

BHARAT FORGE



Patience
Matters

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Counts

|
Growing the
sustainable way

SUBSIDIARY COMPANIES ANNUAL REPORT
2020-21

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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	89.7931
SEK	8.3900
USD	73.5047

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, Ennepetal

Managing Directors

Mr. Michael Weis

Mr. Martin Kubelback

Mr. Martin Von Werne (till September 30, 2020)

Advisory Board

Mr. B. N. Kalyani

Mr. A. B. Kalyani

Mr. S. E. Tandale

Mr. S. G. Joglekar

Auditors

Dr. Wehberg Und Partner HbR

Wirtschaftsprüfungsgesellschaft

Feithstrasse 177

58097 Hagen

Germany

Registered Office

Mittelstrasse 64

58256 Ennepetal

Germany

Independent Auditor's Report

To Bharat Forge Global Holding GmbH

Audit Opinion

We have audited the annual financial statements of Bharat Forge Global Holding GmbH, Ennepetal, which comprise the balance sheet as at December 31, 2020 and the income statement for the fiscal year from January 1, 2020 to December 31, 2020 and notes to the financial statements, including the presentation of the recognition and measurement policies.

In our opinion, on the basis of the knowledge obtained in the audit the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2020 and of its financial performance for the financial year from January 1, 2020 to December 31, 2020 in compliance with German Legally Required Accounting Principles.

Pursuant to § 322 Abs. 3 Satz (sentence) 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the Audit Opinion

We conducted our audit of the annual financial statements in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional 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 audit opinion on the annual financial statements.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 financial statements

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the annual 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 audit 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive 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 the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our respective audit 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 be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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

Hagen, 21 April, 2021

(Börstinghaus)
Wirtschaftsprüfer
(German Public Auditor)

(Lingnau)
Wirtschaftsprüfer
(German Public Auditor)

Balance Sheet as at December 31st, 2020As at
31/12/2019

ASSETS	Rs.	EUR	EUR
A. Fixed Assets			
I. Intangible assets			
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	8,482,843.95	94,471.00	81,904.00
II. Tangible assets			
Other plant, factory and office equipment	3,656,195.45	40,718.00	47,363.00
	12,139,039.40	135,189.00	129,267.00
III. Financial assets			
1. Shares in affiliated companies	6,887,085,841.12	76,699,499.64	76,781,140.37
2. Loans to affiliated companies	300,357,919.50	3,345,000.00	3,345,000.00
3. Investments	89.79	1.00	1.00
4. Loans to associated companies	89.79	1.00	1.00
	7,187,443,940.20	80,044,501.64	80,126,142.37
	7,199,582,979.60	80,179,690.64	80,255,409.37
B. Current assets			
I. Accounts receivable and other assets			
1 Receivables from affiliated companies	1,681,069,733.23	18,721,591.45	16,661,418.20
of which EUR 0.00 (12/31/2019: EUR 0.00)			
due after one year			
of which Rs. 46,371,115.23			
EUR 516,421.81			
(12/31/2019: EUR 205,194.41)			
to shareholders			
2 Receivables from associated companies	-	-	-
of which EUR 0.00 (12/31/2019: EUR 0.00)			
due after one year			
3 Other assets	58,275,105.92	648,993.14	1,095,754.82
of which EUR 0.00 (12/31/2019: EUR 0.00)			
due after one year			
	1,739,344,839.15	19,370,584.59	17,757,173.02
II. Cash on hands, bank balances	4,887,452.80	54,430.16	24,006.99
C. Prepaid expenses	-	-	4,501.58
Total	8,943,815,271.55	99,604,705.39	98,041,090.96

Balance Sheet as at December 31st, 2020

As at

31/12/2019

EQUITY AND LIABILITIES	Rs.	EUR	EUR
A. Equity			
I. Share Capital	448,965,500.00	5,000,000.00	5,000,000.00
II. Capital reserves	7,494,529,729.85	83,464,428.00	76,464,428.00
III. Loss/profit brought forward	(862,387,482.47)	(9,604,162.04)	19,154,899.93
IV. Net loss for the year	(4,214,518,398.09)	(46,935,882.58)	(28,759,061.97)
	<u>2,866,589,349.29</u>	<u>31,924,383.38</u>	<u>71,860,265.96</u>
B. Accruals			
1. Accruals for pensions and similar obligations	163,010,483.53	1,815,401.00	1,737,250.00
2. Tax accruals	-	-	1,610,000.00
3. Other accruals	<u>57,991,911.95</u>	<u>645,839.29</u>	<u>667,048.75</u>
	221,002,395.48	2,461,240.29	4,014,298.75
C. Liabilities			
1. Liabilities to banks	-	-	5,400,298.81
- up to one year: EUR 0.00 (12/31/2019: EUR 1,200,298.81)			
- due later than one year EUR 0.00 (12/31/2019: EUR 4,200,000.00)			
2. Trade payables	2,957,800.88	32,940.18	115,683.77
- up to one year: Rs. 2,957,800.88 EUR 32,940.18 (12/31/2019: EUR 115,683.77)			
- due later than one year EUR 0.00 (12/31/2019: EUR 0.00)			
3. Payables to affiliated companies	4,811,188,036.08	53,580,821.20	16,581,160.56
- up to one year: Rs. 2,006,074,471.38 EUR 22,341,076.00 (12/31/2019: EUR 16,581,160.56)			
- due later than one year EUR 0.00 (12/31/2019 : EUR 0.00)			
- of which Rs. 93,633,862.47 EUR 1,042,773.47 (12/31/2019: EUR 1,002,116.23) to shareholders			
4. Other liabilities	1,042,077,689.82	11,605,320.34	69,383.11
- up to one year: Rs. 1,042,077,689.82 EUR 11,605,320.34 (12/31/2019: EUR 69,383.11)			
- due later than one year: EUR 0.00 (12/31/2019 EUR 0.00)			
- of which Rs. 5,189,678.42 EUR 57,795.96 (12/31/2019: EUR 66,718.56) relating to taxes			
- of which EUR 0.00 (12/31/2019: EUR 0.00) relating to social security			
	<u>5,856,223,526.78</u>	<u>65,219,081.72</u>	<u>22,166,526.25</u>
Total	<u>8,943,815,271.55</u>	<u>99,604,705.39</u>	<u>98,041,090.96</u>

Profit and Loss Account for the period from January 1st to December 31st, 2020

			Previous Year
	Rs.	EUR	EUR
1. Sales	484,933,932.84	5,400,570.12	3,920,075.22
2. Other operating income	18,900,386.20	210,488.18	256,001.43
	<u>503,834,319.04</u>	<u>5,611,058.30</u>	<u>4,176,076.65</u>
3. Personnel expenses			
a) Wages and salaries	(176,134,219.21)	(1,961,556.28)	(2,479,956.80)
b) Social security contributions and pension expenses	(38,610,868.68)	(429,998.17)	(442,820.25)
-thereof Rs. 10,217,531.71 EUR 113,789.72			
(2019 : EUR 144,585.92) for pension expenses			
	<u>(214,745,087.89)</u>	<u>(2,391,554.45)</u>	<u>(2,922,777.05)</u>
4. Depreciation and amortization on intangible fixed assets and tangible assets	(6,611,398.61)	(73,629.25)	(47,144.94)
5. Other operating expenses	(314,539,326.30)	(3,502,934.26)	(2,083,978.47)
	<u>(32,061,493.76)</u>	<u>(357,059.66)</u>	<u>(877,823.81)</u>
6. Income from profit & loss transfer agreements	-	-	995,534.09
7. Other interest and similar income	11,325,693.50	126,131.00	50,725.90
- thereof Rs. 11,325,693.50 EUR 126,131.00			
(2019 : EUR 47,222.00) from affiliated companies			
8. Depreciation on financial assets	(377,131,020.00)	(4,200,000.00)	(18,025,000.00)
9. Expenses out of profit and loss transfer agreement	(3,766,928,724.14)	(41,951,204.76)	(10,666,746.00)
10. Interest and similar expenses	(53,058,212.11)	(590,894.09)	(365,475.96)
- thereof Rs. 45,256,889.71 EUR 504,013			
(2019 : EUR 184,880.00) to affiliated companies			
- thereof Rs. 4,312,762.59 EUR 48,030.00			
(2019: EUR 53,706.00) from discounting of provisions			
	<u>(4,185,792,262.75)</u>	<u>(46,615,967.85)</u>	<u>(28,010,961.97)</u>
	(4,217,853,756.51)	(46,973,027.51)	(28,888,785.78)
11. Taxes on income	3,597,015.51	40,058.93	133,232.20
12. Income after Tax	(4,214,256,741.00)	(46,932,968.58)	(28,755,553.58)
13. Other taxes	(261,657.09)	(2,914.00)	(3,508.39)
14. Net loss/income for the year	(4,214,518,398.09)	(46,935,882.58)	(28,759,061.97)

1. General

Bharat Forge Global Holding GmbH has its registered office in Ennepetal and is entered in the Commercial Register of the Local Court of Hagen under HRB 6669.

Bharat Forge Global Holding GmbH is a small corporation pursuant to Section 267 (1) of the German Commercial Code (HGB).

The financial year covers the period from 01.01. to 31.12.2020.

2. General information on the content and structure of the annual financial statements

The presentation of the annual financial statements has not changed compared with the previous year.

The structure of the balance sheet and income statement complies with Sections 266 and 275 HGB. As in the previous year, the income statement has been prepared using the nature of expense method as defined in Section 275 (2) HGB.

In preparing the notes to the financial statements, the Company has taken advantage of size-dependent exemptions for small corporations.

3. Accounting and valuation methods

The annual financial statements for the 2020 financial year have been prepared in accordance with Sections 242 - 256a, 264 - 288 HGB. Supplementary provisions of the German Limited Liability Companies Act (GmbH-Gesetz) relating to the annual financial statements have been observed.

The accounting and valuation methods have been retained unchanged compared with the previous year.

Acquired intangible assets and property, plant and equipment are carried at cost. Assets whose use is limited in time are depreciated on a straight-line basis over their expected useful lives. In the case of expected permanent impairment, additional impairment losses are recognized to the lower fair value at the balance sheet date. In the case of additions, depreciation is charged on a pro rata temporis basis.

Low-value assets, i.e. items with an acquisition or production cost of up to and including € 250, are fully depreciated in the year of acquisition. A collective item is formed for asset additions in a fiscal year if the acquisition or production cost for the individual asset is more than € 250 but not more than € 1,000. One fifth of the collective item is reversed to income in the year of recognition and in each of the following four fiscal years.

The useful lives of depreciable assets are determined by asset group as follows:

Asset	Useful life
Intangible assets	3-5 years
Buildings	33 years
Factory and office equipment	5 -10 years
IT equipment	3 years

Financial assets are carried at cost or, in the case of an expected permanent impairment, at the lower fair value at the balance sheet date.

Receivables and other assets are stated at cost less appropriate allowances for identifiable specific risks. Receivables denominated in foreign currencies have been translated at the mean spot exchange rate at the balance sheet date in accordance with Section 256a of the German Commercial Code (HGB).

Subscribed capital is stated at nominal value.

Accruals for reinsured pension commitments have been offset against the cover capital of the reinsurance policy in accordance with § 246 (2) sentence 2 HGB, as these are not accessible to other creditors. In accordance with § 253 (1) sentence 4 HGB, the asset value of the reinsurance policy is to be recognized at fair value.

There is no active market for the reinsurance policies, so that a market price pursuant to § 255 (4)

HGB cannot be determined. There is also insufficient information available to determine the fair value in accordance with section 255 (4) sentence 2 HGB using recognized valuation methods. Therefore, the asset values of the reinsurance policies have been measured at amortized cost in accordance with § 255 (4) sentence 3 HGB. These acquisition costs correspond to the actuarial reserve including irrevocable surplus participations.

Tax accruals and other accruals consider all identifiable risks, uncertain liabilities and anticipated losses from pending transactions, where these exist. They are generally valued at the amount required to settle the obligation according to prudent business judgment.

Provisions with a remaining term of less than one year are not discounted. Provisions with a remaining term of more than one year are discounted in accordance with Section 253 (2) Sentence 1 HGB using the average market interest rate of the past seven years corresponding to their remaining term. As in the case of retirement benefit obligations, the interest rate applied to comparable non-current provisions is that specified in Section 253 (2) Sentence 2 HGB, which is based on a flat-rate assumption of a remaining term of 15 years.

Liabilities are stated at the settlement amounts.

Short-term foreign currency receivables and liabilities are valued at the average spot exchange rate on the balance sheet date.

4. Disclosures on the balance sheet

4.1 Pension accruals

The portion of pension provisions not yet recognized as a liability due to the application of Article 67 (1) of the Introductory Act to the German Commercial Code (EGHGB) (distribution of the adjustment amount resulting from the change in valuation under BilMoG), which originally amounted to €369 thousand, still totaled €44k as of December 31, 2020.

In the case of pension obligations, assets and liabilities as well as expenses and income were offset for individual pension obligations in accordance with Section 246 (2) sentence 2 HGB.

The fair values of the offset assets amount to € 190 thousand, the acquisition costs are equal. The settlement amount of the liability items to be offset amounts to € 211k. Due to incomplete matching of the terms of the commitment and the plan assets, the pension provision is not recognized at the fair value of the plan assets.

The resulting effect pursuant to Section 253 (6) HGB amounts to € 206k as of December 31, 2020. A distribution block exists in this amount.

4.2 Liabilities

There were no liabilities with a remaining term of more than five years as of the balance sheet date. Other liabilities include a fine of € 11.5 million for infringements of competition law, which was imposed for a period in which the company was still operating. Due to the contractual agreements in connection with the spin-off of the operating business to Bharat Forge CDP GmbH, which was established as a result, the related expense was charged to Bharat Forge CDP GmbH. The liability itself is recognized in the Company, as the latter remains the debtor of the fine in its external relationship.

4.3 Contingent liabilities and other financial obligations

The other financial commitments relate to leases totalling € 113k, of which € 54k is due within 2020.

Contingent liabilities in favor of affiliated companies consisted of debt commitments to secure loans in the amount of € 13,939k and hire-purchase obligations of an affiliated company in the total amount of € 351k.

There is a guarantee commitment to another Group company to secure the legally required equity capital, which expires at the Annual General Meeting in 2021.

5. Disclosures on the income statement

5.1 Other operating income

Income from currency translation amounted to € 2k.

5.2 Write-downs on financial assets

Write-downs amounting to € 4,200k were made on investments in affiliated companies.

5.3 Other interest and similar expenses

In connection with the offsetting of assets and liabilities, associated expenses and income amounting to € 4k have been offset in the financial result.

6. Other disclosures

6.1 Employees

The company has an average of 14 employees.

6.2 Inclusion in consolidated financial statements

Bharat Forge Limited, Pune, India, is the parent company that prepares the consolidated financial statements for the smallest group of companies.

Ennepetal, April 15, 2021

Bharat Forge Global Holding GmbH

Michael Weis

Martin Kübelbäck

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Bharat Forge CDP GmbH

Managing Director

Mr. Michael Weis

Mr. Martin Von Werne (till September 30, 2020)

Advisory Board

Mr. B. N. Kalyani

Mr. A. B. Kalyani

Mr. S. E. Tandale

Mr. S. G. Joglekar

Auditors

WuP Treuhand GmbH

Wirtschaftsprüfungsgesellschaft

Feithstrasse 177

58097 Hagen

Germany

Registered Office

Mittelstrasse 64

58256 Ennepetal

Germany

Independent Auditor's Report

To Bharat Forge CDP GmbH

Audit Opinions

We have audited the annual financial statements of Bharat Forge CDP GmbH, Ennepetal, which comprise the balance sheet as at December 31, 2020 and the income statement for the fiscal year from January 1, 2020 to December 31, 2020 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Bharat Forge CDP GmbH, Ennepetal, for the financial year from January 1, 2020 to December 31, 2020. In accordance with German legal requirements, we have not audited the statement on the corporate governance statement in accordance with § (Article) 289f (4) HGB (Handelsgesetzbuch: German Commercial Code) (disclosures on the quota for women on executive boards).

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2020 and of its financial performance for the financial year from January 1, 2020 to December 31, 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz (sentence) 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional 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 audit opinions on the annual financial statements and on the management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards).

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report 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 the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 financial statements and this management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 audit 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive 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 the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Hagen, 15 April, 2021

WuP Treuhand GmbH
Wirtschaftsprüfungsgesellschaft

(Börstinghaus)
Wirtschaftsprüfer
(German Public Auditor)

(Lingnau)
Wirtschaftsprüfer
(German Public Auditor)

Balance Sheet as at December 31st, 2020
**As at
31/12/2019**

ASSETS	Rs.	EUR	EUR
A. Fixed Assets			
I. Intangible assets			
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	39,711,986.20	442,261.00	658,493.00
II. Tangible assets			
1. Land, land rights and buildings including buildings on third party land	641,953,469.23	7,149,251.66	7,575,654.66
2. Technical equipment and machinery	1,336,774,393.22	14,887,273.00	16,992,651.00
3. Other plant, factory and office equipment	892,200,404.36	9,936,180.00	12,454,039.00
4. Prepayments on tangible assets and construction in progress	143,292,163.01	1,595,803.72	1,477,089.09
	3,014,220,429.82	33,568,508.38	38,499,433.75
III. Financial assets			
1. Shares in affiliated companies	139,179,305.00	1,550,000.00	1,550,001.00
	3,193,111,721.02	35,560,769.38	40,707,927.75
B. Current assets			
I. Inventories			
1. Raw materials, supplies and operating materials	950,570,977.40	10,586,236.33	11,457,171.39
2. Work in progress	669,875,339.45	7,460,209.52	9,028,944.60
3. Finished goods and merchandise	412,898,456.38	4,598,331.68	6,554,494.83
	2,033,344,773.23	22,644,777.53	27,040,610.82
II. Accounts receivable and other assets			
1. Trade receivables	1,844,005,459.52	20,536,159.90	22,319,913.53
- of which Rs. 0.00 EUR 0.00 (2019 EUR 0.00) due after more than one year			
2. Receivables from affiliated companies	3,068,770,283.11	34,176,014.45	12,853,421.24
- of which Rs. 0.00 EUR 0.00 (2019 EUR 0.00) due after more than one year			
- of which Rs 373,589,348.47 EUR 4,160,557.42 (2019: EUR 5,246,273.33) to shareholders			
3. Other assets	65,419,448.13	728,557.63	1,134,356.48
- of which Rs. 0.00 EUR 0.00 (2019 : EUR 0.00) due after more than one year			
	4,978,195,190.76	55,440,731.98	36,307,691.25
III. Cash on hands, bank balances	187,255,377.49	2,085,409.43	95,040.44
	7,198,795,341.48	80,170,918.94	63,443,342.51
C. Prepaid expenses	4,233,415.12	47,146.33	69,237.89
Total	10,396,140,477.62	115,778,834.65	104,220,508.15

Balance Sheet as at December 31st, 2020As at
31/12/2019

EQUITY AND LIABILITIES	Rs.	EUR	EUR
A. Equity			
I. Share Capital	44,896,550.00	500,000.00	500,000.00
II. Capital reserves	3,741,541,619.74	41,668,475.86	41,668,475.86
III. Profit brought forward	0.00	0.00	0.00
	<u>3,786,438,169.74</u>	<u>42,168,475.86</u>	<u>42,168,475.86</u>
B. Accruals			
1. Accruals for pensions and similar obligations	769,114,896.26	8,565,412.00	7,739,156.00
2. Tax accruals	0.00	0.00	0.00
2. Other accruals	<u>876,376,143.90</u>	<u>9,759,949.75</u>	<u>7,062,470.54</u>
	1,645,491,040.16	18,325,361.75	14,801,626.54
C. Liabilities			
1. Liabilities to banks	2,349,205,427.06	26,162,426.98	28,282,314.23
up to one year: Rs. 82,184,791.06			
- EUR 9,152,426.98			
(2019 Eur 21,282,314.23)			
due later than one year:			
- Rs. 1,495,055,115.00 EUR 16,650,000			
(2019 : EUR 7,000,000.00)			
2. Advance payments received for orders	3,608,210.01	40,183.60	0.00
up to one year: Rs.3,608,210.01			
EUR 40,183.60 (2019 : Eur 0.00)			
due later than one year : Rs.0.00 EUR 0.00			
(2019: EUR 0.00)			
3. Trade payables	1,127,660,877.14	12,558,435.75	15,344,183.65
up to one year: Rs. 1,127,660,877.14			
- EUR 12,558,435.75 (2019: EUR			
15,344,183.65)			
due later than one year : Rs.0.00			
EUR 0.00(2019: EUR 0.00)			
4. Payables to affiliated companies	1,200,828,868.19	13,373,286.68	3,008,375.16
up to one year: Rs. 1,202,093,639.92			
EUR 13,387,372.08 (2019: EUR			
3,008,375.16)			
due later than one year : Rs 0.00			
EUR 0.00 (2019: EUR 0.00)			
of which Rs 1,094,734,192.75			
EUR 12,191,740.71 (2019: EUR 0.00) to			
shareholders			
of which Rs.81,624,482.51 EUR 909,028.45			
(2019 : Eur 916,728.84) from supplies &			
services			
5. Other liabilities	282,771,516.54	3,149,145.33	613,761.01
up to one year: Rs.183,999,111.53			
- EUR 2,049,145.33			
(2019 :EUR 613,761.01)			
due later than one year Rs. 98,772,410.00			
EUR 1,100,000.00 (2019 : Eur 0.00)			
of which Rs. 36,855,804.17			
- EUR 410,452.52			
(2019 : EUR 334,135.11) taxes			
of which Rs. 68,465,396.20 EUR			
- 762,479.48 (2019: EUR 0.00) relating to			
social security			
	<u>4,964,074,898.94</u>	<u>55,283,478.34</u>	<u>47,248,634.05</u>
D. Deferred Income	136,368.78	1,518.70	1,771.70
Total	<u>10,396,140,477.62</u>	<u>115,778,834.65</u>	<u>104,220,508.15</u>

