As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Authorised					
50,000,000	(25,000,000)	Equity shares of z 10/- each		**500,000,000**	250,000,000
-	(25,000,000)	Preference shares of B 10/- each		**-**	250,000,000
			TOTAL :	**500,000,000**	500,000,000
Issued					
36,113,684	(19,590,000)	Equity shares of z 10/- each		**361,136,840**	195,900,000
			TOTAL :	**361,136,840**	195,900,000
Subscribed and fully paid-up					
36,113,684	(19,590,000)	Equity shares of z 10/- each		**361,136,840**	195,900,000
			TOTAL :	**361,136,840**	195,900,000

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Equity shares	As at 31st March, 2018 Nos.	As at 31st March, 2018 Rs.	As at 31st March, 2017 Nos.	As at 31st March, 2017 Rs.
At the beginning of the year	**19,590,000**	**195,900,000**	2,830,000	28,300,000
Shares Issued during the year	**16,523,684**	**165,236,840**	16,760,000	167,600,000
Shares bought back during the year	**-**	-	-	-
Outstanding at the end of the year	**36,113,684**	**361,136,840**	19,590,000	195,900,000

(b) Terms/rights attached to equity shares

The Company has only one class of issued equity shares having a par value of x 10/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive surplus assets of the Company, remaining after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

Name of Shareholder	As at 31st March, 2018 Nos.	As at 31st March, 2018 % of Holding	As at 31st March, 2017 Nos.	As at 31st March, 2017 % of Holding
Equity shares of x 10 each fully paid				
Bharat Forge Limited, the Holding Company#	**18,417,978**	**51.00**	9,990,900	51.00
Sundaram Trading and Investment Private Limited	**6,861,600**	**19.00**	3,722,100	19.00
Saarloha Advanced Materials Private Limited (Previously known as Kalyani Carpenter Special Steels Private Limited)	**6,861,600**	**19.00**	3,722,100	19.00
Kalyani Global Engineering Private Limited	**3,972,506**	**11.00**	2,154,900	11.00

including the shares held through nominees

14. Other equity

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Retained earnings		
As per last account	**(7,286,038)**	(7,730,897)
Add : Total comprehensive income for the period	**(2,040,224)**	444,859
Less : Appropriations	**-**	-
Closing balance	**(9,326,262)**	(7,286,038)

15 Deferred Tax Liability/(Asset) (Net) :

		As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
-	**Deferred Tax Liability :**		
-	Timing differences for		
-	Depreciation	**240,625**	-
		240,625	-
-	**Deferred Tax Assets :**		
-	Unabsorbed lossed and depreciation	**-**	-
	Disallowances	**227,483**	-
		227,483	-
	Deferred Tax Liability/(Asset)	**13,142**	-

16 Financial liabilities :

		As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
	Trade Payables :		
-	Total outstanding dues of micro enterprises and small enterprises	-	-
-	Total outstanding dues of creditors other than micro enterprises and small enterprises	**1,176,289**	1,496,426
	TOTAL :	**1,176,289**	1,496,426

17 Other Current Financial Liabilities :

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Advance against sale of investments	**-**	2,041,180
TOTAL :	**-**	2,041,180

18. Other Current Liabilities :

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Statutory liabilities	**135,964**	745,711
Other Payable	**48,419**	-
TOTAL :	**184,383**	745,711

19. Current Tax Liabilities :

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Provision for taxation(Net)	**450,448**	218,868
TOTAL :	**450,448**	218,868

20. Revenue from operations

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Sale of goods	**5,220,767**	-
TOTAL :	**5,220,767**	-

21. Other Income

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Interest received		
On loan to a fellow subsidiary	**991,325**	911,731
Other Interest	**183,522**	232,604
Lease rent received	**9,354**	-
Refund of GST	**435,771**	-
TOTAL :	**1,619,972**	1,144,335

22. Purchase of Stock in trade

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Purchase of Stock in Trade	-	5,054,126
TOTAL :	-	5,054,126

23. Changes in inventories of Stock in trade :

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Inventories at the beginning		
Stock in trade	5,054,126	-
Inventories at the close		
Stock in trade	-	5,054,126
TOTAL :	5,054,126	(5,054,126)

24. Finance Cost

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Interest on Income Tax	22,000	-
TOTAL :	22,000	-

25. Depreciation and amortization expenses

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Depreciation on property, plant and equipment	14,148	4,219
TOTAL :	14,148	4,219

26 Other expenses

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Legal and professional fees	**108,866**	50,450
Payment to Auditors (Refer details below)	**120,000**	90,000
Bank Charges	**10,974**	15,502
Share Issue Expenses	**165,238**	195,400
Provision for expected credit loss	**2,856,721**	-
Miscellaneous expenses#	**44,606**	14,905
TOTAL :	**3,306,405**	366,257

Miscellaneous Expenses include general office expenses, printing and stationery etc.