Profit and Loss Account for the period from January 1st to December 31st, 2020

			Previous Year
	Rs.	EUR	EUR
1. Sales	11,769,881,488.67	131,077,794.27	165,496,402.41
2. Increase/decrease in finished goods inventories and work-in-process	(316,511,539.26)	(3,524,898.23)	(5,761,275.20)
3. Production for own plant and equipment capitalised	25,930,868.96	288,784.65	909,066.81
	<u>11,479,300,818.37</u>	<u>127,841,680.69</u>	<u>160,644,194.02</u>
Other operating income thereof Rs.1,557,492.75 EUR 17,345.35 (2019 : EUR 1,335.98) from currency conversion	187,696,249.94	2,090,319.30	529,905.72
	<u>11,666,997,068.31</u>	<u>129,931,999.99</u>	<u>161,174,099.74</u>
5. Cost of materials			
a) Cost of raw materials, consumables, supplies and purchased merchandise	5,461,745,675.92	60,825,895.04	81,365,103.38
b) Cost of purchased services	2,150,499,676.05	23,949,498.08	27,282,085.88
	<u>(7,612,245,351.97)</u>	<u>(84,775,393.12)</u>	<u>(108,647,189.26)</u>
	4,054,751,716.34	45,156,606.87	52,526,910.48
6. Personnel expenses			
a) Wages and salaries	2,382,631,029.24	26,534,678.38	32,043,043.51
Social security contributions and pension expenses			
b) thereof Rs. 64,580,757.23 EUR 719,217.37 (2019: EUR 652,892.35) for pension expenses	494,066,370.61	5,502,275.46	6,658,567.18
	<u>(2,876,697,399.85)</u>	<u>(32,036,953.84)</u>	<u>(38,701,610.69)</u>
7. Depreciation and amortization on intangible fixed assets and tangible assets	(890,352,443.50)	(9,915,599.79)	(8,393,834.57)
8. Other operating expenses	(2,287,753,198.31)	(25,478,051.19)	(15,130,207.57)
thereof Rs. 1,154,033.49 EUR 12,852.14 (2019 :EUR 15,360.80) from currency conversion	(2,000,051,325.32)	(22,273,997.95)	(9,698,742.35)
9. Income from profit & loss transfer agreements	66,618,801.09	741,914.48	413,152.12
10. Other interest and similar income	228.97	2.55	277.95
11. Depreciation on financial assets	438,729.09	4,886.00	9,713.36
12. Interest and similar expenses	98,829,007.49	1,100,630.31	911,997.60
thereof Rs. 2,993,252.99 EUR 33,335.00 (2019 :EUR 67,660.00) to affiliated companies			
thereof Rs. 20,963,541.60 EUR 233,464.95 (2019: EUR 250,778.00) from discounting of provisions			
	<u>(32,648,706.52)</u>	<u>(363,599.28)</u>	<u>(508,280.89)</u>
	(2,032,700,031.84)	(22,637,597.23)	(10,207,023.24)
13. Taxes from Income	0.00	0.00	0.00
14. Income after Taxes	(2,032,700,031.83)	(22,637,597.23)	(10,207,023.24)
15. Other taxes	(23,867,709.96)	(265,807.84)	(459,722.76)
16. Income from loss transfer	2,056,567,741.79	22,903,405.07	10,666,746.00
17. Net income for the year	0.00	0.00	0.00

1. General

The company is registered under the name "Bharat Forge CDP GmbH" in the Commercial Register of the Local Court of Hagen under HRB 10053. The registered office of the company is Ennepetal.

Bharat Forge CDP GmbH, Ennepetal, is a large corporation pursuant to Section 267 (3) HGB.

The financial year covers the period from 01.01. to 31.12.2020.

2. General information on the content and structure of the annual financial statements

The presentation of the annual financial statements has not changed.

The structure of the balance sheet and income statement complies with Sections 266 and 275 HGB. The income statement has been prepared unchanged in accordance with the nature of expense method as defined in Section 275 (2) HGB.

3. Accounting and valuation methods

The annual financial statements as of December 31, 2020 have been prepared in accordance with the provisions of Sections 242 to 256a and Sections 264 to 278 HGB. Supplementary provisions of the German Limited Liability Companies Act (GmbH-Gesetz) relating to the annual financial statements have been observed.

The same accounting and valuation methods were applied as in the previous year.

Acquired intangible assets are valued at acquisition cost. In the case of assets whose use is limited in time, the acquisition costs are reduced by scheduled depreciation. The useful life is generally assumed to be three years, unless a different period is required by the nature of the asset.

Property, plant and equipment are generally stated at acquisition or production cost less scheduled depreciation based on use. In addition to directly attributable costs, the cost of self-constructed assets also includes necessary overheads.

Depreciation is generally calculated using the straight-line method. Low-value assets, i.e. items with an acquisition or production cost of up to and including € 250, are written off in full in the year of acquisition. A collective item is formed for asset additions in a fiscal year if the acquisition or production cost for the individual asset is more than € 250 but not more than € 1,000. One fifth of the collective item is reversed to income in the year of recognition and in each of the following four fiscal years. Additions are depreciated on a pro rata temporis basis. Insofar as own work capitalized is to be recognized, it is valued at production cost, which also includes appropriate portions of the necessary material and production overheads as well as production-related depreciation.

The useful lives are determined by asset group as follows:

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 carried at cost.

Where the value of fixed assets determined in accordance with the above principles exceeds the value attributable to them at the balance sheet date, this is taken into account by means of impairment losses or write-downs if the impairment in value is expected to be permanent.

Inventories are stated at the lower of acquisition or production cost using permitted simplified valuation

methods. In addition to directly attributable costs, production cost also includes an appropriate share of the necessary production and material overheads. Interest on borrowings is not recognized. Administrative costs are only included in the calculation of production costs to the extent that they are incurred in the production process. Appropriate allowances are made to take account of the risk of slow-moving items.

Receivables and other assets are stated at cost less appropriate allowances for identifiable specific risks. The general credit risk is accounted for by a general allowance.

Prepaid expenses generally comprise expenses incurred prior to the balance sheet date to the extent that they represent expenses for a certain period after that date.

Subscribed capital is stated at nominal value.

The value of the pension obligations is calculated actuarially using the projected unit credit method and the Dr. Klaus Heubeck 2018 G mortality tables based on the following assumptions:

- Imputed interest rate: 2.31 % 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 accruals consider all identifiable risks, contingent liabilities and anticipated losses from pending transactions, insofar as these exist. They are generally valued at the amount required to settle them in accordance with prudent business judgment.

In accordance with Section 253 (2) Sentence 1 HGB, provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven financial years corresponding to their remaining term. In the case of provisions for anniversary bonuses and similar long-term obligations, the interest rate pursuant to Section 253 (2) sentence 2 HGB is applied, which results from a flat-rate assumption of a remaining term of 15 years.

The amount of the obligation arising from partial retirement has been netted against the fair value of the security deposit to protect employees' partial retirement entitlements against insolvency.

The liabilities correspond to their settlement amounts. Liabilities denominated in foreign currencies have been translated at the mean spot exchange rate at the balance sheet date in accordance with § 256a HGB.

4. Notes to the balance sheet and income statement

4.1 Fixed assets

The composition and development of fixed assets is shown in the following statement of changes in fixed assets.

Fixed Assets analysis as at 31st December, 2020

	Historical acquisition or manufacturing costs						Accumulated depreciation						Book Value				
	1/1/2020		31/12/2020		1/1/2020		31/12/2020		Disposals		31/12/2020		31/12/2020		31/12/2019		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
I. Intangible assets																	
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	2,376,226.27	54,532.05	-	0.00	2,430,758.32	1,717,733.27	1,717,733.27	270,764.05	-	-	1,988,497.32	442,261.00	658,493.00				
	2,376,226.27	54,532.05	-	0.00	2,430,758.32	1,717,733.27	1,717,733.27	270,764.05	-	-	1,988,497.32	442,261.00	658,493.00				
II. Tangible assets																	
1. Land, land rights and Buildings, including buildings on third party land	15,247,172.19	100,127.48	588.14	150,755.26	15,497,466.79	7,674,517.53	7,674,517.53	677,285.74	588.14	8,348,215.13	7,149,251.66	7,575,654.66					
2. Technical equipment and machinery	50,197,375.47	1,689,436.67	-	269,563.51	52,156,375.65	33,204,724.47	33,204,724.47	4,064,378.18	-	37,269,102.65	14,887,273.00	16,992,651.00					
3. Other plant, factory and office equipment	43,525,279.23	2,135,755.43	3,355,940.76	336,802.32	42,641,896.22	31,071,240.23	31,071,240.23	4,903,171.82	3,268,695.83	32,705,716.22	9,936,180.00	12,454,039.00					
4. Prepayments on tangible assets and construction in progress	1,632,211.40	892,935.72	172,222.31	(757,121.09)	1,595,803.72	155,122.31	155,122.31	0.00	155,122.31	0.00	1,595,803.72	1,477,089.09					
	110,602,038.29	4,818,255.30	3,528,751.21	0.00	111,891,542.38	72,102,604.54	72,102,604.54	9,644,835.74	3,424,406.28	78,323,034.00	33,568,508.38	38,499,433.75					
III. Financial Assets																	
Shares in affiliated companies	1,705,614.04	0.00	155,614.04	0.00	1,550,000.00	155,613.04	155,613.04	0.00	155,613.04	0.00	1,550,000.00	1,550,001.00					
	1,705,614.04	0.00	155,614.04	0.00	1,550,000.00	155,613.04	155,613.04	0.00	155,613.04	0.00	1,550,000.00	1,550,001.00					
Total	114,683,878.60	4,872,787.35	3,684,365.25	0.00	115,872,300.70	73,975,950.85	73,975,950.85	9,915,599.79	3,580,019.32	80,311,531.32	35,560,769.38	40,707,927.75					

4.2 Receivables and other assets

Other assets include claims for electricity and energy tax refunds amounting to € 323k as accrued items which do not legally arise until after the reporting date.

4.3 Pension provisions

The portion of pension provisions not yet recognized as a liability due to the application of Article 67 (1) EC HGB (distribution of the adjustment amount resulting from the valuation under BilMoG), originally amounting to € 1,181k, still totaled € 315k as of December 31, 2020.

The effect resulting from § 253 (6) of the German Commercial Code (HGB) amounts to € 1,178k as of December 31, 2020. A distribution block exists in this amount.

The pension provision amounts to € 8,565k as of the balance sheet date.

4.4 Other provisions

Other provisions include the following significant items:

	k€
Staff	6,430
Customers	1,823
Suppliers	586
Others	0
	8,839

4.5 Liabilities

Of the liabilities to banks, € 9,512k have a remaining term of up to one year and € 16,650k have a remaining term of 1 - 5 years.

The non-current liabilities to a bank amounting to € 18,900k result from two loan agreements and are secured by land charges in the same amount.

Furthermore, current account liabilities of € 7.2 million to two banks are secured by an agreement in favor of these banks under which all inventories and trade receivables are deemed to have been assigned as collateral.

4.6 Breakdown of sales revenue

Sales can be broken down into domestic and foreign sales as follows:

	2020	Previous Year	Change
	k€	k€	k€
In Germany	46,755	55,939	-9,184
Abroad	84,322	109,557	-25,235
	131,077	165,496	-34,419

4.7 Income and expenses relating to other periods and of exceptional significance

Other operating income includes income of € 1,716k attributable to previous financial years. This includes income from the reversal of provisions in the amount of € 1,716k.

Other operating expenses include expenses of € 97k attributable to previous financial years, of which € 79k relate to the use of the option to accumulate provisions for pensions in accordance with Art. 67 of the Introductory Act to the German Commercial Code (EGHG). Expenses of exceptional significance and magnitude of EUR 13.4 million arose from an antitrust fine and the associated legal fees and are reported under other operating expenses. Most of this fine was imposed on the parent company Bharat Forge Global Holding GmbH, as it has been the legal successor to CDP Bharat Forge GmbH since 2015 and the period under review relates mainly to the period before 2015. The German Federal Cartel Office has imposed fines on various forging companies for prohibited restrictive practices. In accordance with the antitrust guidelines, the amount of the fine

was based on the sales of the entire Group in 2019. In the case of Bharat Forge CDP GmbH and its parent company BFGH, account was taken of the fact that the company cooperated with the Federal Cartel Office under the Leniency Program. The allegation was established in the course of a settlement procedure. The penalty notice was not contested and is legally binding. Due to the continuation of the operating business of today's Bharat Forge Global Holding GmbH by the Company and the contractually agreed assumption of all existing and future obligations resulting from the operating business as part of the spin-off, the fine was passed on to Bharat Forge CDP GmbH.

4.8 Allocation of expenses and income

Expenses and income amounting to € 4k have been offset in the financial result.

5. Other disclosures

5.1 Contingent liabilities and other financial obligations

The other financial commitments relate to rental and leasing agreements totaling € 3,670k, of which € 990k is due within 2021.

On May 25, 2015, a special collective bargaining agreement "Future Security" was concluded between the then CDP Bharat Forge GmbH, the Association of the Metal and Electrical Industry of North Rhine-Westphalia (Verband der Metall- und Elektroindustrie Nordrhein-Westfalen e.V.) and the North Rhine-Westphalia district management of IG Metall, with effect for the years 2015-2020. The background to this was the pressure on earnings due to market price requirements and the associated decision to work with employees to reduce personnel costs.

Under the agreement reached, employees were obliged to work more hours without pay from July 2015 to June 2018 and to forgo part of their flexitime credits. In return, the employer undertook to implement a number of operational measures and to grant a profit-sharing bonus in favor of the employees if certain sales returns were achieved. The profit-sharing agreement was valid up to and including 2020 and has now expired without effect.

There were no contingent liabilities.

The new credit agreements do not provide for any covenants on the part of BF CDP for 2020.

There are commitments from purchase orders for investments of € 2.4 million.

5.2 Number of employees

The average number of employees during the year was as follows

	2020	Previous Year
Production workers	376	389
Salaried employees	113	122
Trainees	42	43
	531	554

5.3 Members of the Board of Directors

The following persons were appointed as managing directors:

- Michael Weis, Dipl.-Ing., Development and Strategy, Schönaich
- Martin Kübelbäck, Dipl.-Kfm., commercial division, Meerbusch
- Martin von Werne, Dipl.-Ing., technical area, Ennepetal (until September 30, 2020).

The managing directors have not received any remuneration from the Company for their activities.

5.4 Members of the Board of Directors

The members of the Advisory Board were:

- B. N. Kalyani

- A. B. Kalyani
- S. Tandale
- S. Joglekar

5.5 Auditor's fee

The total fee charged by the auditor for the financial year 2020 in accordance with Section 285 No. 17 of the German Commercial Code (HGB) is included in the corresponding notes to the consolidated financial statements of Bharat Forge Global Holding GmbH as of December 31, 2020.

5.6 Shareholdings

	Equity	Share	Result 2020
	kEUR	%	kEUR
Bharat Forge Daun GmbH	3.587	100	742 ^{*)}

^{*)} before profit transfer to Bharat Forge CDP GmbH

5.7 Inclusion in consolidated financial statements

Bharat Forge Ltd, Mundhwa/Pune, India, is the parent company that prepares the consolidated financial statements for the largest group of companies. In the case of disclosure, this is made with the Registrar of Companies in Maharashtra, Pune, India. Bharat Forge Global Holding GmbH, Ennepetal, is the parent company that prepares the consolidated financial statements for the smallest group of companies. In the event of disclosure, this will be made to the e-Federal Gazette.

5.8 Proposal on the use of results

The net loss for the financial year will be absorbed by the parent company in accordance with the profit and loss transfer agreement. transferred.

Ennepetal, April 15, 2021

Bharat Forge CDP GmbH

Michael Weis

Martin Kübelbäck

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Bharat Forge Holding GmbH

Managing Director

Mr. Michael Weis

Auditors

WuP Treuhand GmbH
Wirtschaftsprüfungsgesellschaft
Feithstrasse 177
58097 Hagen
Germany

Registered Office

Mittelstrasse 64
58256 Ennepetal
Germany

Independent Auditor's Report

To Bharat Forge Holding GmbH

Audit Opinion

We have audited the annual financial statements of Bharat Forge Holding GmbH, Ennepetal, which comprise the balance sheet as at December 31, 2020 and the income statement for the fiscal year from January 1, 2020 to December 31, 2020 and notes to the financial statements, including the presentation of the recognition and measurement policies.

In our opinion, on the basis of the knowledge obtained in the audit the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2020 and of its financial performance for the financial year from January 1, 2020 to December 31, 2020 in compliance with German Legally Required Accounting Principles.

Pursuant to § 322 Abs. 3 Satz (sentence) 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the Audit Opinion

We conducted our audit of the annual financial statements in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional 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 audit opinion on the annual financial statements.

Responsibilities of the Executive Directors for the Annual Financial Statements

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 financial statements

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the annual 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 audit 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive 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 the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our respective audit 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 be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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

Hagen, 21 April, 2021

(Börstinghaus)
Wirtschaftsprüfer
(German Public Auditor)

(Lingnau)
Wirtschaftsprüfer
(German Public Auditor)

Balance Sheet as at December 31st, 2020

ASSETS	As at 31/12/2019		
	Rs.	EUR	EUR
A. Fixed Assets			
I. Financial assets			
Shares in affiliated companies	1,531,086,912.14	17,051,275.79	17,051,275.79
B. Current assets			
I. Accounts receivable and other assets			
Receivables from affiliated companies	585,539,948.47	6,520,990.46	12,555,994.87
of which EUR 0.00 (12/31/2019: EUR 0.00)			
due after one year			
of which against shareholders Rs. 568,873,637.95			
EUR 6,335,382.54 (12/31/2019: EUR 0.00)			
II. Cash on hands, bank balances	44,697.21	497.78	955.48
Total	2,116,671,557.82	23,572,764.03	29,608,226.14

EQUITY AND LIABILITIES	As at 31/12/2019		
	Rs.	EUR	EUR
A. Equity			
I. Share Capital	2,244,827.50	25,000.00	25,000.00
II. Capital reserves	971,920,514.40	10,824,000.00	10,824,000.00
III. Profit brought forward	179,703,728.39	2,001,308.88	2,001,308.88
IV. Income for the year	-	-	-
	1,153,869,070.29	12,850,308.88	12,850,308.88
B. Accruals			
Other Provisions	808,137.90	9,000.00	7,854.00
C. Liabilities			
1 Trade Payables	16,405.20	182.70	-
- up to one year: Rs 16,405.20 EUR 182.70			
(12/31/2019: EUR 0.00)			
2 Payables to affiliated companies	961,977,944.43	10,713,272.45	16,750,063.26
- up to one year: Rs.961,977,944.43 EUR 10,713,272.45			
(12/31/2019: EUR 16,750,063.26)			
- Due later than one year EUR 0.00			
(12/31/2019: EUR 0.00)			
- thereof to shareholders : Rs. 365,561,682.80			
EUR 4,071,155.61 (12/31/2019: EUR 16,750,063.26)			
Total	2,116,671,557.82	23,572,764.03	29,608,226.14

Profit and Loss Account for the period from January 1st to December 31st, 2020

	Rs.	EUR	Previous Year EUR
1. Other operating income	-	-	33,759.65
2. Other operating expenses	(1,448,634.78)	(16,133.03)	(9,566.50)
3. Income from profit & loss transfer agreements	-	-	1,004,790.94
4. Expenses from loss transfer agreement	1,705,908,510.67	18,998,213.79	
5. Interest and similar expenses	3,003,836.90	33,452.87	(33,450.00)
thereof Rs. 3,003,579.20 EUR 33,450.00 (2019 :EUR 33,450.00) to affiliated companies			
	(1,708,912,347.57)	(19,031,666.66)	971,340.94
	(1,710,360,982.35)	(19,047,799.69)	995,534.09
6. Taxes on income	-	-	-
7. Results after taxes on Income	(1,710,360,982.35)	(19,047,799.69)	995,534.09
8. Income from transfer of losses	1,710,360,982.35	19,047,799.69	-
9. Expenses out of profit & loss transfer agreements	-	-	(995,534.09)
10. Income for the year	-	-	-

1. General

Bharat Forge Holding GmbH has its registered office in Ennepetal and is entered in the Commercial Register of the Local Court of Hagen under Register No. HRB 6968.

It is a small corporation within the meaning of the size criteria of Section 267 (1) of the German Commercial Code (HGB).

The financial year covers the period from January 1 to December 31, 2020.

2. General information on the content and structure of the annual financial statements

The presentation of the annual financial statements has not changed compared with the previous year. The structure of the balance sheet and income statement complies with Sections 266 and 275 HGB. The income statement has been prepared unchanged in accordance with the nature of expense method as defined in Section 275 (2) HGB.

In preparing the notes to the financial statements, the Company makes use of the size-related relief for small corporations pursuant to Section 288 HGB.

3. Accounting and valuation methods

The annual financial statements as of December 31, 2020 have been prepared in accordance with the provisions of Sections 242 to 256a and Sections 264 to 288 HGB. Supplementary provisions of the GmbH Act relating to the annual financial statements have been observed.

The accounting and valuation methods have been retained unchanged compared with the previous year.

Shares in affiliated companies are stated at acquisition cost or, in the event of a probable permanent impairment, at the lower fair value at the balance sheet date.

Receivables from affiliated companies are stated at cost. Any necessary value adjustments are taken into account by means of appropriate valuation allowances.

Subscribed capital is stated at nominal value.

Other accruals are stated at the settlement amount deemed necessary by prudent business judgment. Adequate allowance has been made for all identifiable risks and all contingent liabilities.

Liabilities are stated at their settlement amounts.

4. Other disclosures

4.1 Employees

The company has no employees.

4.2 Inclusion in consolidated financial statements

Bharat Forge Global Holding GmbH, Ennepetal, is the parent company that prepares the consolidated financial statements for the smallest group of companies.

Ennepetal, April 15, 2021

Bharat Forge Holding GmbH

Michael Weis

Managing Director

Bharat Forge Aluminiumtechnik GmbH

Managing Director

Mr. Michael Weis
Mr. Martin Kubelback

Advisory Board

Mr. B. N. Kalyani
Mr. S. E. Tandale
Mr. S. G. Joglekar

Auditors

WuP Treuhand GmbH
Wirtschaftsprüfungsgesellschaft
Feithstrasse 177
58097 Hagen
Germany

Registered Office

Berthelsodorfer Straße 8
09618 Brand-Erbisdorf
Germany

Independent Auditor's Report

To Bharat Forge Aluminiumtechnik GmbH

Audit Opinions

We have audited the annual financial statements of Bharat Forge Aluminiumtechnik GmbH, Brand-Erbisdorf, which comprise the balance sheet as at December 31, 2020 and the income statement for the fiscal year from January 1, 2020 to December 31, 2020 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Bharat Forge Aluminiumtechnik GmbH, Brand-Erbisdorf, for the financial year from January 1, 2020 to December 31, 2020.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2020 and of its financial performance for the financial year from January 1, 2020 to December 31, 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz (sentence) 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional 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 audit opinions on the annual financial statements and on the management report.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of

a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 financial statements and this management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 audit 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive 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 the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information,

and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Hagen, 21st April, 2021

WuP Treuhand GmbH
Wirtschaftsprüfungsgesellschaft

(Lingnau)
Wirtschaftsprüfer
(German Public Auditor)

(Börstinghaus)
Wirtschaftsprüfer
(German Public Auditor)

Balance Sheet as at December 31, 2020
**As at
31/12/2019**

ASSETS	Rs.	EUR	EUR
A. Fixed Assets			
I. Intangible assets			
1. Concessions, trade mark rights and similar rights and values, licenses	2,951,678.78	32,872.00	158,681.00
2. Prepayments on intangible assets	3,264,966.91	36,361.00	36,361.00
	6,216,645.69	69,233.00	
II. Tangible assets			
1. Land, land rights and buildings including buildings on third party land	2,297,229,779.80	25,583,589.16	22,200,333.54
2. Technical equipment and machinery	2,121,553,965.15	23,627,138.00	21,727,280.00
3. Other plant, factory and office equipment	250,855,881.40	2,793,710.00	3,297,635.00
4. Prepayments on tangible assets and construction in progress	2,623,544,644.17	29,217,664.21	25,154,792.11
	7,293,184,270.52	81,222,101.37	72,380,040.65
	7,299,400,916.21	81,291,334.37	72,575,082.65
B. Current assets			
I. Inventories			
1. Raw materials, supplies and consumables	458,091,922.53	5,101,638.35	4,904,578.03
2. Work in progress	1,075,901,321.98	11,982,004.43	8,062,395.62
3. Finished goods and merchandise	329,934,356.89	3,674,384.30	4,721,837.34
	1,863,927,601.40	20,758,027.08	17,688,810.99
II. Receivables and other assets			
1 Trade receivables	459,399,539.94	5,116,200.91	5,720,443.48
- of which due after one year EUR 0.00 (12/31/2019: EUR 0.00)			
2. Receivables from affiliated companies	339,291,649.15	3,778,593.78	3,607,917.10
- of which due after one year EUR 0.00 (12/31/2019: EUR 0.00)			
3. Receivables from shareholders	596,416,261.63	6,642,116.84	0.00
- of which due after one year: EUR 0.00 (12/31/2019 EUR 0.00)			
4. Other assets	78,237,036.02	871,303.43	2,079,219.15
- of which due after one year: EUR 0.00 (12/31/2019: EUR 2,002.57)			
	1,473,344,486.74	16,408,214.96	11,407,579.73
III. Cash on hand, bank balances	2,529,632.36	28,171.79	2,860,563.35
C. Prepaid expenses	48,577,068.60	540,988.88	641,959.68
D. Asset-Side difference from offsetting of plan asset	320,740.95	3,572.00	5,940.00
Total	10,688,100,446.26	119,030,309.08	105,179,936.40

Balance Sheet as at December 31, 2020

	As at		
	31/12/2019		
EQUITY AND LIABILITIES	Rs.	EUR	EUR
A. Equity			
I. Share capital	745,282,730.00	8,300,000.00	8,300,000.00
II. Capital reserve	856,547,452.39	9,539,123.30	9,539,123.30
III. Revenue reserves	606,221,467.01	6,751,314.60	6,751,314.60
IV. Net income for the year	0.00	0.00	0.00
	2,208,051,649.40	24,590,437.90	24,590,437.90
B Special item for investment grants	724,225,631.17	8,065,493.13	7,737,333.25
C Provisions and Accruals			
1 Provision for pensions and similar obligations	0.00	0.00	0.00
2 Other provisions and accruals	415,985,782.00	4,632,714.34	3,046,532.71
	415,985,782.00	4,632,714.34	3,046,532.71
D Liabilities			
1. Liabilities to banks	4,679,398,179.74	52,113,115.37	51,111,767.90
of which up to one year: Rs. 1,465,546,724.62			
EUR 16,321,373.52 (12/31/2019:			
EUR 12,457,333.34)			
of which more than one year			
Rs. 3,213,851,455.11			
EUR 35,791,741.85 (12/31/2019:			
EUR 38,654,434.46)			
2. Trade payables	304,290,860.87	3,388,800.04	3,479,789.60
of which up to one year: Rs. 304,290,860.87			
EUR 3,388,800.04 (12/31/2019:			
EUR 3,474,776.65)			
of which more than one year EUR 0.00			
(12/31/2019: EUR 5,012.95)			
3. Payables to affiliated companies	506,723,667.94	5,643,236.15	915,214.95
of which up to one year: Rs. 506,723,667.94			
EUR 5,643,236.15 (12/31/2019:			
EUR 915,214.95)			
of which more than one year EUR 0.00			
(12/31/2019: EUR 0.00)			
of which trade payable: Rs. 237,875,802.12			
EUR 2,649,154.58 (12/31/2019:			
EUR 915,214.95)			
4 Liabilities to shareholders	0.00	0.00	12,356,096.95
of which up to one year: EUR 0.00			
(12/31/2019: EUR 12,356,096.95)			
of which more than one year EUR 0.00			
(12/31/2019: EUR 0.00)			
5 Other liabilities	1,849,424,675.14	20,596,512.15	1,942,763.14
of which taxes: Rs. 10,789,399.72 EUR			
120,158.45			
(12/31/2019: EUR 106,340.10)			
of which relating to social security :			
Rs. 21,808,714.67			
EUR 242,877.40 (12/31/2019: EUR 2,551.52)			
of which up to one year: Rs. 156,339,901.39			
EUR 1,741,112.64 (12/31/2019:			
EUR 1,712,938.12)			
of which more than one year:			
Rs. 1,693,084,773.74	7,339,837,383.69	81,741,663.71	69,805,632.54
EUR 18,855,399.51 (12/31/2019:			
EUR 229,825.02)			
Total	10,688,100,446.26	119,030,309.08	105,179,936.40

Profit and Loss Account for the period from January 1 to December 31, 2020

			Previous Year
	Rs.	EUR	EUR
1. Sales	5,043,294,126.00	56,165,720.15	58,963,551.58
2. Increase or decrease in finished goods and work-in-progress	360,093,929.52	4,010,262.81	(1,896,072.05)
	5,403,388,055.52	60,175,982.96	57,067,479.53
3. Production for own plant and equipment capitalised	97,317,761.78	1,083,800.00	58,235.61
4. Other operating income of which currency translation Rs. 4,176,311.20 EUR 46,510.38 (2019: EUR 312,959.08)	234,735,371.95	2,614,180.51	4,001,204.14
	5,735,441,189.25	63,873,963.47	61,126,919.28
5. Cost of materials			
a) Cost of raw materials, consumables, supplies and purchased merchandise	2,806,370,390.66	31,253,742.11	30,394,941.35
b) Cost of purchased services	424,491,854.53	4,727,444.03	2,758,298.58
	3,230,862,245.19	35,981,186.14	33,153,239.93
6. Personal expenses			
a) Wages and salaries	918,846,139.53	10,232,925.91	10,382,803.07
b) Social security contributions and pension expenses pension expenses Rs. 4,897,911.00 EUR 54,546.63 (2019: EUR 58,304.33)	200,607,029.60	2,234,102.95	2,205,637.15
7. Depreciation and amortization on intangible and tangible assets	621,390,757.74	6,920,250.64	6,165,518.45
8. Other operating expenses of which currency translation Rs. 20,587,103.78 EUR 229,272.67 (2019: EUR 60,786.67)	2,329,500,659.40	25,942,980.69	7,199,245.12
	4,070,344,586.27	45,330,260.19	25,953,203.79
	(1,565,765,642.21)	(17,437,482.86)	2,020,475.56
9. Other interest and similar income	2,993,252.99	33,335.00	67,660.20
10. Interest and similar expenses of which from compounding of accruals: Rs.1,058,840.24 EUR 11,792.00 (2019: EUR 12,888.00)	138,254,072.41	1,539,695.95	1,028,563.48
	(135,260,819.42)	(1,506,360.95)	(960,903.28)
	(1,701,026,461.63)	(18,943,843.81)	1,059,572.28
11. Taxes on income and profits	-	-	-
12. Result after taxes on income and profits	(1,701,026,461.63)	(18,943,843.81)	1,059,572.28
13. Other taxes	4,882,049.05	54,369.98	54,781.34
	(1,705,908,510.68)	(18,998,213.79)	1,004,790.94
14. Income from loss transfer	1,705,908,510.68	18,998,213.79	-
15. Expenses out of profit pooling	-	-	(1,004,790.94)
16. 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.

B. ACCOUNTING AND VALUATION PRINCIPLES

The financial statements for the financial year from 01.01. to 31.12.2020 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 250 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 250 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.

Impairments are 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 31.12.2020 with use of the reference tables 2018 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 2.30 % 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 discount value method (projected unit credit method), taking into account the reference tables 2018 G by Dr. Klaus Heubeck and an interest rate of 1.60%. 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:

Assets analysis as at 31st December, 2020

	Historical acquisition or manufacturing costs						Depreciation			Book value	
	1/1/2020	Additions	Disposals	Reclassification	31/12/2020	1/1/2020	Additions	Disposals	31/12/2020	31/12/2020	31/12/2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets											
1. Concessions, trade mark and similar rights and values, licenses	2,533,939.96	39,905.95	-	-	2,573,845.91	2,375,258.96	165,714.95	-	2,540,973.91	32,872.00	158,681.00
2. Prepayment on intangible assets	36,361.00	-	-	-	36,361.00	-	-	-	-	36,361.00	36,361.00
	2,570,300.96	39,905.95	-	-	2,610,206.91	2,375,258.96	165,714.95	-	2,540,973.91	69,233.00	195,042.00
II. Tangible assets											
1. Land, land rights and buildings including buildings on third party land	26,600,830.90	3,880,109.42	-	631,625.21	31,112,565.53	4,400,497.36	1,128,479.01	-	5,528,976.37	25,583,589.16	22,200,333.54
2. Technical equipment and machinery	61,253,285.73	1,200,865.59	-	5,544,585.31	67,998,736.63	39,526,005.73	4,845,592.90	-	44,371,598.63	23,627,138.00	21,727,280.00
3. Other plant, factory and office equipment	9,061,368.07	226,538.78	285,777.53	50,000.00	9,052,129.32	5,763,733.07	780,463.78	285,777.53	6,258,419.32	2,793,710.00	3,297,635.00
4. Prepayments on tangible assets and construction in progress	25,154,792.11	10,289,082.62	-	(6,226,210.52)	29,217,664.21	-	-	-	-	29,217,664.21	25,154,792.11
	122,070,276.81	15,596,596.41	285,777.53	-	137,381,095.69	49,690,236.16	6,754,535.69	285,777.53	56,158,994.32	81,222,101.37	72,380,040.65
Total	124,640,577.77	15,636,502.36	285,777.53	-	139,991,302.60	52,065,495.12	6,920,250.64	285,777.53	58,699,968.23	81,291,334.37	72,575,082.65

Within the fixed assets, no impairment was carried out in this fiscal year.

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 761.

The pension provision of EUR 74,042 has been set off against the coverage capital of the reinsurance of EUR 77,614, resulting in an asset-side difference from offsetting of assets of EUR 3,572.

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 5. This amount is blocked from dividend distribution.

The material other provisions and accruals include contingency provisions (TEUR 1,007), outstanding invoices (TEUR 2,411), guarantees (TEUR 40), anniversary bonuses (TEUR 431), and holiday and flexitime claims (TEUR 210).

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

	up to 1 year	with a remaining term of		Total
		1-5 years	over 5 years	
	EUR	EUR	EUR	EUR
Liabilities to banks	16,321,373.52	28,249,741.85	7,542,000.00	52,113,115.37
Trade liabilities	3,388,800.04	0.00	0.00	3,388,800.04
Liabilities to affiliated companies	5,643,236.15	0.00	0.00	5,643,236.15
Liabilities to shareholders	0.00	0.00	0.00	0.00
Other liabilities	1,741,112.64	18,855,399.51	0.00	20,596,512.15
	27,094,522.35	47,105,141.36	7,542,000.00	81,741,663.71

The trade liabilities are secured by the usual retentions of title, and the liabilities to banks by the assignment of security, and mortgages. The other liabilities and the liabilities to banks are in part secured through the cumulative assumption of debts by Bharat Forge Global Holding GmbH and Bharat Forge CDP 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, there is a global assignment of trade liabilities and a storage assignment of the goods in stock.

In addition, there is a subordination agreement with Bharat Forge Global Holding GmbH for receivables from the profit transfer agreement.

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 230 until the end of the respective term. TEUR 174 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 215. 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 2020 amounted to TEUR 575.

There are obligations from orders for investments of € 7.5 million.

D. NOTES TO THE PROFIT AND LOSS ACCOUNT

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

	2020	2019	Change	
	TEUR	TEUR	TEUR	in %
domestic	35,981	45,049	-9,068	-20
foreign	18,309	13,485	+4,824	+36

The other operating income includes income unrelated to the accounting period TEUR 9.

Expenses of exceptional significance and magnitude were incurred in the amount of EUR 19.6 million from an antitrust fine and the associated legal fees and are reported under other operating expenses. The German Federal Cartel Office has imposed fines on a total of five aluminium forging companies for prohibited restrictive practices. In accordance with the antitrust guidelines, the amount of the fine was based on the turnover of the entire group in 2019. In the case of Bharat Forge Aluminiumtechnik GmbH it was taken into account that the company cooperated with the Federal Cartel Office within the framework of the leniency programme. The charge was established in the context of a consensual termination of proceedings (a so-called settlement procedure). The fine was not contested and is legally binding.

The income from the reinsurance policy in the amount of TEUR 3 is offset against the expenses for the pension scheme within the interest expenditure.

E. OTHER NOTES

In the financial year 2020, the company employed on average 288 employees, including 223 industrial staff plus 11 apprentices.

The managing directors in the financial year 2020 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 cost allocation 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:

B. Kalyani

S. Tandale

S. Joglekar

Brand-Erbisdorf, 15th April 2021

Michael Weis
Managing Director

Martin Kübelbäck
Managing Director

Bharat Forge Daun GmbH

Managing Director

Mr. Michael Weis (from October 1, 2020)

Mr. Martin Kubelback (from October 1, 2020)

Mr. Martin Von Werne (till September 30, 2020)

Advisory Board

Mr. B. N. Kalyani

Mr. A. B. Kalyani

Mr. S. E. Tandale

Mr. S. G. Joglekar

Auditors

WuP Treuhand GmbH

Wirtschaftsprüfungsgesellschaft

Feithstrasse 177

58097 Hagen

Germany

Registered Office

Junius-Saxler-StarB 4

D 54550 Daun

Germany

Independent Auditor's Report

To Bharat Forge Daun GmbH

Audit Opinions

We have audited the annual financial statements of Bharat Forge Daun GmbH, Daun, which comprise the balance sheet as at December 31, 2020 and the income statement for the fiscal year from January 1, 2020 to December 31, 2020 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Bharat Forge Daun GmbH, Daun, for the financial year from January 1, 2020 to December 31, 2020.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2020 and of its financial performance for the financial year from January 1, 2020 to December 31, 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz (sentence) 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional 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 audit opinions on the annual financial statements and on the management report.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for

such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 financial statements and this management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 audit 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive 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 the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular,

the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Hagen, 21 April, 2021

WuP Treuhand GmbH
Wirtschaftsprüfungsgesellschaft

(Börstinghaus)
Wirtschaftsprüfer
(German Public Auditor)

(Lingnau)
Wirtschaftsprüfer
(German Public Auditor)

Balance Sheet as at December 31st, 2020
**As at
31/12/2019**

ASSETS	Rs.	EUR	EUR
A. Fixed Assets			
I. Intangible assets			
Purchased concessions, industrial and similar rights and assets and license in such rights and assets	2,158,356.74	24,037.00	20,428.00
II. Tangible assets			
1. Land, land rights and buildings including buildings on third party land	85,931,457.94	956,994.00	1,027,332.00
2. Technical equipment and machinery	248,607,013.21	2,768,665.00	3,645,097.00
3. Other plant, factory and office equipment	75,296,632.56	838,557.00	1,061,076.00
4. Prepayments and assets under construction	2,523,662.01	28,105.30	131,171.24
	412,358,765.72	4,592,321.30	5,864,676.24
	414,517,122.46	4,616,358.30	5,885,104.24
B. Current assets			
I. Inventories			
1. Raw materials, supplies and operating materials	90,348,656.20	1,006,187.07	1,064,233.10
2. Work in progress	68,704,902.23	765,146.79	843,865.29
3. Finished goods and merchandise	20,392,429.65	227,104.64	234,033.40
	179,445,988.08	1,998,438.50	2,142,131.79
II. Accounts receivable and other assets			
1. Trade receivables	5,383,899.99	59,958.95	72,336.75
- of which EUR 0.00 (12/31/2019: EUR 0.00) is due after one year			
2. Receivables from affiliated companies	508,074,721.86	5,658,282.45	4,518,701.95
- of which EUR 0.00 (12/31/2019: EUR 0.00) due after one year			
- of which EUR 0.00 (12/31/2019: EUR 0.00) to shareholders			
- of which Rs. 45,350,903.09 EUR 505,060.00 (12/31/2019: EUR 143,393.00) trade receivables			
3. Other assets	4,582,608.82	51,035.20	52,197.59
- of which EUR 0.00 (12/31/2019: EUR 0.00) is due after one year			
	518,041,230.67	5,769,276.60	4,643,236.29
	1,112,004,341.21	12,384,073.40	12,670,472.32
III. Cash on hands, bank balances	43,479.61	484.22	395.31
C. Prepaid Expenses	1,237,618.30	13,783.00	3,068.15
D. Active difference resulting from asset offsetting	1,623,598.43	18,081.55	18,081.55
Total	1,114,909,037.55	12,416,422.17	12,692,017.33

Balance Sheet as at December 31st, 2020

EQUITY AND LIABILITIES	As at 31/12/2019		
	Rs.	EUR	EUR
A. Equity			
I. Share Capital	4,489,655.00	50,000.00	50,000.00
II. Capital reserves	134,689,650.00	1,500,000.00	1,500,000.00
III. Profit/(loss) brought forward	182,931,992.37	2,037,261.13	2,037,261.13
IV. Net income for the year	0.00	0.00	0.00
	322,111,297.37	3,587,261.13	3,587,261.13
B. Accruals			
1. Accruals for pensions and similar obligations	79,326,008.13	883,431.00	770,093.00
2. Other accruals	52,294,895.34	582,393.25	540,610.87
	131,620,903.47	1,465,824.25	1,310,703.87
C. Liabilities			
1. Liabilities to banks			
up to one year: Rs. 15,547,497.47			
- EUR 173,148.02 (12/31/2019: EUR 0.00)	15,547,497.47	173,148.02	0.00
- due later than one year : EUR 0.00 (12/31/2019: EUR 0.00)			
2. Trade payables	48,059,961.81	535,230.01	593,979.70
up to one year: Rs. 48,059,961.81			
- EUR 535,230.01 (12/31/2019: EUR 593,979.70)			
- due later than one year : EUR 0.00 (12/31/2019: EUR 0.00)			
3. Payables to affiliated companies	585,908,297.73	6,525,092.66	7,140,108.24
up to one year: Rs. 519,289,496.63			
- EUR 5,783,178.18 (12/31/2019: EUR 7,140,108.24)			
- due later than one year : EUR 0.00 (12/31/2019 : EUR 0.00)			
of which Rs. 572,439,332.73 EUR 6,375,092.66 (12/31/2019: EUR 7,140,108.24) to shareholders			
4. Other liabilities	11,661,079.70	129,866.10	59,964.39
up to one year: Rs. 11,661,079.70			
- EUR 129,866.10 (12/31/2019: EUR 59,964.39)			
- due later than one year : EUR 0.00 (12/31/2019 : EUR 0.00)			
of which Rs. 4,918,130.61 EUR 54,771.81 (12/31/2019: EUR 59,939.39) relating to taxes			
of which Rs. 5,713,793.56 EUR 63,632.88 (12/31/2019: EUR 0.00) relating to social security			
	661,176,836.71	7,363,336.79	7,794,052.33
Total	1,114,909,037.55	12,416,422.17	12,692,017.33

Profit and Loss Account for the period from January 1st to December 31st, 2020

			Previous Year
	Rs.	EUR	EUR
1. Sales	1,313,344,550.33	14,626,341.56	16,425,716.30
2. Increase or Decrease in finished good inventories and work-in-process	(7,690,532.98)	(85,647.26)	4,969.96
3. Production for own plant and equipment capitalised	2,394,253.99	26,664.12	26,380.38
	<u>1,308,048,271.34</u>	<u>14,567,358.42</u>	<u>16,457,066.64</u>
4. Other operating income	24,355,200.29	271,236.88	90,467.32
	1,332,403,471.63	14,838,595.30	16,547,533.96
5. Cost of materials			
a) Cost of raw materials, consumables, supplies and purchased merchandise	278,853,068.28	3,105,506.64	4,130,479.86
b) Cost of purchased services	110,536,177.09	1,231,009.70	1,402,721.19
	<u>(389,389,245.37)</u>	<u>(4,336,516.34)</u>	<u>(5,533,201.05)</u>
	943,014,226.26	10,502,078.96	11,014,332.91
6. Personnel expenses			
a) Wages and salaries	442,713,518.93	4,930,373.48	5,548,602.28
b) Social security contributions and pension expenses thereof Rs. 8,265,190.86 EUR 92,047.06 (2019: EUR 89,607.81) for pension expenses	93,581,831.86	1,042,194.02	1,143,556.82
	<u>(536,295,350.79)</u>	<u>(5,972,567.50)</u>	<u>(6,692,159.10)</u>
	406,718,875.47	4,529,511.46	4,322,173.81
7. Depreciation and amortization on intangible fixed assets and tangible assets	(170,571,944.32)	(1,899,610.82)	(1,863,528.90)
8. Other operating expenses	(165,400,757.90)	(1,842,020.80)	(2,005,115.96)
	70,746,173.25	787,879.84	453,528.95
9. Income from other investments & long term loans of which EUR 0.00 (2019 : EUR 0.00) relating to affiliated companies	10,843.41	120.76	240.00
10. Depreciation on financial assets	-	-	285.83
11. Interest and similar expenses thereof Rs. 2,117,590.68 EUR 23,583.00 (2019: EUR 23,948.00) from discounting of provisions	2,581,671.95	28,751.34	23,948.00
	<u>(2,581,671.95)</u>	<u>(28,751.34)</u>	<u>(24,233.83)</u>
	68,175,344.71	759,249.26	429,535.12
12. Taxes from Income	-	-	-
13. Income after Tax	68,175,344.73	759,249.26	429,535.12
14. Other taxes	(1,556,543.63)	(17,334.78)	(16,383.00)
	<u>66,618,801.10</u>	<u>(741,914.48)</u>	<u>413,152.12</u>
15. Expenses out of profit and loss transfer agreements	66,618,801.10	741,914.48	413,152.12
16. Net Income for the year	0.00	0.00	0.00

Notes to financial statements

1. General

The Company is registered under the name "Bharat Forge Daun GmbH" in the Commercial Register of the Local Court of Wittlich under HRB 40331. The registered office of the company is Daun.