Payment to auditors

	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
As auditor:		
- Audit fee	**120,000**	90,000
TOTAL :	**120,000**	90,000

27. Segment Reporting :

Since the Company was mainly engaged in start up operations, there are no separate reportable operating segments, as per the Ind AS 108 on 'Operating Segments'.

28. Related Party disclosures

(i) Names of the related parties and related party relationship

Key Management Personal :	i) Somalinga Mahadevan Shivakumar - Chief Executive Officer(a)(b)
	ii) Pramod Madhukar Puranik - Chief Executive Officer(a)(c)
	iii) Shodhan Ligam - Chief Financial officer(a)(d)
	iv) Yogendra Thakar - Chief Financial officer(a)(e)
	v) Jenny Chhabada - Company Secretarty(a)(f)
	(a) On deputation from Bharat Forge Limited, the Holding Company
	(b) Since resigned from 28th February, 2018.
	(c) Appointed from 1st March, 2018.
	(d) Since resigned from 6th July, 2017
	(e) Appointed from 4th November, 2017.
	(f) Appointed from 13th February, 2018.
Holding Company:	i) Bharat Forge Limited
Subsidiary Company:	i) Kalyani Rafael Advanced Systems Private Limited
Fellow Subsidiary Companies:	i) BF Elbit Advanced Systems Private Limited
	ii) Analogic Controls India Limited
	iii) BF Infrastructure Limited
Joint Venture :	i) BF Premier Energy Systems Private Limited

(ii)	Related parties with whom transactions have taken place during the year									
Sr. No.	**Nature of transaction**	**Terms and Conditions (Refer foot note no.)**	**Key Management Personal**		**Holding Company**	**Subsidiary Company**	**Fellow Subsidiary Companies**		**Joint Venture**	**Total**
			Shodhan Ligam	**Yogendra Thakar**	**Bharat Forge Limited**	**Kalyani Rafael Advanced Systems Private Limited**	**BF Elbit Advanced Systems Private Limited**	**Analogic Controls India Limited**	**BF Premier Energy Systems Private Limited**	
			Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
1	Share Allotment	(a)	**-**	**-**	**84,270,780**	**-**	**-**	**-**	**-**	**84,270,780**
			(-)	(-)	(85,476,000)	(-)	(-)	(-)	(-)	(85,476,000)
2	Investment made	(b)	**-**	**-**	**-**	**96,955,890**	**-**	**-**	**500,000**	**97,455,890**
			(-)	(-)	(-)	(102,600,000)	(-)	(-)	(-)	(102,600,000)
3	Capital advance given	(c)	**-**	**-**	**-**	**-**	**-**	**2,261,920**	**-**	**2,261,920**
			(-)	(-)	(-)	(-)	(-)	(50,808,080)	(-)	(50,808,080)
4	Purchases of property, plant and equipment	(d)	**-**	**-**	**-**	**-**	**-**	**56,245,850**	**-**	**56,245,850**
			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
5	Rent Income received	(e)	**-**	**-**	**-**	**-**	**-**	**9,354**	**-**	**9,354**
			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)

6	Interest received on Intercorporate loan	(f)	**-**	**-**	**-**	**-**	**991,325**	**-**	**-**	**991,325**
			(-)	(-)	(-)	(-)	(911,731)	(-)	(-)	(911,731)
7	Purchases	(g)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
			(-)	(-)	(-)	(-)	(-)	(3,914,530)	(-)	(3,914,530)
8	Expenses incurred by other party on behalf of the Company	(h)	**639,894**	**2,600**	**3,797,649**	**-**	**-**	**45,000**	**-**	**4,485,143**
			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)

a) Equity shares have been allotted by the Company to the related parties in accordance with the provisions of section 23 read with section 62 of the Companies Act, 2013.

b) The Company has subscribed to the issue of equity shares made at par by the related parties on rights basis in accordance with the provisions of section 23 read with section 62 of the Companies Act, 2013.