Bharat Forge Daun GmbH, Daun, is a medium-sized corporation pursuant to Section 267 (2) HGB.

The company makes use of the size-related relief pursuant to Section 288 (2) HGB.

The financial year covers the period from January 1 to December 31, 2020.

2. General information on the content and structure of the annual financial statements

The presentation of the annual financial statements has not changed.

The structure of the balance sheet and income statement complies with Sections 266 and 275 HGB. The income statement has been prepared unchanged in accordance with the nature of expense method as defined in Section 275 (2) HGB.

3. Accounting and valuation methods

The annual financial statements as of December 31, 2020 have been prepared in accordance with the provisions of Sections 242 to 256a and Sections 264 to 288 HGB. Supplementary provisions of the German Limited Liability Companies Act (GmbH-Gesetz) relating to the annual financial statements have been observed.

The same accounting and valuation methods were applied as in the previous year.

Acquired intangible assets are valued at acquisition cost. In the case of assets whose use is limited in time, the acquisition costs are reduced by scheduled depreciation. The useful life is generally assumed to be three years, unless a different period is required by the nature of the asset.

Property, plant and equipment are generally stated at acquisition or production cost less scheduled depreciation based on their useful lives.

Depreciation is generally calculated using the straight-line method. Low-value assets, i.e. items with an acquisition or production cost of up to and including € 250, are written off in full in the year of acquisition. A collective item is formed for asset additions in a fiscal year if the acquisition or production cost for the individual asset is more than € 250 but not more than € 1,000. One-fifth of the collective item is reversed to income in the year of formation and in each of the following four fiscal years. In the case of additions, depreciation is charged on a pro rata temporis basis.

Insofar as own work capitalized is to be recognized, it is valued at production cost, which also includes appropriate portions of the necessary material and production overheads as well as production-related depreciation.

The useful lives are determined by asset group as follows:

Asset	Useful life
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
IT equipment	3 years

Where the value of fixed assets determined in accordance with the above principles exceeds the value to be attributed to them at the balance sheet date, this is taken into account by means of unscheduled

depreciation or value adjustments in the event of a probable permanent reduction in value.

Inventories are stated at the lower of acquisition or production cost using permitted simplified valuation methods. In addition to directly attributable costs, production costs also include necessary production and material overheads. Interest on borrowings is not recognized. Administrative costs are only included in the calculation of production costs to the extent that they are incurred in the production process. Appropriate allowances are made for storage and marketability risks.

Receivables and other assets are stated at cost less appropriate allowances for identifiable specific risks. The general credit risk is accounted for by a general allowance.

Prepaid expenses generally comprise expenses incurred prior to the balance sheet date to the extent that they represent expenses for a certain period after that date.

Subscribed capital is stated at nominal value.

The value of pension obligations is calculated actuarially using the projected unit credit method and the Dr. Klaus Heubeck 2018 G mortality tables based on the following assumptions:

- Discount rate:	2.31% p.a.
- Projected benefit trend rate:	0.00 % p.a.
- BBG trend:	0.00 % p.a.
- Pension trend:	2.00 % p.a.
- Fluctuation:	1.00 % p.a.

Other accruals consider all identifiable risks, contingent liabilities and anticipated losses from pending transactions, insofar as these exist. They are generally valued at the amount required to settle them in accordance with prudent business judgment.

In accordance with Section 253 (2) Sentence 1 HGB, provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven financial years corresponding to their remaining term. In the case of provisions for anniversary bonuses and similar long-term obligations, the interest rate pursuant to Section 253 (2) sentence 2 HGB is applied, which results from a flat-rate assumption of a remaining term of 15 years.

The amount of the obligation arising from partial retirement has been netted against the fair value of the security deposit to protect employees' partial retirement entitlements against insolvency. The fair value is based on the price quoted on a regulated market at the balance sheet date. There were no liabilities at the balance sheet date.

Liabilities correspond to their settlement amounts. Foreign currency liabilities have been translated at the mean spot exchange rate on the balance sheet date in accordance with § 256a HGB.

4. Disclosures on the balance sheet and income statement

4.1 Fixed assets

The composition and development of fixed assets is shown in the following statement of changes in fixed assets.

Fixed assets analysis as at 31st December, 2020

	Historical acquisition or manufacturing costs						Depreciation			Book Value		
	1/1/2020		31/12/2020		1/1/2020		31/12/2020		31/12/2020		31/12/2019	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets												
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	144,654.65	17,512.20	17,614.64	-	144,552.21	124,226.65	13,903.20	17,614.64	120,515.21	24,037.00	20,428.00	
	144,654.65	17,512.20	17,614.64	-	144,552.21	124,226.65	13,903.20	17,614.64	120,515.21	24,037.00	20,428.00	
II. Tangible assets												
1. Land, land rights and buildings, including buildings on third party land	2,016,696.45	-	-	-	2,016,696.45	989,364.45	70,338.00	-	1,059,702.45	956,994.00	1,027,332.00	
2. Technical equipment and machinery	11,578,845.34	328,167.80	14,930.66	90,916.64	11,982,999.12	7,933,748.34	1,295,516.44	14,930.66	9,214,334.12	2,768,665.00	3,645,097.00	
3. Other plant, factory and office equipment	4,087,307.62	267,135.88	142,635.55	30,198.30	4,242,006.25	3,026,231.62	519,853.18	142,635.55	3,403,449.25	838,557.00	1,061,076.00	
4. Payments in Advance and construction in progress	131,171.24	18,049.00	0.00	(121,114.94)	28,105.30	-	-	-	-	28,105.30	131,171.24	
	17,814,020.65	613,352.68	157,566.21	-	18,269,807.12	11,949,344.41	1,885,707.62	157,566.21	13,677,485.82	4,592,321.30	5,864,676.24	
Total	17,958,675.30	630,864.88	175,180.85	-	18,414,359.33	12,073,571.06	1,899,610.82	175,180.85	13,798,001.03	4,616,358.30	5,885,104.24	

4.2 Receivables and other assets

Other assets include claims for electricity and energy tax refunds amounting to € 36k as accrued items which do not legally arise until after the reporting date.

4.3 Pension provisions

The portion of pension accruals not yet recognized as a liability due to the application of Article 67 (1) EGHGB (distribution of the adjustment amount resulting from the change in valuation pursuant to BilMoG) in the original amount of € 81k still amounts to a total of € 22k as of December 31, 2020. The resulting effect pursuant to Section 253 (6) HGB amounts to € 158k as of December 31, 2020. A distribution ban exists in this amount.

4.4 Other provisions

Other provisions include the following significant items:

	k€
Personnel	397
Customers	20
Suppliers	121
<hr/>	
Total	538

A difference on the assets side results from the hedging of partial retirement obligations by means of associated security assets. The acquisition costs of the assets offset in accordance with § 246 (2) HGB amount to € 20k, the fair values to € 18k and the settlement amount of the offset liabilities to € 0.

4.5 Liabilities

All liabilities have remaining terms of up to one year.

5. Other disclosures**5.1 Contingent liabilities and other financial obligations**

There is a joint liability in favour of an affiliated company in the amount of € 9,900k.

The other financial commitments relate to rental and leasing agreements totalling € 268k, of which € 82k are due within 2021.

5.2 Number of employees

The average number of employees during the year was as follows:

	2020	Previous Year
Production workers	75	76
Salaried employees	18	18
Trainees	13	13
<hr/>		
	106	107

5.3 Members of the Board of Directors

The following persons were appointed as managing directors:

- Michael Weis, Dipl.-Ing., Schönaich (from 01.10.2020)
- Martin Kübelbäck, Dipl.-Kfm., Meerbusch (from 01.10.2020)
- Martin von Werne, Dipl.-Ing., Ennepetal (until Sept. 30, 2020)

The managing directors received no remuneration for 2020.

5.4 Members of the Advisory Board

The members of the Advisory Board were:

- B. N. Kalyani
- B. Kalyani
- S. Tandale
- S. Joglekar

5.5 Inclusion in consolidated financial statements

Bharat Forge Ltd, Mundhwa/Pune, India, is the parent company that prepares the consolidated financial statements for the largest group of companies. In case of disclosure, this is done at the "Registrar of Companies" in Maharashtra, Pune, India. Bharat Forge Global Holding GmbH, Ennepetal, is the parent company that prepares the consolidated financial statements for the smallest group of companies. In the event of disclosure, this will be made to the e-Federal Gazette.

5.6 Proposal on the use of results

The net profit for the financial year is transferred to the parent company in accordance with the profit and loss transfer agreement. No allocation to reserves is planned.

Daun, April 15, 2021

Bharat Forge Daun GmbH

Michael Weis

Martin Kübelbäck

Bharat Forge Kilsta AB

Chairman

Mr. B. N. Kalyani

Managing Director

Mr. Niklas Blom

Director

Mr. S. E. Tandale

Mr. Mats Pettersson

Mr. Michael Weis

Auditors

Ernst & Young AB

Kungsgatan 18, Box 477,

651 11 Karlstad, Sweden

Registered Office

Box 428 691 27 Karlskoga

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 year 2020-01-01 - 2020-12-31.

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 the Bharat Forge Kilsta AB as of December 31, 2020 and its financial performance and cash flow 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.

We therefore recommend that the general meeting of share holders 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 the 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 a 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 year 2020-01-01 to 2020-12-31 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 the 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 18 May, 2021

Ernst & Young AB

Tomas Karlsson
Authorized Public Accountant

Daniel Berg
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 parts 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 8.

Significant events

The year began with high sales and delivery volumes. Customers began announcing sharply declining volumes in mid-March, referring to delivery and demand stops as a consequence of the Corona epidemic. In April, sales amounted to only about 10% of normal. Sales and delivery volumes then gradually recovered.

The company took part in the state support for short-term layoffs until the month of October, and has also used the possibilities for deferral of tax payments.

During the year, two Shareholders contributions were received, one in March of SEK 23,693,742 and one in December of SEK 20,060,000. The group continues to ensure a capital cover.

Niklas Blom was appointed MD as of December 15, 2020.

Significant events after year-end

Sales are expected to be at a level that exceeds 2020.

There is currently uncertainty as to whether a third wave of Corona may come during the year. The effects would affect both sales and costs. Customers, as well as suppliers, would probably close their facilities again and use short-term layoff opportunities. In addition to the measures that may be decided specifically by customers and suppliers, there are also country-specific measures, which sometimes entail requirements for temporary closures of industries. To the extent that a third wave of Corona would come, the Company will take similar measures taken in 2020, as well as use the state aid offered.

Expected future development, risk and uncertainties

The company operates in a highly competitive market and the business is associated with risks. The company is exposed to both operational and financial risks. The development of steel and energy prices as well as increased competition are among the most important operational risks. The financial risk consists of a credit risk, ie the company is not paid for its accounts receivable, and the development of EUR/SEK because the company has its financing in EUR.

As the Company is a subcontractor to the automotive industry, the Company itself cannot influence its sales in the short term, but the sales volume depends on the overall economic development and how the sales volumes develop at the Company's customers. The impact of the Corona crisis' continued impact on the world economy cannot be assessed here. The company is mainly financed by a time-limited credit facility. The ongoing Corona crisis may lead to a need for additional liquidity. An analysis is underway as to whether this can be financed within the Group.

In general, the Group strives to ensure that all its companies cover their own cash needs on their own. When it comes to financing costs, there is a risk that interest rates will increase, and thus also interest costs.

The company buys large quantities of steel. When the Corona crisis is over, this can lead to disruptions, in the form of capacity constraints and delays, in connection with the resumption of production. This is also a risk for other purchased goods and consumables.

The company has focused on preventive maintenance to avoid unplanned downtime. However, downtime is part of the production concept, and can therefore not be completely ruled out. The company is working on projects within "Industry 4.0" to use sensor technology and digitization to find further preventive measures.

Adequate insurance coverage is available for all relevant operational risks - including property damage, interruptions and claims from third parties.

Management believes that the measures, which have been planned and implemented in the short term, are appropriate to ensure earning capacity and financial strength in the current situation.

Research and development

The research and development activities of the Company amounted 0,45% (0,29%) of the total operating expenses during the financial year.

Sustainability report

The Company has issued a separate Sustainability Report, available at request from the Company.

Environmental issues

The Company is conducting manufacturing which needs environmental permission. Permission for manufacturing of 120.000 metric tones 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.

Comparative figures covering several years

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

	2020	2019	2018	2017
Net sales, TSEK	662,788	907,408	952,021	845,037
Profit/loss after financial items, TSEK	(26,667)	(34,787)	(44,629)	(24,065)
Balance sheet total, TSEK	508,402	506,737	523,481	509,672
Number of employees,	288	338	333	311
Equity/assets ratio, %	5,4	2,0	2,5	2,2
Return on total assets, %	Neg	Neg	Neg	Neg
Return on equity, %	Neg	Neg	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).

Proposed treatment of losses

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

Unappropriated profit brought forward	19 350,887
Net loss for the year	(26 667,162)
	(7 316,275)

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

Retained losses carried forward	(7 316,275)
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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, 2020

	Note	31/12/2020		31/12/2019
		Rs.'000	SEK'000	SEK'000
Assets				
Tangible fixed assets				
Land and buildings	12	239,711	28,571	30,417
Plant and machinery	13	1,137,911	135,627	6,452
Equipment, tools, fixtures and fittings	14	55,861	6,658	154,047
Construction in progress	15	57,799	6,889	5,166
		1,491,282	177,745	196,082
Financial fixed assets				
Deferred tax Assets	16	-	-	-
		-	-	-
Total fixed assets		1,491,282	177,745	196,082
Current assets				
Inventories, etc.				
Raw materials and consumables		559,462	66,682	77,998
Products in progress		595,497	70,977	107,657
Finished goods		50,315	5,997	30,162
		1,205,274	143,656	215,816
Current receivables				
Accounts receivable - trade		398,013	47,439	76,794
Receivables from group companies		170,644	20,339	239
Income tax receivables		31,806	3,791	3,010
Other current receivables		1,837	219	277
Prepaid expenses and accrued income		53,109	6,330	2,530
		655,409	78,118	82,851
Cash and bank balances		913,528	108,883	11,988
Total current assets		2,774,211	330,657	310,655
Total assets		4,265,493	508,402	506,737

Balance Sheet as at December 31, 2020

	Note	31/12/2020		31/12/2019
		Rs.'000	SEK'000	SEK'000
Equity and liabilities				
Equity	17,18			
Restricted equity				
Share capital		167,800	20,000	20,000
Revaluation Reserve		89,974	10,724	11,733
Statutory reserve		33,560	4,000	4,000
		291,334	34,724	35,733
Non-restricted equity				
Unappropriated profit brought forward		162,347	19,351	9,289
Net loss of the year		(223,728)	(26,667)	(34,787)
		(61,381)	(7,316)	(25,498)
Total equity		229,953	27,408	10,235
Provisions				
Provisions for pensions	19	54,552	6,502	7,195
Guarantee reserve		7,132	850	1,200
Total provisions	20	61,684	7,352	8,395
Current liabilities				
Liabilities to credit institutions	21	2,187,944	260,780	272,480
Accounts payable - trade		503,357	59,994	83,471
Liabilities to group companies		423,645	50,494	62,403
Other Current liabilities		65,518	7,809	10,094
Accrued expenses and deferred income	22	793,392	94,564	59,659
		3,973,856	473,642	488,107
Total current liabilities				
Total equity and liabilities		4,265,493	508,402	506,737

Income statement for the period from January 1 to December 31, 2020

	Note	2020		Previous Year
		Rs.'000	SEK'000	SEK'000
Operating Income	1			
Net sales	2	5,560,791	662,788	907,408
Change in inventories of work in progress and finished goods		(510,490)	(60,845)	37,121
Other operating income	3	380,260	45,323	38,938
Total Operating income		5,430,561	647,265	983,467
Operating expenses				
Raw materials and consumables		(3,037,902)	(362,086)	(593,113)
Other external costs	4,5	(924,234)	(110,159)	(166,847)
Personnel costs	6	(1,495,232)	(178,216)	(218,617)
Depreciation of tangible assets		(241,917)	(28,834)	(26,146)
Other operating expenses	7	(32,461)	(3,869)	-
Total Operating expenses		(5,731,746)	(683,165)	(1,004,722)
Operating profit/(loss)	8	(301,185)	(35,900)	(21,255)
Result from financial investments				
Result of disposal fixed assets		(3,062)	(365)	-
Other interest income and similar profit/loss items	9	141,732	16,893	222
Interest expenses and similar profit/loss items	10	(61,213)	(7,296)	(13,754)
Total profit/loss from financial investments		77,457	9,233	(13,532)
Profit/loss after financial items		(223,728)	(26,667)	(34,787)
Tax on profit for the year	11	-	-	-
Net profit/loss for the year		(223,728)	(26,667)	(34,787)

Change of Equity

	Share capital		Revaluation reserve		Non restricted equity		Total equity	
	Rs. '000	SEK '000	Rs. '000	SEK '000	Rs. '000	SEK '000	Rs. '000	SEK '000
Equity 01-12-2019	167,800	20,000	147,177	17,542	(203,676)	(24,276)	111,301	13,266
Change revaluation	-	-	(15,178)	(1,809)	15,178	1,809	-	-
Shareholder contribution	-	-	-	-	270,628	32,256	270,628	32,256
Revaluation of defined benefit pension	-	-	-	-	(4,195)	(500)	(4,195)	(500)
Net loss for the year	-	-	-	-	(291,863)	(34,787)	(291,863)	(34,787)
Equity 31-12-2019	167,800	20,000	131,999	15,733	(213,928)	(25,498)	85,871	10,235
Change revaluation	-	-	(8,465)	(1,009)	8,465	1,009	-	-
Shareholder contribution	-	-	-	-	367,096	43,754	367,096	43,754
Revaluation of defined benefit pension	-	-	-	-	714	86	714	86
Net loss for the year	-	-	-	-	(223,728)	(26,667)	(223,728)	(26,667)
Equity 31-12-2020	167,800	20,000	123,534	14,724	(61,381)	(7,316)	229,953	27,408

Statement of Cash Flow for the period ended December 31, 2020

	Note	2020		2019
		Rs.'000	SEK'000	SEK'000
Operating activities				
Profit/loss after financial items		(223,728)	(26,667)	(34,787)
Adjustments for items not requiring an outflow of cash, etc.:				
Depreciation		241,934	28,836	26,146
Result disposal fixed assets		3,054	364	-
Exchange loss		(116,118)	(13,840)	7,450
Provisions		(8,029)	(957)	-
Other		42	5	(448)
Released debts		(12,803)	(1,526)	(1,921)
Cash flow from operating activities before changes in working capital		(115,648)	(13,785)	(3,560)
Cash flow from changes in working capital				
Increase(-)/decrease (+) in inventories		605,422	72,160	(21,284)
Increase(-)/decrease (+) in current receivables		214,566	25,574	(32,375)
Increase(+)/decrease (-) in current liabilities		89,832	10,707	(7,847)
Cash flow from operating activities		794,172	94,656	(65,066)
Investing activities				
Acquisition of tangible assets		(91,141)	(10,863)	(29,135)
Cash flow from investing activities		(91,141)	(10,863)	(29,135)
Financing activities				
Loans taken		109,931	13,102	26,111
Repayment of borrowings		-	-	(37,026)
Shareholder contribution		-	-	82,974
Cash flow from financing activities		109,931	13,102	72,059
Cash flow		812,962	96,895	(22,142)
Cash and cash equivalents at beginning of the year		100,566	11,988	34,130
Cash and cash equivalents at the end of the year	23	913,528	108,883	11,988

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 carryforwards 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 improvements	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 BFAR 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.

Estimates and assessments

The preparation of financial statements and applicable accounting principles are often based on management's judgments, estimates and assumptions that are considered reasonable at the time the assessment is made. Estimates and judgments are based on historical experience and a number of other factors, which under current circumstances are considered reasonable. The results of these are used to assess the reported values of assets and liabilities, which are not otherwise clearly evident from other sources. The actual outcome may differ from these estimates and assessments. Estimates and assessments are reviewed regularly.

According to company management, significant judgments are made regarding applied accounting principles and sources of uncertainty in estimates, mainly related to tangible fixed assets, capitalized deficits reported as deferred tax assets, doubtful accounts receivable and accounting for inventories.

- **Fixed assets**

Tangible fixed assets are valued at cost less accumulated depreciation according to plan and any write-downs. Depreciation and write-downs are determined on the basis of an individual assessment of the financial life and value of the assets. The assessment of the useful life and value of fixed assets is material and has a major impact on the income statement and balance sheet. Company management bases its assessments on historical outcomes and physical observations of significant facilities as well as assessments of technical and economic life. If there is a need for an impairment, the asset's recoverable amount is calculated. Recoverable value is the highest of fair value less sales costs and value in use.

When calculating the value in use, the present value is calculated from the future cash flows that the asset is expected to give rise to in its current operations and when it is divested or disposed of. The discount rate used is before tax and reflects market assessments of the time value of money and the risks related to the asset. An earlier write-down is reversed only if the reasons on which the recovery value was calculated at the last write-down have changed.

- **Deferred tax assets**

As a result of losses in recent years, corporate management has estimated that tax losses are only capitalized insofar as there are temporary differences on which deferred tax liabilities are reported, see also note 11 deferred tax.

Bharat Forge Kilsta AB

- **Accounts receivable**

Accounts receivable are recognized net after provision for doubtful accounts receivable. The reserve for accounts receivable is based on an individual assessment. The net worth corresponds to the expected value. Current management is deemed sufficient by management.

- **Inventories**

Inventories are valued at the lower of cost and net realizable value. The size of the net realizable value includes calculations, among other things, based on future sales prices, when assessed price reductions are taken into account. The actual outcome of future sales prices may deviate from assessments made.

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 2020-01-01 – 2020-12-31. 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 2 : Net sales classified according to geographical market

	2020	2019
Net sales classified according to operating area as follows:		
Chassis	316,783	481,763
Engines	338,658	396,965
Other	7,346	28,680
Total	662,787	907,408
Net sales classified according to geographic market as follows:		
Nordic countries	424,713	569,378
Europe, excluding the Nordic countries	206,914	284,033
North America	12,488	15,314
Other markets	18,672	38,683
Total	662,787	907,408

Note 3 : Other operating income

	2020	2019
Included in other income, revenues from:		
Scrap	21,242	34,885
Sales of dies	978	949
Other	2,965	2,049
Contributions employees	20,137	349
Realized/unrealized exchange gain	0	706
Total	45,322	38,938

Note 4 : Operating lease

Operating lease during the period, 8 112 (7 910) TSEK.

	2020	2019
Future minimum payable non-cancellable leases:		
Payment due within one year	6,246	6,356
Payment due after one year but within 5 years	1,414	7,306
Payment due after 5 years	358	0
Total	8,018	13,665

Note 5 : Remuneration to auditors

	2020	2019
Ernst & Young		
Audit engagement	1,308	549
Audit in addition to audit assignment	560	403
Total	1,868	952

Note 6 : Salaries, other remuneration and social security contributions

	2020	2019
Average number of employees, with women and males as allocation basis amounts to:		
Women	23	24
Men	265	314
Total for the Company	288	338
Wages and compensations amounts to		
Board of Directors and Managing Director	3	18
Other employees	126,971	148,870
	126,974	148,888
Pension cost	12,665	15,019
Statutory and contractual social security contributions	36,181	50,751
	48,846	65,770
Total salaries, remuneration, social security contributions and pension costs	175,820	214,658

Managing Director is employed by the parent company during 2015-2020. From 2021 is MD employed by the company.

Directors and senior executives

Number of board of directors on the closing date

Women	0%	0%
Men	100%	100%

Number of Managing Directors and senior executives

Women	33%	33%
Men	67%	67%

Bharat Forge Kilsta AB

Note 7 : Other operating expenses

	2020	2019
Realized/unrealized exchange loss	3,869	0
Total	3,869	0

Note 8 : Transactions Intercompany

	2020	2019
Purchases and sales, Intercompany		
Below are the percentage of purchases and sales, Intercompany.		
Purchases	0.67%	0.41%
Sales	0.00%	0.54%

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 9 : Other interest income and similar profit/loss items

	2020	2019
Realized/not realized exchange profit on liquidity account	3,054	222
Realized/not realized exchange profit on loan	13,839	0
Total	16,893	222

Note 10 : Interest expenses and similar profit/loss items

	2020	2019
Interest expenses to group company	1,286	904
Interest expenses pensions	55	115
Realized/unrealized exchange loss loans	0	7,467
Other interest expenses	5,955	5,268
Total	7,296	13,754

Note 11 : Tax on profit for the year

	2020	2019
Reconciliation of effective tax		
Profit/loss before tax	(26,667)	(34,787)
Tax calculated at applicable tax rate 21,4% (21,4%)	5,707	7,444
Tax effect of non-deductible expenses	798	(696)
Earned unrecognized loss carryforwards	(6,505)	(6,749)
Recognized tax	0	0

Note 12 : Land and buildings

	2020-12-31	2019-12-31
Opening acquisition cost	44,051	43,201
Changes during the year		
-Redistribution from construction in progress	873	516
-Purchases	0	0
-Disposals	(490)	0
-Reclassification	392	333
Closing accumulated acquisition cost	44,826	44,050
Opening depreciation	(28,432)	(26,891)
-Disposals	154	0
-Depreciation	(1,492)	(1,541)
Closing accumulated depreciation	(29,770)	(28,432)
Opening revaluation	14,799	17101
Changes during the year		
-Depreciation	(1,284)	(2,302)
Closing accumulated revaluation	13,515	14,799
Closing residual value according to plan	28,571	30,417

Note 13 : Plant and machinery

	2020-12-31	2019-12-31
Opening acquisition cost	440,568	424,268
Changes during the year		
-Redistribution from construction in progress	4,693	23,045
-Purchases	0	0
-Disposals	(5,870)	(6,151)
-Reclassification	2,041	(594)
Closing accumulated acquisition cost	441,432	440,568
Opening depreciation	(286,521)	(271,214)
Changes during the year		
-Disposals	5,842	6,151
-Depreciation	(25,126)	(21,458)
Closing accumulated depreciation	(305,805)	(286,521)
Closing residual value according to plan	135,627	154,047

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

Bharat Forge Kilsta AB

Note 14 : Equipment, tools, fixtures and fittings

	2020-12-31	2019-12-31
Opening acquisition cost	49,457	51,021
Changes during the year		
-Redistribution from construction in progress	809	477
-Purchases	0	0
-Disposals	(1,718)	(2,233)
-Reclassification	331	192
Closing accumulated acquisition cost	48,879	49,457
Opening depreciation	(43,005)	(44,393)
Changes during the year		
-Disposals	1,718	2,233
-Depreciation	(934)	(845)
Closing accumulated depreciation	(42,221)	(43,005)
Closing residual value according to plan	6,658	6,452

Note 15 : Constructions in progress

	2020-12-31	2019-12-31
Opening accrued expenses	5,165	0
Expenses accrued during the year	10,862	29,204
Fixed assets under construction completed this year	(9,138)	(24,039)
Closing expenses accrued	6,889	5,165
Closing residual value according to plan	6,889	5,165

Note 16 : Deferred tax

	2020-12-31	2019-12-31
Deferred tax assets on tax loss	2,791	3,065
Deferred tax liabilities related to revaluation of property	(2,791)	(3,065)
	0	0

Total tax loss amount is 266,273 TSEK (245,257 TSEK). For prudential reasons, not the entire deferred tax asset is considered.

Note 17 : Equity

	No of shares	Value
Number of A-shares	200,000	100

The Company reports a revaluation fund of 10,725 (11,733) TSEK related to the revaluation of the building. Annually reduction in revaluation fund has been transferred to equity.

Note 18 : Equity and proposed treatment of losses

	2020-12-31
To the disposal of the annual general meeting are the following losses:	
Unappropriated profit/loss brought forward	19,351
Net gain/loss for the year	(26,667)
	(7,316)
The board of Directors propose that the unappropriated loss be distributed as follows	
retained losses carried forward	(7,316)

Note 19 : Contingent liabilities

	2020-12-31	2019-12-31
Contingent liability to FPG	149	159
Total contingent liabilities	149	159

Note 20 : Provisions

	2020-12-31	2019-12-31
Provisions for pensions and guarantee		
Opening balance provisions	8,395	8,451
Change of the year	(1,043)	(56)
Closing balance provisions	7,352	8,395

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 6,502 (7 195) 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 0.50 (0.80) % and expected inflation of 1.50 (1.80) %. The company has reported interest expenses attributable to the provision of 55 (115) tsek over the financial result. Furthermore, the Company reported actuarial gain of 86 (-501) tsek directly in equity.

Note 21 : Pledged assets

	2020-12-31	2019-12-31
For provisions, own liabilities and receivables		
Concerning credit insurance FPG liability		
Business mortgage	10,000	10,000
Total pledged assets	10,000	10,000

Bharat Forge Limited has provided guarantee for current loans.

Note 22 : Accrued expenses and deferred income

	2020-12-31	2019-12-31
Accrued salaries	10,703	9,550
Accrued holiday pay	14,709	16,072
Accrued social security costs & pensions	11,980	14,714
Accrued customer provisions	170	58
Accrued special employer´s contribution, tax on returns from pension funds and property tax	3,430	4,221
Accrued financial expenses	3,286	2,500
Ongoing claims	842	615
Other items	49,444	11,929
Total	94,564	56,659

Note 23 : 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.

Karlskoga 18-5-2021

Babasaheb Kalyani

Chairman

Subodh Tandale

Mats Pettersson

Employee representative

Michael Weis

Niklas Blom

Managing Director

Our audit report was issued on 18-5-2021

Ernst & Young

Tomas Karlsson

Authorized public accountant

Daniel Berg

Authorized public accountant

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Bharat Forge International Limited

Director

Mr. B. N. Kalyani

Mr. A. B. Kalyani

Mr. P. G. Pawar

Mr. S. G. Joglekar

Mr. K. P. Dixit

Auditors

Eacotts Limited

Grenville Court, Britwell Road

Burnham, Bucks., SL1 8DF

United Kingdom

Registered Office

Boston House Business Centre

69-75 Boston Manor Road

Brentford TW8 9JJ

United Kingdom

Strategic Report for the Year Ended March 31, 2021

The directors present the strategic report for the year ended 31 March 2021.

Review of the business

Over a few years, the company has established firm foundations from which it can grow and flourish.

This year, the company's operations were impacted due to the outbreak of COVID-19 pandemic and its impact on the business. After the severe impact of the pandemic, in the first quarter of the current financial year, business has gradually improved on a quarterly basis. Owing to this weakness in the global markets, the revenue for the year was \$208 million as compared to \$339 million in 2020.

The directors are of the opinion that the key performance indicator for this business is this reported turnover which has seen a drop from \$339 m in 2020 to \$208 m in 2021. In percentage terms it has decreased by 39%. However, as stated above, there has been a gradual improvement on a quarterly basis.

Throughout, we have kept to our task and continued to promote the success of the company by:

- Working with the short, medium and long term in mind to maintain the loyalty of our customer base with a view to building on both our new and long standing relationships.
- Encouraging our talented, skilled and loyal workforce to deliver impeccable customer service. We take this opportunity to thank them for their continued enthusiasm and attitude towards their work, as they go on to produce a world class service.
- Collaborating carefully with our suppliers, who we acknowledge as part of the team, we are able to build the support and offer real value to our customers.
- Having regard to the effect of our board decisions not only on the local community, but also on the environment globally.
- Acting ethically and with integrity at all times, such that we do not lose the trust of all.
- Aiming to act fairly with every stakeholder in the company including customers, suppliers, employees, shareholders and all with whom the company interacts.

The company is exposed to logistic and credit risks in accordance with group policies

Other risks include;

- Global pandemic, which is COVID 19 and its impact on the automotive and industrial markets
- Vulnerability to exchange markets or mechanisms
- Inflation risk

All companies within this market are exposed to these risks. These risks have been managed appropriately during the year and we will continue to manage them as they evolve.

In any event the company has the continued support of its parent Bharat Forge Limited to ensure that the company will have every opportunity to benefit from any improvement in the economic conditions in which the company operates. We therefore look forward with some confidence to 2021 and beyond.

On behalf of the board

Mr K Dixit
Director

24 May, 2021

Director Report for the Year Ended March 31, 2021

The directors present their annual report and financial statements for the year ended 31 March 2021.

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.

Results and dividends

The results for the year are set out on page 83.

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

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 Dixit

Mr P G Pawar

Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Auditor

In accordance with the company's articles, a resolution proposing that Eacotts International Limited be reappointed as auditor of the company will be put at a General Meeting.

Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

On behalf of the board

Mr K Dixit

Director

24 May, 2021

Directors' Responsibilities Statement for the Year Ended 31 March, 2021

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

Independent Auditor's Report

Opinion

We have audited the financial statements of Bharat Forge International Ltd (the 'company') for the year ended 31 March 2021 which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our 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)

Chartered Accountants
Grenville Court
Britwell Road, Burnham
Buckinghamshire, SL1 8DF

24 May 2021

Statement of Financial Position as at 31st March 2021

	Notes	2021		2021		2020	
		Rs.	Rs.	USD	USD	USD	USD
Non - current Assets							
Property, plant and equipment	11		522,932,797		7,114,277		7,554,616
Investments			-		-		248,682
Other receivables	13		1,433,489		19,502		642,498
Deferred tax asset	21		14,021,757		190,760		-
			538,388,043		7,324,539		8,445,796
Current assets							
Inventories	12	6,449,932,093		87,748,567		94,117,937	
Trade and other receivables	13	5,427,293,029		73,836,000		79,648,746	
Cash and cash equivalents		116,946		1,591		2,189	173,768,872
			11,877,342,068		161,586,158		
Current Liabilities							
Trade and Other payables	19	9,549,116,053		129,911,639		147,140,462	
Current tax liabilities		18,182,123		247,360		155,407	
Borrowings	15	1,552,229,181		21,117,414		16,945,973	
Lease liabilities	20	5,134,818	11,124,662,175	69,857	151,346,270	96,777	164,338,619
			752,679,893		10,239,888		9,430,253
Net current Assets							
Non - current liabilities							
Borrowings	15		-		-		625,000
Lease Liabilities	20		60,512,818		823,251		899,446
			60,512,818		823,251		1,524,446
Net assets							
			1,230,555,118		16,741,176		16,351,603
Equity							
Called up share capital	23		7,701,381		104,774		104,774
Retained earnings			1,222,853,737		16,636,402		16,246,829
Total Equity			1,230,555,118		16,741,176		16,351,603

The financial statements were approved by the board of directors and authorised for issue on May 24, 2021 and are signed on its behalf by:

K P Dixit

Director

Company Registration No. 07459638

Income Statement for the year ended 31st March 2021

	Notes	2021		2020
		Rs.	USD	USD
Revenue	2	15,306,041,790	208,232,151	339,048,375
Cost of sales		(15,021,457,171)	(204,360,499)	(334,400,665)
Gross profit		284,584,619	3,871,652	4,647,710
Other operating income		3,429,141	46,652	110,980
Administrative expenses		(212,856,895)	(2,895,827)	(1,366,002)
Operating profit	3	75,156,865	1,022,477	3,392,688
Investment revenues	6	41,880,038	569,760	607,664
Finance costs	7	(30,813,979)	(419,211)	(464,453)
Other gains and losses	8	(45,080,286)	(613,298)	-
Profit before taxation		41,142,638	559,728	3,535,899
Income tax expense	9	(12,507,192)	(170,155)	(748,599)
Profit and total comprehensive income for the year		28,635,446	389,573	2,787,300

The income statement has been prepared on the basis that all operations are continuing operations.

Statement of changes in equity for the year ended 31 March 2021

	Notes	Share capital		Retained earnings		Total	
		Rs.	USD	Rs.	USD	Rs.	USD
Balance at 1 April 2019		7,701,381	104,774	1,151,048,981	15,659,529	1,158,750,362	15,764,303
Year ended 31 March 2020:							
Profit and total comprehensive income for the year		-	-	204,879,650	2,787,300	204,879,650	2,787,300
Dividends	10			(161,710,340)	(2,200,000)	(161,710,340)	(2,200,000)
Balance at 31 March 2020		7,701,381	104,774	1,194,218,291	16,246,829	1,201,919,672	16,351,603
Year ended 31 March 2021:							
Profit and total comprehensive income for the year		-	-	28,635,446	389,573	28,635,446	389,573
Balance at 31 March 2021		7,701,381	104,774	1,222,853,737	16,636,402	1,230,555,118	16,741,176

Statement of Cash Flows for the year ended 31st March, 2021

	Notes	2021				2020	
		Rs.	Rs.	USD	USD	USD	USD
Cash flows from operating activities							
Cash (absorbed by)/generated from operations	27		(217,511,948)		(2,959,157)		8,587,770
Interest paid			(30,813,979)		(419,211)		(464,453)
Tax paid			(19,769,971)		(268,962)		(1,140,323)
Net cash (outflow)/inflow from operating activities			(268,095,898)		(3,647,330)		6,982,994
Investing activities							
Purchase of property, plant and equipment		(127,751)		(1,738)		(1,096,001)	
Proceeds on disposal of property, plant and equipment		-		-		6,822	
Purchase of investments		18,279,296		248,682		-	
Impairment of investments		(45,080,286)		(613,298)		-	
Interest received		41,880,038		569,760		607,664	
Net cash generated from/(used in) investing activities			14,951,297		203,406		(481,515)
Financing activities							
Repayment of bank loans		(316,369,888)		(4,304,077)		(5,088,698)	
Movements in lease liabilities		(7,579,437)		(103,115)		996,223	
Dividend Paid		-		-		(2,200,000)	
Net cash used in financing activities			(323,949,325)		(4,407,192)		(6,292,475)
Net (decrease)/increase in cash and cash equivalents			(577,093,926)		(7,851,116)		209,004
Cash and cash equivalents at beginning of year			(929,077,871)		(12,639,707)		(12,848,711)
Cash and cash equivalents at end of year			(1,506,171,797)		(20,490,823)		(12,639,707)
Relating to:							
Bank balance and short term deposits			116,946		1,591		2,189
Bank overdrafts			(1,506,288,743)		(20,492,414)		(12,641,896)

1 Accounting policies

Company information

Bharat Forge International Ltd 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. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

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.

1.2 Going concern

At the time of approving these financial statements, how the company and its performance in the future will be affected by the macroeconomic issue, which is COVID 19, cannot be ascertained with certainty.

Management however has taken appropriate action to adopt a new style of working and remains confident that the business will be able to overcome any presented challenges and certainly continue as a going concern with the recently confirmed ongoing support from its parent company Bharat Forge Limited. Thus the company continues to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

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 consideration and the nominal amount received is recognised as interest income.

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.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The company recognises revenue from the following major sources:

- Sale of goods
- Interest income

The nature, timing of satisfaction of performance obligations and significant payment terms of the company's major sources of revenue are as follows:

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer. Generally this is the date on which the goods are withdrawn from the warehouse. Where goods are shipped directly to the customer the revenue is recognised on the date which the goods reach the customer. The normal credit term is 30 - 90 days upon withdrawal or delivery.

Interest income

Interest income is recognised on receipt.

1.4 Property, plant and equipment

Property, plant and equipment 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
Fixtures, fittings & equipment	10-20% Straight line
Plant and machinery	33% Straight line
Motor vehicles	20% Straight line
Right of use asset	Straight line over expected lease term

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 recognised in the income statement.

1.5 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.6 Impairment of tangible and intangible assets

At each reporting 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.

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 revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Inventories

Inventories 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 inventories to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories 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.

1.8 Cash and cash equivalents

Cash and cash equivalents 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.

1.9 Financial assets

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.

Financial assets at fair value through profit or loss

Basic financial assets, which include trade and other receivables 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 interest. Financial assets classified as receivable within one year are not amortised.

Financial assets held at amortised cost

Financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held to maturity investments.

Held to maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

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.

Trade receivables, 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

In accordance with IFRS 9, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a. Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- b. Lease receivables
- c. Trade receivables or any contractual right to receive cash or another financial asset. that result from transactions that are within the scope of IAS 11 and IAS 18
- d. Financial assets that are measured at fair value through the statement of other comprehensive income (FVTOCI)

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:

- 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.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the statement of profit and loss.

The balance sheet presentation for various financial instruments is described below:

- 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.

- Debt instruments measured at FVTOCI:

Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

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.

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.

1.10 Financial liabilities

Basic financial liabilities, including trade and other payables, 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 payables 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 within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the

effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.11 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.

1.12 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 income statement 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 is the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary 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 income statement, 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 company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

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 inventories or non-current 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 committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

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

Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

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 income statement for the period.