c) Please refer to note no. 6

d) The Company has purchased land and factory building from the related party in the ordinary course of business. The amount includes costs of transfer reimbursed to the party.

e) The Company has entered into a leave and license agreement with the related party to grant licence to use and occupy the premises during the lease period. The lease is in the nature of operating lease.

f) The loan given to the related party is unsecured and repayable on demand and the same is compliant with the provisions of section 186 of the Companies Act, 2013. The loan carried interest at the rate of 9.70% p.a.

g) Purchases from the related party made during the previous year were in the ordinary course of business and the same had been made at arm's length price and were subject to normal credit terms.

h) Expenses incurred by related parties on behalf of the Company are reimbursable at cost on demand.

(iii) **Balances outstanding**

Sr. No.	Nature of transaction		Key Management Personal		Holding Company	Subsidiary Company	Fellow Subsidiary Company		Joint Venture	Total
			Shodhan Ligam	Yogendra Thakar	Bharat Forge Limited	Kalyani Rafael Advanced Systems Private Limited	BF Elbit Advanced Systems Private Limited	Analogic Controls India Limited	BF Premier Energy Systems Private Limited	
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Intercorporate Loan receivable (including interest due thereon)		**-**	**-**	**-**	**-**	**11,108,974**	**-**	**-**	**11,108,974**
			(-)	(-)	(-)	(-)	(10,219,848)	(-)	(-)	(10,219,848)
2	Trade Payable		**-**	**-**	**-**	**-**	**-**	**204,460**	**-**	**204,460**
			(-)	(-)	(-)	(-)	(-)	(214,530)	(-)	(214,530)
3	Capital Advance given		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
			(-)	(-)	(-)	(-)	(-)	(50,808,080)	(-)	(50,808,080)
4	Advance given for expenses		**-**	**19,620**	**-**	**-**	**-**	**14,900**	**-**	**34,520**
			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)

5	Trade receivable		- (-)	- (-)	- (-)	- (-)	- (-)	**11,038** (-)	- (-)	**11,038** (-)

(Figures in bracket indicate previous year)

29. Earnings per share (EPS)		
	Year ended 31st March, 2018 Rs.	Year ended 31st March, 2017 Rs.
Numerator for basic and diluted EPS Profit for the year attributable to shareholders as at 31st March	**(2,040,224)**	444,859
Weighted average number of equity shares in calculating basic EPS	**27,113,511**	9,076,082
EPS - Basic (in x)	**(0.08)**	0.05
EPS - Diluted - (in x)	**(0.08)**	0.05

30.	**Interest in Joint Venture**		
a)	Name of the investee :	BF Premier Energy Systems Private Limited	
b)	Principal place of business :	Mundhwa, Pune Cantonment, Pune - 411036, Maharashtra, India	
c)	Proportion of the ownership interest :	50%	(Previous year 50%)
d)	Description of the method used to account for the investments	Cost	

31 Significant accounting judgments, estimates and assumptions:

The preparation of the Company's financial statements requires management to make judgments, 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

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Company.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 32 and 33 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

32 Fair values :

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying value		**Fair value**	
	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.	**As at 31st March, 2018 Rs.**	As at 31st March, 2017 Rs.
I) Financial assets				
Other non current financial assets				
Deposits	**25,000**	25,000	**25,000**	25,000
Loans(including interest receivable on loan)	**11,108,974**	10,219,848	**11,108,974**	10,219,848
Other current financial assets				
Deposits	**3,998**	6,957	**3,998**	6,957
Other advance to a fellow subsidiary	**14,900**	-	**14,900**	-
Total Financial Assets :	**11,152,872**	10,251,805	**11,152,872**	10,251,805
II) Financial Liabilities				
Advance against sale of investments	**-**	2,041,180	**-**	2,041,180
Total Financial Liabilities :	**-**	2,041,180	**-**	2,041,180

The management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

33 Fair value hierarchy :

	Date of Valuation Rs.	Quoted prices in active markets (Level 1) Rs.	Significant observable inputs (Level 2) Rs.	Significant unobservable inputs (Level 3) Rs.	Total Rs.
Assets for which fair value has been disclosed					
Deposits	3/31/2018	-	-	28,998	28,998
Loans(including interest receivable on loan)	3/31/2018	-	-	11,108,974	11,108,974
Other advance to a fellow subsidiary	3/31/2018			14,900	14,900
Assets for which fair value has been disclosed					
Deposits	3/31/2017	-	-	31,957	31,957
Loans	3/31/2017			10,219,848	10,219,848
Liabilities for which fair value has been disclosed					
Advance against sale of investments	3/31/2017	-	-	2,041,180	2,041,180

34 Financial risk management disclosure:

The Company's principal financial liabilities, other than derivatives, comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include Investments in equity instruments, loans, cash and cash equivalents and other bank balances that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The financial risk committee provides assurance to the Company’s senior management that the Company’s financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company’s policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below."