2 Revenue

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

	2021	2020
	\$	\$
Revenue analysed by class of business		
Forged and machined components for the auto industry	208,232,151	339,048,375
Other significant revenue		
Interest income	569,760	607,664
Grants received	9,587	-
Revenue analysed by geographical market		
United States of America	164,408,588	289,233,358
Europe	41,089,833	44,495,995
United Kingdom	2,733,730	5,319,022
	208,232,151	339,048,375

3 Operating profit

	2021	2020
	\$	\$
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	1,176,994	(597,105)
Government grants	(9,587)	-
Fees payable to the company's auditor for the audit of the company's financial statements	128,066	143,520
Depreciation of property, plant and equipment	442,077	440,409
Profit on disposal of property, plant and equipment	-	(6,822)
Cost of inventories recognised as an expense	194,093,586	314,374,226

4 Employees

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

	2021	2020
	Number	Number
Directors	2	2
Administration	12	13
Total	14	15

Their aggregate remuneration comprised:

Wages and salaries	668,641	637,512
Social security costs	38,887	32,653
Pension costs	6,763	5,507
	714,291	675,672

Bharat Forge International Ltd

5 Directors' fees

	2021	2020
	\$	\$
Fees for qualifying services	274,948	247,852

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

Fees for qualifying services	137,474	123,926
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6 Investment income

	2021	2020
	\$	\$
Interest income		
Other interest income	569,760	607,664
Total interest revenue	569,760	607,664

7 Finance costs

	2021	2020
	\$	\$
Interest on bank overdrafts and loans	391,513	438,566
Other interest expense	27,698	25,887
Total interest expense	419,211	464,453

8 Other gains and losses

	2021	2020
	\$	\$
Changes in the fair value of investments	(613,298)	-

9 Income tax expense

	2021	2020
	\$	\$
Current tax		
UK corporation tax on profits for the current period	360,915	725,244
Adjustments in respect of prior periods	-	23,355
Total UK current tax	360,915	748,599
Deferred tax		
Origination and reversal of temporary differences	(190,760)	-
Total tax charge	170,155	748,599
The charge for the year can be reconciled to the profit per the income statement as follows:		
Profit before taxation	559,728	3,535,899
Expected tax charge based on a corporation tax rate of 19.00% (2020: 19.00%)	106,348	671,821
Effect of expenses not deductible in determining taxable profit	6,753	204
Gains not taxable	-	(24,685)
Permanent capital allowances in excess of depreciation	57,054	78,079
Under/(over) provided in prior years	-	23,335
	-	(155)
Taxation charge for the year	170,155	748,599

10 Dividends

	2021	2020	2021	2020
Amounts recognised as distributions:	per share	per share	Total	Total
	\$	\$	\$	\$
Ordinary				
Interim dividend paid	-	34.38	-	2,200,000

11 Property, plant and equipment

	Land and buildings Freehold	Fixtures, fittings & equipment	Plant and machinery	Motor vehicles	Right of use asset	Total
	\$	\$	\$	\$	\$	\$
Cost						
At 1 April 2019	7,366,098	564,987	86,906	168,590	-	8,186,581
Additions	-	-	711	-	1,095,290	1,096,001
Disposals	-	-	-	(62,471)	-	(62,471)
At 31 March 2020	7,366,098	564,987	87,617	106,119	1,095,290	9,220,111
Additions	-	-	1,738	-	-	1,738
At 31 March 2021	7,366,098	564,987	89,355	106,119	1,095,290	9,221,849
Accumulated depreciation and impairment						
At 1 April 2019	969,994	171,639	82,755	63,169	-	1,287,557
Charge for the year	246,028	62,958	2,180	21,224	108,019	440,409
Eliminated on disposal	-	-	-	(62,471)	-	(62,471)
At 31 March 2020	1,216,022	234,597	84,935	21,922	108,019	1,665,495
Charge for the year	246,028	62,959	2,253	21,224	109,613	442,077
At 31 March 2021	1,462,050	297,556	87,188	43,146	217,632	2,107,572
Carrying amount						
At 31 March 2021	5,904,048	267,431	2,167	62,973	877,658	7,114,277
At 31 March 2020	6,150,076	330,390	2,682	84,197	987,271	7,554,616
At 31 March 2019	6,396,104	393,348	4,151	105,421	-	6,899,024

Property, plant and equipment includes right-of-use assets, as follows:

Right-of-use assets	2021	2020
	\$	\$
Net values		
Property	877,658	987,271
Additions	-	1,095,290
Depreciation charge for the year		
Property	109,613	108,019

12 Inventories

	2021	2020
	\$	\$
Finished goods	87,748,567	94,117,937

13 Trade and other receivables

	Current		Non-current	
	2021	2020	2021	2020
	\$	\$	\$	\$
Trade receivables	50,734,041	59,065,231	-	-
Deposits recoverable	-	-	19,502	17,498
VAT recoverable	27,068	29,108	-	-
Amount owed by parent undertaking	1,208,358	3,379,915	-	-
Amounts owed by fellow group undertakings	20,361,007	11,875,123	-	-
Amounts owed by related parties	700,789	4,992,905	-	625,000
Other receivables	200,000	240,614	-	-
Prepayments	604,737	65,850	-	-
	73,836,000	79,648,746	19,502	642,498

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

14 Trade receivables - credit risk**Fair value of trade receivables**

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

No significant receivable balances are impaired at the reporting end date.

15 Borrowings

	2021	2020
	\$	\$
Secured borrowings at amortised cost		
Bank overdrafts	20,492,414	12,641,896
Bank loans	625,000	4,929,077
	21,117,414	17,570,973

Analysis of borrowings

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.

Current liabilities	21,117,414	16,945,973
Non-current liabilities	-	625,000
	21,117,414	17,570,973

The company has one outstanding loan:

An existing \$5,000,000 bank loan facility which was drawn down in August 2018 and is repayable over the following 36 months. Interest is being charged at 1.5% above LIBOR. As at 31 March 2021 \$625,000 (2020: \$3,125,000) is outstanding.

16 Fair value of financial liabilities

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

17 Liquidity risk

The following table details the remaining contractual maturity for the company's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the company may be required to pay.

	Less than 1 year	1 – 5 years	Total
	\$	\$	\$
At 31 March 2020			
Bank loans	4,304,077	625,000	4,929,077
Bank overdraft	12,641,896	-	12,641,896
Trade payables	167,580	-	167,580
Other payables	147,225,066	899,446	148,124,512
	164,338,619	1,524,446	165,863,065
At 31 March 2021			
Bank loans	625,000	-	625,000
Bank overdraft	20,492,414	-	20,492,414
Trade payables	287,812	-	287,812
Other payables	129,941,044	823,251	130,764,295
	151,346,270	823,251	152,169,521

18 Market risk**Market risk management****Foreign exchange risk**

The carrying amounts of the company's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2021	2020	2021	2020
	\$	\$	\$	\$
Euro	30,569,890	18,682,491	29,265,735	22,017,627
Pound sterling	1,428,109	1,786,146	10,274,297	9,156,598
	31,997,999	20,468,637	39,540,032	31,174,225

Interest rate risk

The carrying amounts of financial liabilities which expose the company to cash flow interest rate risk are as follows:

	2021	2020
	%	%
Bank loans carried at \$21.1m (2020: \$17.6m)	3	3
	3	3

19 Trade and other payables

	2021	2020
	\$	\$
Trade payables	287,812	167,580
Amount owed to parent undertaking	116,370,857	132,006,656
Amounts owed to fellow group undertakings	306,192	306,192
Amounts owed to related parties	10,684,983	12,694,836
Accruals	1,662,783	1,307,801
Social security and other taxation	89,871	103,199
Other payables	509,141	554,198
	129,911,639	147,140,462

20 Lease liabilities

	2021	2020
	\$	\$
Maturity analysis		
Within one year	69,857	96,777
In two to five years	471,023	412,209
In over five years	352,228	487,237
Total undiscounted liabilities	893,108	996,223

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

Current liabilities	69,857	96,777
Non-current liabilities	823,251	899,446
	893,108	996,223

20 Lease liabilities

Interest on lease liabilities

- -

The fair value of the company's lease obligations is approximately equal to their carrying amount.

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Provisions
	\$
Deferred tax liability at 1 April 2019 and 1 April 2020	-
Deferred tax movements in current year	
Other	(190,760)
Deferred tax asset at 31 March 2021	(190,760)

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

22 Retirement benefit schemes

Defined contribution schemes

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.

The total costs charged to income in respect of defined contribution plans is \$6,763 (2020 - \$5,507).

23 Share capital

	2021	2020
	\$	\$
Ordinary share capital		
Issued and fully paid		
64,000 Ordinary shares of £1 each	104,774	104,774
	104,774	104,774

24 Capital risk management

The company is not subject to any externally imposed capital requirements.

25 Related party transactions

Remuneration of key management personnel

Two directors received directors fees totaling \$274,680 (2020: \$247,852), please refer to note 5.

No guarantees have been given or received.

Other transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2021	2020	2021	2020
	\$	\$	\$	\$
Parent company	-	-	178,030,723	256,100,147
Other related parties	-	-	13,346,168	54,227,768
	-	-	191,376,891	310,327,915

The following amounts were outstanding at the reporting end date:

	2021	2020
	\$	\$
Amounts due to related parties		
Parent company	116,370,857	132,006,657
Other group companies	306,192	306,192
Key management personnel	199,347	359,256
Other related parties	10,684,983	12,694,836
	127,561,379	145,366,941

The following amounts were outstanding at the reporting end date:

	2021	2020
Amounts due from related parties		
Parent company	1,208,358	3,379,915
Other group companies	20,361,007	11,875,123
Other related parties	700,789	5,617,904
	22,270,154	20,872,942

26 Controlling party

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

27 Cash (absorbed by)/generated from operations

	2021	2020
	\$	\$
Profit for the year after tax	389,573	2,787,300
Adjustments for:		
Taxation charged	170,155	748,599
Finance costs	419,211	464,453
Investment income	(569,760)	(607,664)
Gain on disposal of property, plant and equipment	-	(6,822)
Depreciation and impairment of property, plant and equipment	442,077	440,409
Other gains and losses	613,298	-
Movements in working capital:		
Decrease in inventories	6,369,370	9,143,617
(Increase)/decrease in contract assets	(2,004)	5,538,593
Decrease in trade and other receivables	6,437,746	47,807,707
Decrease in trade and other payables	(17,228,823)	(57,728,422)
Cash (absorbed by)/generated from operations	(2,959,157)	8,587,770

Mécanique Générale Langroise, SAS

Auditors

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

Registered Office

rue du Stade
52200 Saints Geosmes
France

Statutory Auditors' report on the financial statements For the year ended 31st December 2020

To the single-member company of MGL SAS,

1.1 Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of MGL SAS for the year ended 2020, 31st December.

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 2020, 31st December and of the results of its operations for the year then ended in accordance with French accounting principles.

1.2 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 Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors rules applicable to us, for the period from 2019, 1st November to the date of our report.

1.3 Justification of Assessments

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of 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 in particular with regard to trade receivables.

The assessments were made in the context of our audit of the financial statements as a whole; approved in the conditions set out above, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the financial statements.

1.4 Specific Verifications

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

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the documents with respect to the financial position and the financial statements provided to the single-member company.

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

Management is responsible for the preparation and fair presentation of the financial 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 chairman.

1.6 Statutory Auditors' 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 21 May 2021

French original signed by
Samuel Brunneval
Auditor

Balance Sheet as at December 31st, 2020

			As at 31/12/2019
ASSETS	Rs.	EUR	EUR
A. Fixed Assets			
I. Other Intangible assets	-	-	664.00
II. Tangible assets			
1. Land	6,494,555.34	72,328.00	72,328.00
2. Buildings	91,748,344.75	1,021,775.00	1,212,671.00
3. Plant & machinery, fixtures, fitting, tools & equipments	24,971,820.28	278,104.00	340,594.00
4. Other tangible Assets	1,795,862.00	20,000.00	26,145.00
B. Investments			
III. Other Financial Assets	8,350.76	93.00	93.00
	125,018,933.13	1,392,300.00	1,652,495.00
C. Current assets			
I. Stocks and work in progress			
Raw materials, other supplies	36,686,317.90	408,565.00	380,978.00
Work in progress (services)	12,899,048.19	143,653.00	163,303.00
Semi-finished and finished goods	1,310,709.88	14,597.00	14,597.00
Advances and payments on account on orders	450,491.98	5,017.00	69.00
II. Debtors			
Trade receivables	61,931,647.97	689,715.00	1,003,993.00
Other debtors	2,151,891.64	23,965.00	24,893.00
III. Cash at bank and in hand	114,758,006.23	1,278,027.00	602,373.00
IV. Prepaid expenses	3,993,907.29	44,479.00	34,244.00
	234,182,021.08	2,608,018.00	2,224,450.00
Total Assets	359,200,954.21	4,000,318.00	3,876,945.00

Balance Sheet as at December 31st, 2020

			As at 31/12/2019
EQUITY AND LIABILITIES	Rs.	EUR	EUR
A. Equity			
Share Capital (paid in: 600,000)	53,875,860.00	600,000.00	600,000.00
Legal reserves	5,387,586.00	60,000.00	60,000.00
Other Reserve	186,396,557.67	2,075,845.00	1,740,875.00
Profit/Loss for the financial year	(10,708,186.35)	(119,254.00)	334,970.00
Grants for capital expenditures	10,769,874.21	119,941.00	137,837.00
Tax-regulated provisions	4,699,232.10	52,334.00	53,665.00
	250,420,923.63	2,788,866.00	2,927,347.00
B. Financial Debts			
Bank loans and overdrafts	65,884,430.02	733,736.00	153,638.00
Other loans & financial liabilities			
Trade payables	14,280,784.42	159,041.00	246,115.00
Tax and employee-related liabilities	28,614,816.14	318,675.00	493,730.00
Fixed assets creditors	-	-	9,480.00
Other creditors	-	-	46,635.00
	108,780,030.58	1,211,452.00	949,598.00
Total	359,200,954.21	4,000,318.00	3,876,945.00

Income statement for the period from January 1 to December 31, 2020

	2020		Previous Year
	Rs.	EUR	EUR
Sales of processed goods	2,416,960.87	26,917.00	54,228.00
Sales of services	385,528,829.88	4,293,524.00	5,909,230.00
Change in inventory of finished goods	(1,764,434.42)	(19,650.00)	95,158.00
Operating grants	269,379.30	3,000.00	-
Reversal of depreciations, provisions and cost recharge	1,948,061.30	21,695.00	51,673.00
Other operating incomes	179.59	2.00	6.00
Total operating income	388,398,976.52	4,325,487.00	6,110,295.00
Operating expenses			
Purchase of raw materials and consumables (including customs duties)	67,680,381.81	753,737.00	1,100,096.00
Change in inventory of raw materials and consumables	(2,634,888.73)	(29,344.00)	(34,891.00)
Other external expenses	109,059,556.50	1,214,565.00	1,815,159.00
Taxes	16,235,939.38	180,815.00	203,529.00
Wages and salaries	133,283,939.02	1,484,345.00	1,694,881.00
Social contributions	51,558,300.09	574,190.00	653,949.00
Amortization and depreciation increase on fixed assets	29,811,937.75	332,007.00	353,567.00
Provision increase on current assets	403,081.23	4,489.00	834.00
Other operating expenses	449.17	4.00	12.00
Total operating expenses	405,398,696.22	4,514,808.00	5,787,136.00
*Including			
Equipment Leasing	26,457,267.54	294,647.00	374,502.00
Operating income	(16,999,719.70)	(189,322.00)	323,159.00
Interests and other financial expenses	123,824.68	1,379.00	16,693.00
Total financial expenses	123,824.68	1,379.00	16,693.00
Financial result	(123,824.68)	(1,379.00)	(16,693.00)
Income Before tax and Ordinary items	(17,123,544.38)	(190,701.00)	306,466.00
Non-recurring income			
Non-recurring income on operational transactions	4,155,444.99	46,279.00	-
Non-recurring capital gains	2,145,786.00	23,897.00	17,899.00
Reversals of provisions, depreciation and transfers of expenses	437,472.00	4,872.00	14,145.00
Total non-recurring income	6,738,702.99	75,048.00	32,045.00

Mécanique Générale Langroise, SAS

	2020		Previous Year
	Rs.	EUR	EUR
Non-recurring expenses			
Non-recurring expense on operational transactions	5,387.59	60.00	-
Non-recurring capital losses	-	-	-
Non-recurring amortization, depreciation/impairment and provisions	317,957.37	3,541.00	3,541.00
Total non-recurring expenses	323,344.96	3,601.00	3,541.00
Non-recurring profit	6,415,358.03	71,447.00	28,504.00
Corporate income tax	-	-	-
Total income	395,137,679.51	4,400,535.00	6,142,340.00
Total expenses	405,845,865.86	4,519,788.00	5,807,370.00
Net profit/(loss)	(10,708,186.35)	(119,254.00)	334,970.00

Accounting methods

Annex to the balance sheet and the income statement for the year ended 2019/12/31 whose total assets prior distribution is €3 876 945 and the income statement of the year, presented as a list and a result of €334 970.

The exercise has a duration of 12 months, covering the period from 01/01/2019 to 31/12/2019.

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, and 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 degressive 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 valued 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.

Retirement commitments

The commitments of the company in terms of severance pay to the retirement of its employees amounted to € 177 638. 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: 0.30%
- the staff turnover rate: 10%
- 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 totaled € 17 940 tax-free.

Average Manpower

Employee categories	Current year staff	Prior year staff
Executives	4	3
Supervisors and technicians	6	7
Employees	1	1
Workers	28	28
Apprentice under contract		
TOTAL	39	39

Breakdown of share capital

Relevant line items	Number	Nominal value	Amount in Euros
1 Share capital at the beginning of the financial year	8,000	75.00000	600,000
2 Shares issued during the financial year			
3 Shares redeemed during the financial year			
4 Share capital at the end of the financial year (1+2-3)	8,000	75.00000	600,000

Financial commitments**GIVEN COMMITMENTS :**

Nature of commitments given	Amount in Euros
Notes receivable discounted	
Warranties, collaterals and guaranties	
Commitments under equipment leases	489,533
Commitments under real estate leases	
Other commitments	764,921
Pension commitments	
TOTAL	<u>1,254,454</u>

Financial tables for current leases

	Lands	Buildings	Plant & machinery & equipment	Other tangible assets	TOTAL
Original value:			2,241,000		2,241,000
Depreciation:					
Cumulative totals from previous financial years					
Additions during the financial year					
TOTAL					
Theoretical net value					
Rents paid:					
Cumulative totals from previous financial years			1,437,936		1,437,936
Amounts from the financial year			294,647		294,647
TOTAL			<u>1,732,583</u>		<u>1,732,583</u>
Futural rentals:					
Within one year			249,921		249,921
Between one and five years			239,612		239,612
After more than five years					
TOTAL			<u>489,533</u>		<u>489,533</u>
Residual value:					
Within one year			808		808
Between one and five years			18,075		18,075
After more than five years					
TOTAL			<u>18,883</u>		<u>18,883</u>
Charges booked during the financial year:			294,647		294,647

Mécanique Générale Langroise, SAS

Changes in equity

Item	Amount
Shareholders' equity Y-1 after profit (loss) and before OGM	2,927,347
Distributions	
Shareholders' equity at the start of the financial year	2,927,347
Changes to share capital	
Changes to issue, merger, contribution premiums, etc.	
Change to investment subsidies and tax-regulated provisions	
Changes to other items	
Capital contributions received with retroactive effect at the start of the financial year	
Shareholders' equity at the start of the financial year after retroactive capital contributions	2,927,347
Changes to share capital	
Changes to the business owner account	
Changes to issue, merger, contribution premiums, etc.	
Changes to revaluation reserves	
Changes to statutory or contractual reserves, reserves required under the articles of association and other reserves	334,970
Changes to regulated reserves	
Changes to retained earnings	
Change to investment subsidies and tax-regulated provisions	(19,228)
Appropriation of the profit (loss) for Y-1 to shareholders' equity (excluding distributions)	(334,970)
Changes during the financial year	(19,228)
Shareholders' equity at the end of the financial year before profit (loss)	2,908,119
Profit (loss) for the financial year	(119,254)
Shareholders' equity at the end of the financial year after profit (loss) but before the annual general meeting	2,788,866

Status of the fixed assets

	Gross amount opening balance	Increases; Acquisition, reclassifications, Disposals	Reductions: Disposals	Gross amount closing balance
Intangible Assets				
Set-up and research & development costs				
Other intangible assets	65,180.00	-		65,180.00
Tangible Assets				
Land	72,328.00		-	72,328.00
Buildings on owned land	2,377,824.00		-	2,377,824.00
Building fixtures and fittings	973,049.00	5,842.00	6,266.00	972,625.00
Plant, machinery and equipment	2,276,884.00	61,396.00	-	2,338,280.00
Other fixtures and fittings	292,835.00		-	292,835.00
Vehicles	73,927.00		58,624.00	15,303.00
Office equipment, computer hardware, furniture	74,118.00	4,575.00	1,603.00	77,090.00
Tangible assets in progress	-		-	-
Total	6,140,965.00	71,813.00	66,492.00	6,146,286.00
Financial Assets				
Investments valued using the equity method				-
Loans and other financial assets	93.00			93.00
Total	93.00	-	-	93.00
Grand Total	6,206,239.00	71,813.00	66,492.00	6,211,559.00

Status of the amortisation

	Situations and transactions of the year				Breakdown of the depreciation allowances for the period		
	Opening balance	Additional allowances	Reductions: Disposals/ Reversals	Closing balance	Linear	Degrressive	Extraordinary
Intangible Assets							
Other intangible assets	64,517.00	664.00	-	65,180.00	-	-	-
Tangible Assets							
Land							
Buildings	1,381,266.00	125,420.00		1,506,687.00		-	-
Building fixtures and fittings	756,936.00	71,318.00	6,266.00	821,988.00		-	-
Plant, machinery and equipment	1,936,290.00	123,886.00		2,060,175.00	3,541.00	4,872.00	-
Other fixtures and fittings	288,603.00	1,693.00		290,296.00		-	-
Vehicles	64,128.00	3,826.00	58,624.00	9,331.00		-	-
Office equipment, computer hardware, furniture	62,004.00	5,201.00	1,603.00	65,602.00		-	-
Total	4,489,227.00	331,344.00	66,492.00	4,754,079.00	3,541.00	4,872.00	-
Grand Total	4,553,744.00	332,007.00	66,492.00	4,819,259.00	3,541.00	4,872.00	-

Provisions

Type of provisions	Amount at the beginning of the financial year	Increases in allowances for the financial year	Deductions taken at the end of the financial year		Amount at the end of the financial year
			Used	Unused	
Tax regulated					
Provisions for reconstitution of mines and oilfields Provisions for capital expenditures					
Price increase provisions					
Tax depreciation allowances	53,665	3,541	4,872		52,334
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					
TOTAL I	53,665	3,541	4,872		52,334
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 II					
Provisions for loss in value					
On intangible assets					
On tangible assets					
On investments assessed on the equity method					
On shareholding securities					
On other investments					
On stocks and works in progress	22,225	4,489	2,732		23,981
On trade debtors					
Other provisions for loss in value					
TOTAL III	22,225	4,489	2,732		23,981
GRAND TOTAL (I+II+III)	75,890	8,030	7,604		76,315
Including operating allowances and reversals		4,489	2,732		
Including financial allowances and reversals					
Including exceptional allowances and reversals		3,541	4,872		
Investments assessed on the equity method : allowances for the period					

Receivables

Receivables (a)	Gross amount	Liquidity of the asset	
		Payable within 1 year	Payable 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	689,715	689,715	
Receivables representing borrowed securities			
Employees and related accounts	1,537	1,537	
Social contributions			
Corporation tax	60	60	
Value-added tax	12,648	12,648	
Other taxes			
Sundries			
Intercompany and current accounts ⁽²⁾			
Other debtors (including claims on repurchase agreements)	9,721	9,721	
Prepaid expenses	44,479	44,479	
TOTAL	758,252	758,158	93

(1) Including loans granted within the period

(1) Including redemptions received within the period

(2) Loans and advances granted to partners

Payables

Payables	Liability's degree of payability			
	Gross amount	Payable within 1 year	Payable in 1 to 5 years	Payable after 5 years
Convertible debenture loans⁽¹⁾	Convertible debenture loans⁽¹⁾	Convertible debenture loans⁽¹⁾		
Other debenture loans ⁽¹⁾				
Bank loans and overdraft ⁽¹⁾				
- Payable over 1 year	733,736	733,736		
- Payable over more than 1 year				
Other loans and financial liabilities ⁽¹⁾⁽²⁾				
Trade creditors and related accounts	159,042	159,042		
Employees and related accounts	89,875	89,875		
Social contributions	122,024	122,024		
Corporation tax				
Value-added tax	93,050	93,050		
Guaranteed bonds				
Other taxes	13,726	13,726		
Fixed assets creditors				
Intercompany and current accounts ⁽²⁾				
Other creditors (including claims on repurchase agreements)				
Liabilities representing borrowed securities				
Deferred income				
TOTAL	1,211,453	1,211,453		
(1) Loans raised within the period	700,000			
(1) Loans redeemed within the period	98,176			
(2) Loans and liabilities raised from partners				

Breakdown of corporate income tax on profits

Item	Profit (loss) before tax	Tax	Profit (loss) after tax
Profit (loss) from ordinary activities	(190,701)		(190,701)
Profit (loss) from non-recurring activities (including investments)	71,447		71,447
Total profit (loss)	(119,254)		(119,254)

COMMENTS

Mécanique Générale Langroise, SAS

Accrued receivables

(Article R123-189 of the French Commercial Code)

Accrued receivables included in the following balance sheet items	Financial year ended 31/12/2020	Financial year ended 31/12/2019
Other long-term investments		
Amounts receivable from subsidiaries		
Loans		
Other financial assets		
Trade debtors and related accounts		
Other debtors	9,721	
Marketable securities		
Cash at bank and in hand		
TOTAL	9,721	

Accrued receivables details

Accrued receivables included in the following balance sheet items	Financial year ended 31/12/2020	Financial year ended 31/12/2019
Amounts receivable from subsidiaries		
Other long-term investments		
Loans		
Other financial assets		
Trade debtors and related accounts		
Other debtors	9,721	
46870000 PRODUITS A RECEVOIR	9,721	
Marketable securities		
Cash at bank and in hand		
TOTAL	9,721	

Accrued payables

(Article R123-189 of the French Commercial Code)

Accrued payables included in the following balance sheet items	Financial year ended 31/12/2020	Financial year ended 31/12/2019
Convertible debenture loans		
Other debenture loans		
Bank loans and overdrafts	8	21,734
Other loans and financial liabilities		
Trade creditors	39,617	43,418
Tax and employee-related liabilities	135,013	193,755
Fixed assets creditors Other creditors		
TOTAL	174,638	258,907

Accrued payables details

	31/12/2020	31/12/2019
Convertible debenture loans		
Other debenture loan		
Bank loans and overdrafts	8	21,734
16884000 INTERETS COURUS SUR EMPRUNTS ETS CREDIT	8	21,734
Other loans and financial liabilities		
Trade creditors	39,617	43,418
40810000 FOURNISSEURS FACTURES NON PARVENUES	39,617	43,418
Tax and employee-related liabilities	135,013	193,755
42820000 DETTES PROVISIONNEES P/CONGES A PAYER	89,875	101,122
42860000 PERSONNEL AUTRES CHARGES A PAYER		10,726
42861000 PRIME EXCEPTIONNELLE POUVOIR ACHAT A PAYER		7,360
43820000 CHARGES SOCIALES SUR CONGES A PAYER	35,584	39,974
43860000 CHARGES A PAYER SUR ORGANISMES SOCIAUX		5,363
44820000 CHARGES FISCALES SUR CONGES A PAYER	1,510	1,466
44860000 ETAT CHARGES A PAYER	8,044	27,743
Fixed assets creditors and related accounts		
Other creditors		
TOTAL	174,638	258,907

Prepaid Expenses	Financial year ended 31/12/2020	Financial year ended 31/12/2019
Operating expenses	44,479	34,244
Financial expenses		
Non-recurring expenses		
TOTAL	44,479	34,244

Bharat Forge America, Inc.

Directors

Mr. B. N. Kalyani
Mr. A. B. Kalyani
Mr. S. E. Tandale
Mr. S. G. Joglekar

Auditors

KNAV P. A
One Lakeside
Commons, Suite 850
990 Hammond Drive NE,
Atlanta, GA 30328

Registered Office

2150, Schmiede St,
Surgoinville
TN 37873
U.S.A.

Independent Auditor's Report

Board of Directors

Bharat Forge America, Inc.

We have audited the accompanying separate parent company financial statements of Bharat Forge America, Inc. ("the Company") a Delaware corporation, which comprise the balance sheets as of December 31, 2020 and December 31, 2019 and the related statements of loss, stockholder's equity, and cash flows for the years then ended, and the related notes to the separate parent company financial statements.

Management's responsibility for the separate parent company financial statements

Management is responsible for the preparation and fair presentation of these separate parent company 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 separate parent company 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 separate parent company financial statements based on our audits. We conducted our audits 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 separate parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate parent company 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 separate parent company 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 separate parent company 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 separate parent company financial statements, which include subsidiaries on equity basis, are being issued in addition to the consolidated financial statements. Information regarding the subsidiaries is disclosed in Note E.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the separate parent company financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and December 31, 2019 and the results of its operations, and the cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Atlanta, Georgia

April 29, 2021

Balance Sheet as on 31st December, 2020

			As at 31/12/2019
	Rs.	USD	USD
Assets			
Current Assets			
Cash and cash equivalents	11,135,815	151,498	184,746
Receivables, related parties (refer note M)	1,386,873,890	18,867,826	8,832,266
Prepaid expenses and other current assets	1,646,946	22,406	18,353
Total current assets	1,399,656,651	19,041,730	9,035,365
Investments	1,556,568,898	21,176,454	14,070,792
Total assets	2,956,225,549	40,218,184	23,106,157
Liabilities and Stockholder's Equity			
Current Liabilities			
Short term borrowing	1,543,598,700	21,000,000	10,000,000
Payable, related parties (refer note M)	3,576,445	48,656	36,319
Current maturities of long-term borrowings	103,466,171	1,407,613	1,333,333
Other current liabilities	14,618,539	198,879	2,041
Total current liabilities	1,665,259,855	22,655,148	11,371,693
Non-current Liabilities			
Long term borrowings	1,378,434	18,753	1,333,333
Deferred rent, non-current	508,138	6,913	9,669.00
Total Liabilities	1,667,146,427	22,680,814	12,714,695
Stockholder's Equity			
Common stock (\$ 0.01 par value, authorized 3000 shares, issued and outstanding 60 shares) (refer note L)	74	1	1
Additional paid in capital	3,709,204,830	50,462,145	39,462,145
Accumulated deficit	(2,420,125,782)	(32,924,776)	(29,070,684)
Total stockholder's equity	1,289,079,122	17,537,370	10,391,462
Total liabilities and stockholder's equity	2,956,225,549	40,218,184	23,106,157

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

Statements of loss for the year ended December 31, 2020

			Previous Year
	Rs.	USD	USD
Operating revenues	63,674,255	866,261	890,970
Less : cost of revenues	(60,532,444)	(823,518)	(844,699)
Gross profit	3,141,811	42,743	46,271
Operating profit	3,141,811	42,743	46,271
Other (expenses) income			
Deficit in earnings of unconsolidated investees	(286,252,146)	(3,894,338)	(2,273,296)
Interest expense	(45,577,030)	(620,056)	(442,916)
Interest income (refer note J)	45,535,721	619,494	434,887
Loss before income tax	(283,151,644)	(3,852,157)	(2,235,054)
Current tax (expense) benefit	(142,232)	(1,935)	35,454
Net loss	(283,293,876)	(3,854,092)	(2,199,600)

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

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	
Balance as at January 1 , 2019	3,000	2,205	30	60	74	1	2,900,653,130	39,462,145	(1,975,150,968)	925,502,236	12,591,062
Net loss	-	-	-	-	-	-	-	-	(161,680,938)	(161,680,938)	(2,199,600)
Balance as at December 31, 2019	3,000	2,205	30	60	74	1	2,900,653,130	39,462,145	(2,136,831,906)	763,821,298	10,391,462
Balance as at January 1 , 2020	3,000	2,205	30	60	74	1	2,900,653,130	39,462,145	(2,136,831,906)	763,821,298	10,391,462
Additional paid in capital	-	-	-	-	-	-	808,551,700	11,000,000	(283,293,876)	808,551,700	11,000,000
Net loss	-	-	-	-	-	-	-	-	(3,854,092)	(283,293,876)	(3,854,092)
Balance as at December 31 , 2020	3,000	2,205	30	60	74	1	3,709,204,830	50,462,145	(2,420,125,782)	1,289,079,122	17,537,370

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

Statement of Cash Flow for the year ended December 31, 2020

	Rs.	USD	Previous Year
			USD
Cash flows from operating activities			
Net loss	(283,293,876)	(3,854,092)	(2,199,600)
Adjustments to reconcile net (loss) income to net cash used in operating activities			
Deficit in earnings of unconsolidated investees	286,252,146	3,894,338	2,273,296
Changes in net operating assets and liabilities	-		
Receivables, related parties	(1,275,715,231)	(17,355,560)	(3,071,329)
Prepaid expense and other current assets	(297,915)	(4,053)	2,388
Payables, related parties	906,827	12,337	10,730
Other current liabilities	14,468,518	196,838	(72,112)
Other liabilities	(202,579)	(2,756)	9,669
Net cash used in operating activities	(1,257,882,110)	(17,112,948)	(3,046,958)
Cash flows from investing activities			
Investment in unconsolidated investees	(808,551,700)	(11,000,000)	(100)
Net cash used in investing activities	(808,551,700)	(11,000,000)	(100)
Cash flows from financing activities			
Proceeds from additional paid in capital	441,028,200	6,000,000	-
Proceeds from borrowings	1,622,961,725	22,079,700	4,500,000
Repayment of debt	-	-	(1,333,334)
Net cash provided by financing activities	2,063,989,925	28,079,700	3,166,666
Net (decrease) increase in cash and cash equivalents	(2,443,885)	(33,248)	119,608
Cash and cash equivalents at the beginning of the year	13,579,699	184,746	65,138
Cash and cash equivalents at the end of the year	11,135,815	151,498	184,746
Supplemental disclosure of cash flow information			
Income tax paid	-	-	800
Interest paid	-	-	475,788
Payable for investment in wholly owned subsidiary	-	-	100
Supplementary disclosure of non-cash information			
Conversion of borrowings to equity	367,523,500	5,000,000	-

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

Notes to Separate Parent Company 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 ("the Parent"), a public company, listed on stock exchanges in India.

On November 30, 2016, the Company acquired 100 percent of the shares of Bharat Forge Tennessee Inc ("BFT") (formerly known as PMT Holdings, Inc.) and 82.10 percent of membership interest of Bharat Forge PMT Technologie LLC ("PMT") (formerly known as Walker Forge Tennessee, LLC).

The Company invested in 100 percent of the shares of Bharat Forge Aluminum USA, Inc. ("BFALU") and Kalyani Precision Machining, Inc. ("KPM"). BFALU and KPM were incorporated on September 27, 2019.

NOTE B : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These separate parent company 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:

1. Basis of presentation

- a. The Company reported its investments in Bharat Forge Tennessee, Inc., Bharat Forge PMT Technologie LLC, Bharat Forge Aluminium USA, Inc. and Kalyani Precision Machining, Inc. 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 United States Dollars, unless specified otherwise.
- b. The separate parent company financial statements are for the years ended December 31, 2020 and December 31, 2019.
- c. Certain reclassifications, regroupings and reworking have been made in the separate parent company financial statements of prior years to conform to the classifications used in the current year. This has no impact on the previously reported net loss.

2. Use of estimates

The preparation of separate parent company 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 separate parent company 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. Revision in accounting estimates are recognized prospectively in the current and future periods.

3. 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.

4. Revenue

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) as of April 01, 2019. Revenues

for the years ended December 31, 2020 and December 31, 2019 are presented under Topic 606.

The Company's only source of revenue is from the parent company wherein the Company provides market development and other support services to the parent company. Under a service agreement, the Parent has agreed to reimburse quarterly for its operating expenses plus a mark-up on the costs incurred by the Company. Accordingly, the Company recognizes revenues quarterly, as the services are rendered.

5. Receivables and provision for doubtful debts

Receivables relate to amounts receivable from affiliates and parent company on account of market development and other support services provided by the Company. 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.

6. Investments

The Company's investments in BFT, PMT, BFALU and KPM 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.

7. 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.

8. 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.

9. 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.

10. 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. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

11. Government grant

Government grant is recognized only when there is a reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received. The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic period.

12. Recently issued accounting standards not yet adopted

In February 2016, the FASB issued Accounting Standard Update ("ASU") 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, 2022. The Company is currently evaluating the impact of this standard on its separate parent company financial statements.

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: (refer note M)

	As of	
	December 31, 2020	December 31, 2019
Bharat Forge Limited	192,506	320,524
Bharat Forge PMT Technologie, LLC	2,706,560	4,953,330
Bharat Forge Aluminum USA Inc.	15,922,620	3,558,412
Bharat Forge International Limited	46,140	-
Total	18,867,826	8,832,266

NOTE E : INVESTMENTS

Investments include the following:

	As of	
	December 31, 2020	December 31, 2019
Investment in Bharat Forge Tennessee, Inc.	5,973,079	6,119,235
Investment in Bharat Forge PMT Technologie, LLC	8,666,332	9,586,343
Investment in Bharat Forge Aluminium USA Inc	6,537,343	(1,634,686)
Investment in Kalyani Precision Machining Inc	(300)	(100)
Total	21,176,454	14,070,792

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 of December 31, 2020 and December 31, 2019:

	As of	
	December 31, 2020	December 31, 2019
Current assets	9,533,043	11,466,378
Property, plant, and equipment	12,826,299	14,010,571
Intangible assets, net	55,047	159,063
Other assets	81,900	81,900
Total assets	22,496,289	25,717,912
Current liabilities	5,739,148	7,555,612
Long term borrowings	425,813	-
Member's equity	16,331,328	18,162,300

PMT has revenues of \$ 25,945,324 and a net loss of \$ 1,120,598 for the year ended December 31, 2020 (for the year ended December 31, 2019: revenue \$ 38,756,253 and a net loss of \$ 732,958. The net loss is adjusted for depreciation based on fair value of fixed assets.

Following is summary of financial position of BFT as of December 31, 2020 and December 31, 2019:

	As of	
	December 31, 2020	December 31, 2019
Current assets	560,813	471,275
Land, building and equipment	3,364,864	3,526,559
Investment	3,550,128	3,750,715
Total assets	7,475,805	7,748,549
Current liabilities	14,957	31,358
Non-current liabilities	644,377	783,212
Stockholder's equity	6,816,471	6,933,979

BFT has income from rentals of \$ 360,000 and net loss of \$ 146,156 during the year ended December 31, 2020 (for the year ended December 31, 2019: income from rentals of \$ 360,000 and net loss of \$ 36,550. The net loss is adjusted for depreciation based on fair value of fixed assets.

Bharat Forge America, Inc.

Following is summary of financial position of BFALU as of December 31, 2020 and December 31, 2019:

	As of	
	December 31, 2020	December 31, 2019
Current assets	694,459	87,552
Capital work-in-progress and capital advances	44,402,641	3,835,751
Other assets	2,200	-
Receivable, related party	200	-
Total assets	45,099,500	3,923,303
Current liabilities	38,545,322	5,557,989
Long term borrowings	16,835	-
Stockholder's equity (deficit)	6,537,343	(1,634,686)

BFALU has obtained income grant from Community Economic Development North Carolina. BFALU is entitled to receive grant over a period of 12 years amounting to \$ 3,543,300 from the year ending December 31, 2021. As per the terms of the grant, the Company is liable to invest an amount of \$ 101,891,184 in fixed assets on or before the year ended December 31, 2024. The Company has invested an amount of \$ 44,159,300 during the year ended December 31, 2020 in capital work in progress (\$ 3,835,751 during the year ended December 31, 2019). The Company is in a construction phase and is yet to start revenue generating activities. BFALU incurred a net loss of \$ 2,827,971 during the year ended December 31, 2020 (net loss of \$ 1,634,786 during the year ended December 31, 2019).

Following is summary of financial position of KPM as of December 31, 2020 and December 31, 2019:

	As of	
	December 31, 2020	December 31, 2019
Current assets	100	100
Total assets	100	100
Current liabilities	400	200
Stockholder's deficit	(300)	(100)

KPM has obtained income grant from Community Economic Development North Carolina. KPM is entitled to receive grant over a period of 12 years amounting to \$ 1,560,600 from the year ending December 31, 2023. As per the terms of the grant, the Company is liable to invest an amount of \$ 34,400,000 in fixed assets on or before the year ended December 31, 2025. The Company is in a start-up phase and is yet to start revenue generating activities. KPM incurred a net loss of \$ 200 during the year ended December 31, 2020 (net loss of \$ 200 during the year ended December 31, 2019).

NOTE F : GOVERNMENT GRANT

On April 24, 2020, the Company received loan proceeds amounting to \$ 79,700 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks ("the covered period" as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The Company intends to apply for 100% PPP loan forgiveness with Truist Bank ("Lender"). As of December 31, 2020, the Company does not have a reasonable assurance that loan amount will be 100% forgiven and therefore, the Company has recognized the entire loan proceeds of \$ 79,700 as of December 31, 2020 as a loan liability. Of the aforementioned balance, \$ 60,947 has been classified as current maturities as of December 31, 2020 on the balance sheet. The interest expense on this loan for the year ended December 31, 2020 was

\$ 562, whole of which was outstanding as of December 31, 2020.

NOTE G : OTHER CURRENT LIABILITIES

Other current liabilities include the following:

	As of	
	December 31, 2020	December 31, 2019
Accrued interest	193,693	-
Accrued expenses	173	174
Deferred rent, current	2,762	1,867
Withholdings 401K	2,251	-
Total	198,879	2,041

NOTE H : SHORT TERM BORROWINGS

Short term borrowings include the following:

	As of	
	December 31, 2020	December 31, 2019
Line of credit	21,000,000	10,000,000
Total	21,000,000	10,000,000

Under a line of credit agreement with a bank, the Company has available borrowings of \$ 23,000,000 through November 23, 2021. The interest rate as per the agreement was stipulated at 1.2% plus the applicable LIBOR at the time of advance up to October 9, 2019 and 1.35% plus the applicable LIBOR rate thereafter (an average effective rate of 2.21% for the year ended December 31, 2020 and 3.65% for the year ended December 31, 2019).

During the year ended December 31, 2020, the Company borrowed additional loan amounting to \$ 17,000,000 of which \$ 6,000,000 was repaid by BFALU (December 31, 2019: borrowed \$ 6,000,000 and repaid \$ 1,500,000)

As of December 31, 2020, the outstanding balance was \$ 21,000,000 (December 31, 2019: \$ 10,000,000). The line of credit is unsecured.

The interest expense for the year ended December 31, 2020 was \$ 381,817 (\$ 272,910 for the year ended December 31, 2019). The interest outstanding as of December 31, 2020 was \$ 35,304 and December 31, 2019 was \$ Nil.