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTPL investments.

The sensitivity analysis in the following sections relate to the position as at 31st March, 2018 and 31st March, 2017.

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations, provisions."

The following assumptions have been made in calculating the sensitivity analysis:

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31st March, 2018, 31st March, 2017 including the effect of hedge accounting(if any)

i) Equity price risk

The Company's investment in equity instruments comprise mainly of investments in subsidiaries and Joint Ventures which are strategic long term investments. Reports on the equity portfolio are submitted to the Company’s management on a regular basis. The Company’s Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to unlisted equity securities at carrying value was x 200,014,710/- (for previous year ended 31st March, 2017 - a 104,600,000/-)

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

i) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's management in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company’s Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty’s potential failure to make payments.

The Company’s maximum exposure to credit risk for the components of the balance sheet at 31st March, 2018 and 31st March, 2017 is the carrying amounts as illustrated in Note 9.

c) Liquidity risk

The Company monitors its risk of a shortage of funds using a liquidity planning tool. The Company’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The Company’s financial liabilities based on contractual undiscounted payments are payable on demand.

Kalyani Strategic Systems Limited

Notes forming part of the Financial Statements for the year ended March 31, 2018.

35 Dues to Micro and Small Enterprises

The Company does not owe any moneys to suppliers which are Micro or Small Enterprises registered under the Micro, Small and Medium Enterprises Development Act, 2006.

36 Contingent Liabilities not provided for

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Stamp duty exemption under Package Scheme of Incentive, 2013.[a]	3,317,139	-

(a) The Compnay has availed exemption from stamp duty amounting to Rs 3,317,139/-, in respect of agreement to lease executed during the financial year covered by these financial statements. The said exemption is availed in accordance with the Package Scheme of Incentive, 2013 of the Government of Maharashtra. As per the conditions attached, the Company is required to start the activities within a period of three years from the date of instrument, which is 17th January, 2018. The Company will be liable to pay the whole of the stamp duty and applicable penalty in the event the Company is unable to fulfill this condition. In the Opinion of Directors, the Company will be able to fulfill this condition comfortably and hence cash outflow on that account is highly unlikely.

37 Income Tax :

a) The major components of income tax expense for the years ended 31st March, 2018 and 31st March, 2017 are

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Current income tax		
Current income tax charge	**549,000**	329,000
Taxes for earlier years	**(77,858)**	-
Deferred tax		
Relating to origination and reversal of temporary differences	**13,142**	-
	484,284	329,000

b) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31st March 2018 and 31st March 2017:

	As at 31st March, 2018 Rs.	As at 31st March, 2017 Rs.
Accounting profit/(loss) before tax	**(1,555,940)**	773,859
At India's enacted tax rate of 25.75% (31st March 2017: 29.87%)	**-**	231,200
Tax effect due to non-taxable income for Indian tax purposes	**-**	(12,400)
Tax effect of non-deductible expenses	**411,800**	210,200
Tax effect of business loss set off in respect of which deferred tax asset was not recognised on prudent basis.	**(470,298)**	-
Additional tax deduction	**-**	(99,400)
Utilisation of previously unrecognised tax losses	**-**	(600)
Minimum Alternate tax payable (rate of 19.06% (31st March 2017: 19.06%)	**549,000**	-
Other	**(6,218)**	-
Income tax expense reported in the statement of profit and loss	**484,284**	329,000

c) Reconciliation of deferred tax liabilities (net)

Opening balance	-	-
Tax income/(expense) during the period recognised in profit or loss	**13,142**	-
Closing balance	**13,142**	-

As per my attached report of even date,

On behalf of the Board of Directors,

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

P. V. Deo
Chartered Accountant

Yogendra Thakar
Chief Financial Officer

Ms. Jenny Chhabada
Company Secretary

Place: Pune
Date: May 12, 2018

Place: Pune
Date: May 12, 2018

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