NOTE I : CURRENT MATURITIES OF LONG-TERM BORROWINGS

Current maturities of long-term borrowings include the following:

	As of	
	December 31, 2020	December 31, 2019
Current maturities of long-term debt	1,346,666	1,333,333
Current maturities of pay-check protection plan	60,947	-
Total	1,407,613	1,333,333

NOTE J : LONG TERM BORROWINGS

Long term borrowings include the following:

	As of	
	December 31, 2020	December 31, 2019
Line of credit	-	1,333,333
Non-current portion of pay-check protection plan (Refer note F)	18,753	-
Total	18,753	1,333,333

Under a line of credit agreement with a bank, the Company has available borrowings of \$ 4,000,000 through November 23, 2021. The interest rate as per the agreement was stipulated at 1.35% plus the applicable LIBOR at the time of advance (an effective rate of 3.16% for the year ended December 31, 2020 and 4.45% for the year ended December 31, 2019). Loan amount of \$ 1,333,333 was repaid in November 2020 and November 2019. The agreement stipulates that the outstanding balances must be repaid in November 2021. At December 31, 2020, the outstanding balance was \$ 1,346,666 (December 31, 2019: \$ 2,666,666). Of the total outstanding balance, current maturities of the line of credit amounted to \$ 1,346,666 as of December 31, 2020 (December 31, 2019: \$ 1,333,333). The line of credit is guaranteed by Bharat Forge Limited. The interest expense for the year ended December 31, 2020 was \$ 81,601 (\$ 170,006 for the year ended December 31, 2019). The interest outstanding as of December 31, 2020 was \$ 2,313 and December 31, 2019 was Nil.

The Company availed a loan amounting to \$ 5,000,000 from Bharat Forge Limited (the "parent") on July 08, 2020. The interest rate stipulated per the agreement was 7.75% p.a. The said loan was converted to equity with effect from December 01, 2020. The interest expense for the year ended December 31, 2020 was \$ 156,076 whole of which was outstanding as of December 31, 2020.

NOTE K : 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, 2020 is \$ 32,480.

As of December 31, 2020, future rental commitments for the non-cancelable leases are as follows:

Years ending December 31,	Amount
2021	33,376
2022	34,272
2023	23,296
Total minimum lease payments	90,944

NOTE L : INCOME TAXES

For the year ended December 31, 2020, 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, 2020	December 31, 2019
Current tax (expense) benefit		
- Federal	-	35,454
- State	(1,935)	-
Provision (refund) for income taxes	1,935	(35,454)

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 of	
	December 31, 2020	December 31, 2019
Non-current deferred tax assets		
Start-up costs	-	1,972
Goodwill	47,301	51,210
Deferred rent	2,049	2,423
Net operating losses	6,954,196	6,643,925
Total deferred tax assets	7,003,541	6,699,530
Non-current deferred tax liabilities		
Investment in Bharat Forge PMT Technologie, LLC	(978,192)	(860,839)
Total deferred tax liabilities	(978,192)	(860,839)
Net deferred taxes	6,025,354	5,838,691
Less: deferred tax asset valuation allowance	(6,025,354)	(5,838,691)
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 \$ 6,025,354 and \$ 5,838,691 has been created as of December 31, 2020 and December 31, 2019 respectively.

As of December 31, 2020, the Company has federal net operating loss (NOL's) carryforwards of approximately \$ 33,115,197. Out of total available NOL's of \$ 33,115,197, NOL's aggregating to \$ 28,720,579 pertaining to tax years 2006-2017 will expire through tax years 2026 and 2037. As per Tax Cuts and Jobs Act, NOL's aggregating to \$ 4,394,618 generated in tax years 2018 through 2020 will be carried forward indefinitely for utilization.

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 of December 31, 2020.

The tax years of 2017 through 2019 remain subject to examination by the taxing authorities.

NOTE M : 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.) (BFL)

B. Subsidiaries

1. Bharat Forge Tennessee, Inc. (owning 100% of common stock) (BFT)
2. Bharat Forge PMT Technologie, LLC (owning 82.10% of common stock) (PMT)
3. Bharat Forge Aluminum USA, Inc (owning 100% of common stock) (BFALU)
4. Kalyani Precision Machining, Inc. (owning 100% of common stock) (KPM)

C. Other related parties where common control exists

1. Bharat Forge International Limited (BFIL)
2. Bharat Forge CDP GmbH, Germany (CDP)

PMT

As per the arrangement between Bharat Forge PMT Technologie, LLC and Bharat Forge America Inc., the vendor payments and receipts were processed and recorded in the operational bank accounts of BFA as PMT did not have an operational bank account at the time of acquisition in November 2016. The net receivable on account of the transactions processed by BFA on behalf of PMT was \$ 2,706,560 as of December 31, 2020 and as of December 31, 2019 was \$ 4,953,330.

To facilitate smooth operations the Company has obtained loan from bank, the proceeds thereof are used by PMT for working capital and other expenditure. The Company pays interest to the bank on the loan amount and recovers the interest paid, from PMT, to the extent of proceeds used by PMT during the year ended December 31, 2020 and December 31, 2019. The total interest allocated to PMT during the year ended December 31, 2020 was \$ 230,890 (\$ 399,460 for the year ended December 31, 2019).

BFALU

The Company incurred expenses during the year ended December 31, 2020 and December 31, 2019 on behalf of BFALU for capital investment, formation and interest expenses. The net receivable from BFALU amounted to \$ 15,922,620 as of December 31, 2020 and \$ 3,558,412 as of December 31, 2019.

A similar arrangement for loan with banks as explained above is made between the Company and BFALU. The total interest allocated to BFALU was \$ 403,429 for the year ended December 31, 2020 and \$ 43,457 for the year ended December 31, 2019.

BFIL

The property taxes for property owned by BFIL in State of New York are paid by BFA on behalf of BFIL. The receivable from BFIL as of December 31, 2020 was \$ 46,140 and as of December 31, 2019 was NIL.

BFT

The Company had a payable outstanding to Bharat Forge Tennessee Inc. amounting to \$ 48,656 as of December 31, 2020 and \$ 36,219 as of December 31, 2019 for payroll expenses and other expenses paid on behalf of BFT.

BFL

The Company had a receivable outstanding from Bharat Forge Limited. amounting to \$ 192,506 as of December 31, 2020 and \$ 320,524 as of December 31, 2019 for payroll expenses and other expenses paid on behalf of BFL.

The Company had interest payable to BFL amounting to \$ 156,076 as of December 31, 2020 for loan borrowed from BFL whole of which was outstanding as of December 31, 2020. (refer note J)

The net receivable from BFL amounted to \$ 36,430 as of December 31, 2020 and \$ 320,524 as of December 31, 2019.

NOTE N : COMMON STOCK

Common stock authorized, issued and outstanding

The authorized common stock is 3,000 shares with a par value of \$ 0.01 as of December 31, 2020 and December 31, 2019 of which 60 shares were issued as of that date.

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 O : FAIR VALUE MEASUREMENTS

Financial assets and liabilities held by the Company are not measured at fair value on a recurring basis but are recorded at amounts that approximates fair value due to their liquid or short-term nature include cash and cash equivalents, prepaid expenses, accounts receivable, accounts payable, and accrued expenses. In addition, the Company's line of credit obligations approximate fair value based on current interest rates.

NOTE P : SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date the separate parent company financial statements were issued. No material subsequent event has been noted.

Impact of COVID-19

The management of the Company has evaluated the possible effect of COVID-19 on the carrying amount of accounts receivables and other assets and believes that the current COVID-19 scenario has not materially impacted the financial statement for the year ended December 31, 2020. The Company will continue to monitor developments to identify significant uncertainties surrounding COVID-19 and its impact on performance of the Company for future periods. Subsequent events have been evaluated through April 29, 2021 which is the date the financial statements are issued. No material subsequent events were noted.

Bharat Forge Tennessee, Inc.

Directors

Mr. A. B. Kalyani
Mr. S. E. Tandale
Mr. S. G. Joglekar
Mr. Michael Weis
Mr. K. P. Dixit

Auditors

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Independent 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 sheets as of December 31, 2020 and December 31, 2019, and the related statements of loss, stockholder's equity, and cash flows for the years 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 of December 31, 2020 and December 31, 2019 and the result of its operations, and the cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Atlanta, Georgia

April 29, 2021

Financial statements

Balance Sheet as on 31st December, 2020

	As at 31/12/2020		As at 31/12/2019
	Rs.	USD	USD
Assets			
Current assets			
Cash and cash equivalents	4,568,831	62,157	45,056
Trade receivables (refer note G)	33,077,115	450,000	390,000
Other current assets	3,576,445	48,656	36,219
Total current assets	41,222,391	560,813	471,275
Property, plant and equipment, net	247,333,320	3,364,864	3,526,559
Investment in non-consolidated affiliate	260,951,094	3,550,128	3,750,715
Total assets	549,506,805	7,475,805	7,748,549
Liabilities and stockholder's equity			
Current liabilities			
Other accrued liabilities	1,099,410	14,957	31,358
Total current liabilities	1,099,410	14,957	31,358
Non current - deferred tax liability	47,364,738	644,377	783,212
Total liabilities	48,464,148	659,334	814,570
Stockholder's equity			
Common stock	74	1	1
Additional paid in capital	343,788,612	4,677,097	4,677,097
Accumulated surplus	157,253,971	2,139,373	2,256,881
Total stockholder's equity	501,042,657	6,816,471	6,933,979
Total liabilities and stockholder's equity	549,506,805	7,475,805	7,748,549

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

Statements of loss for the year ended December 31, 2020

	31/12/2020		31/12/2019
	Rs.	USD	USD
Operating revenues	26,461,692	360,000	360,000
Less : Cost of revenues (depreciation)	(11,885,342)	(161,695)	(161,695)
Gross profit	14,576,350	198,305	198,305
Cost and expenses			
Selling, general and administrative expenses	18,618,226	253,293	213,075
Total cost and expenses	(4,041,876)	(54,988)	(14,770)
Operating loss			
Other expenses			
Deficit in earnings of non-consolidated affiliate	(14,744,087)	(200,587)	(131,199)
Loss before income taxes	(18,785,963)	(255,575)	(145,969)
Current tax (expense)	(56,452)	(768)	(832)
Deferred tax benefit (expense)	10,205,025	138,835	(80,638)
Net loss	(8,637,390)	(117,508)	(227,439)

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

Statement of changes in Stockholder's equity

	Common Stock											
	Authorized		Issued & outstanding		Additional paid in capital		Accumulated Surplus		Total Stockholder's equity			
	Shares	Rs.	USD	Shares	Rs.	USD	Rs.	USD	Rs.	USD		
Balance as at January 1, 2019	10,000	7,350	100	100	74	1	343,788,612	4,677,097	182,609,196	2,484,320	526,397,882	7,161,418
Net loss	-	-	-	-	-	-	-	-	(16,717,835)	(227,439)	(16,717,835)	(227,439)
Balance as at December 31, 2019	10,000	7,350	100	100	74	1	343,788,612	4,677,097	165,891,361	2,256,881	509,680,047	6,933,979
Balance as at January 1, 2020	10,000	7,350	100	100	74	1	343,788,612	4,677,097	165,891,361	2,256,881	509,680,047	6,933,979
Net loss	-	-	-	-	-	-	-	-	(8,637,390)	(117,508)	(8,637,390)	(117,508)
Balance as at December 31, 2020	10,000	7,350	100	100	74	1	343,788,612	4,677,097	157,253,971	2,139,373	501,042,657	6,816,471

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

Statement of Cash Flow for the year ended December 31, 2020

	31/12/2020		31/12/2019
	Rs.	USD	USD
Cash Flow from operating activities			
Net loss	(8,637,390)	(117,508)	(227,439)
Adjustments to reconcile net loss to net cash (used in)			
Depreciation and amortization	11,885,342	161,695	161,695
Deficit in earnings of non-consolidate affiliate	14,744,087	200,587	131,199
Deferred tax expense (benefit)	(10,205,025)	(138,835)	80,638
Changes in net operating assets and liabilities			
Account receivable	(4,410,282)	(60,000)	360,000
Receivables from related party	(914,178)	(12,437)	(36,219)
Payable to related party	-	-	(412,869)
Other current liabilities	(1,205,551)	(16,401)	(11,949)
Net cash provided by operating activities	1,257,003	17,101	45,056
Net increase in cash and cash equivalents	1,257,003	17,101	45,056
Cash and cash equivalents at the beginning of year	3,311,828	45,056	-
Cash and cash equivalents at the end of year	4,568,831	62,157	45,056

(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:

1. Basis of preparation

- a. All amounts are stated in United States Dollars, except as otherwise specified.
- b. The financial statements are for the years ended December 31, 2020 and December 31, 2019.
- c. 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 previously reported net loss.

2. 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 property, plant and equipment 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. Any changes in accounting estimates are recognized prospectively in the current and future periods.

3. Revenue recognition

The Company leases land and a forging facility to Bharat Forge PMT Technologie, LLC, a related party, under a month-to-month 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 expenses.

4. 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, 2020 and December 31, 2019 as management considers all accounts receivable collectible.

5. 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

6. Investment in non-consolidated affiliate

The investment 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 in the investee.

7. 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 carryforwards. 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.

The Company is a member of a group that files a consolidated federal tax return. Accordingly, income taxes payable to the tax authority is recognized on the financial statements of the parent company which is the taxpayer for income tax purposes. The Company approximates the amounts that would be reported if it was separately filing its tax return.

8. 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.

9. Recently issued accounting standards not yet adopted

In February 2016, the FASB issued Accounting Standards Update ("ASU") 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, 2022. The Company is currently evaluating the impact of this standard on its financial statements.

Bharat Forge Tennessee, Inc.

NOTE C : LAND, BUILDING AND EQUIPMENT, NET

Land, building and equipment, net includes the following:

	As of	
	December 31, 2020	December 31, 2019
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	(1,330,706)	(1,169,011)
Land, building and equipment, net	3,364,864	3,526,559

Depreciation expense for the year ended December 31, 2020 was \$ 161,695 and for the year ended December 31, 2019 was \$ 161,695.

NOTE D : INVESTMENT IN NON-CONSOLIDATED AFFILIATE

Investment in non-consolidated affiliate include:

	As of	
	December 31, 2020	December 31, 2019
Investment in Bharat Forge PMT Technologie, LLC	3,550,128	3,750,715
Total	3,550,128	3,750,715

Following is a summary of the financial position of PMT as of December 31, 2020 and December 31, 2019:

	As of	
	December 31, 2020	December 31, 2019
Current assets	9,533,043	11,466,378
Property, plant and equipment, net	12,826,299	14,010,571
Intangible assets, net	55,047	159,063
Other assets	81,900	81,900
Total assets	22,496,289	25,717,912
Current liabilities	5,830,843	7,555,612
Long term borrowings	334,118	-
Member's equity	16,331,328	18,162,300

PMT has revenues of \$ 25,945,324 and loss of \$ 1,120,598 for the year ended December 31, 2020 (for the year ended December 31, 2019: revenue \$ 38,757,764 and loss of \$ 732,957). The loss is adjusted for depreciation based on fair value of fixed assets.

NOTE E : OTHER CURRENT LIABILITIES

Other current liabilities include:

	As of	
	December 31, 2020	December 31, 2019
Provision for franchise tax	13,357	-
Payable to related party (refer note G)	1,600	30,883
Other payables	-	475
Total	14,957	31,358

NOTE F : INCOME TAXES

The Company files a consolidated federal tax return as per regulations applicable to Chapter C corporations in the United States of America.

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, 2020	December 31, 2019
Current taxes		
Federal	-	-
State	768	832
Deferred taxes		
Federal	(79,469)	57,233
State	(59,366)	23,405
Provision for income taxes	(138,067)	81,470

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 of	
	December 31, 2020	December 31, 2019
Non-current deferred tax assets		
Federal & state net operating losses	175,880	86,907
Total deferred tax asset	175,880	86,907
Non-current deferred tax liability		
Land improvements, building and equipment	(558,576)	(624,271)
Investment in Bharat Forge PMT Technologie, LLC	(261,681)	(245,848)
Total deferred tax liability	(820,257)	(870,119)
Net deferred liability	(644,377)	(783,212)

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. Net deferred tax liabilities of \$644,377 and \$783,212 is recorded as of December 31, 2020 and December 31, 2019 respectively.

The Company has federal net operating loss carryforwards (NOL's) of approximately \$675,799 as of December 31, 2020, as per Tax Cuts and Jobs Act it will be carried forward indefinitely for utilization. The Company has state NOL's carryforward in Tennessee state of approximately \$661,379 as of December 31, 2020, which if unutilized will expire during the years 2033 through 2034.

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 of December 31, 2020.

The tax years of 2017 through 2019 remain subject to examination by the taxing authorities.

NOTE G : RELATED PARTY TRANSACTIONS

The Company had transactions with-

A. Parent company

Bharat Forge America, Inc. (owning 100% of common stock as of December 31, 2020 and 2019, respectively) (BFA)

B. Affiliates

Bharat Forge PMT Technologie, LLC (owning 17.91% of common stock as of December 31, 2020 and 2019, respectively) (PMT)

PMT

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, 2020 and year ended December 31, 2019 was \$ 360,000 and \$ 360,000, respectively. The receivable from PMT for the year ended December 31, 2020 and December 31, 2019 amounted to \$ 450,000 and \$ 390,000, respectively.

During the year ended December 31, 2019, income tax of \$ 29,283 was paid by Bharat Forge PMT Technologie, LLC (PMT) on behalf of Bharat Forge Tennessee, Inc. The same amount was payable to Bharat Forge PMT Technologie, LLC as on December 31, 2019, and is included in other current liabilities. (refer note E).

The net receivable from PMT as on December 31, 2020 was \$ 450,000 and December 31, 2019 was \$ 360,717.

BFA

During the year 2020 the Company incurred expenses on behalf of Bharat Forge America, Inc. amounting to \$ 44,147 (\$ 104,415 during year ended December 31, 2019). The Company has receivable from Bharat Forge America, Inc. amounting to \$ 48,656 and \$ 36,219 as of year ended December 31, 2019.

Income tax of \$ 800 was paid by Bharat Forge America, Inc. on behalf of Bharat Forge Tennessee, Inc. (December 31, 2019: \$ 800). Thus, amount of \$ 1,600 was payable to Bharat Forge America, Inc. as on December 31, 2020 (\$ 1600 as on a December 31, 2019), and is included in other current liabilities. (refer note E).

NOTE H : COMMON STOCK

Common stock authorized, issued and outstanding

The authorized common stock is 10,000 shares with a par value of \$ 0.01 as of December 31, 2020 of which 100 shares were issued as of that date.

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 I : SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 29, 2021 which is the date the financial statements were issued. No material subsequent events have been noted.

Impact of COVID-19

The management of the Company has evaluated the possible effect of COVID-19 on the carrying amount of accounts receivables and other assets and believes that the current COVID-19 scenario has not materially impacted the financial statement for the year ended December 31, 2020. The Company will continue to monitor developments to identify significant uncertainties surrounding COVID-19 and its impact on performance of the Company for future periods. Subsequent events have been evaluated through April 29, 2021 which is the date the financial statements are issued. No material subsequent events were noted.

Bharat Forge PMT Technologie, LLC

Directors

Mr. A. B. Kalyani
Mr. Michael Weis
Mr. S. E. Tandale
Mr. S. G. Joglekar
Mr. K. P. Dixit

Auditors

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990 Hammond Drive NE,
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2150, Schmiede St,
Surgoinville
TN 37873
U.S.A.

Independent 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 sheets as of December 31, 2020 and as of December 31, 2019 and the related statements of loss, members' equity, and cash flows for the years 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 of December 31, 2020 and December 31, 2019 and the result of its operations, and the cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Atlanta, Georgia

April 29, 2021

Balance Sheet as on 31st December, 2020

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

	As of December 31, 2020		As at 31/12/19
	Rs.	USD	USD
Assets			
Current Assets			
Cash and cash equivalents	214,105,005	2,912,807	2,900,179
Accounts receivable, net	295,251,033	4,016,764	3,496,019
Receivable from related parties (Refer Note I)	11,374,338	154,743	1,081,996
Inventories, net	173,897,419	2,365,800	3,772,119
Prepaid expenses and other current assets	6,095,671	82,929	216,065
Total current assets	700,723,466	9,533,043	11,466,378
Property, plant and equipment, net	942,793,260	12,826,299	14,010,571
Intangible assets, net	4,046,213	55,047	159,063
Other assets	6,020,035	81,900	81,900
Total assets	1,653,582,974	22,496,289	25,717,912
Liabilities and Members' Equity			
Current Liabilities			
Accounts payable	64,143,803	872,649	1,618,706
Payable to related parties (Refer Note J)	232,591,584	3,164,309	5,399,458
Other current liabilities	45,301,535	616,308	537,448
Current maturities of long term borrowings	79,817,431	1,085,882	-
Total current liabilities	421,854,353	5,739,148	7,555,612
Non- Current Liabilities			
Long term borrowings	24,559,243	334,118	-
Long term capital lease obligations	6,740,013	91,695	-
Total liabilities	453,153,609	6,164,961	7,555,612
Commitments & contingencies (Refer note N)			
Members' Equity			
Member's capital	7,163,033	97,450	97,450
Additional paid in capital	2,775,474,625	37,759,145	37,759,145
Accumulated deficit	(1,582,208,293)	(21,525,267)	(19,694,295)
Total members' equity	1,200,429,365	16,331,328	18,162,300
Total liabilities and Member's equity	1,653,582,974	22,496,289	25,717,912

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

Statement of loss

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

	Year ended		
	December 31, 2020		December 31, 2019
	Rs.	USD	USD
Operating revenues	1,907,103,257	25,945,324	38,757,764
Less : Cost of revenues	(1,782,459,867)	(24,249,604)	(36,075,267)
Gross Profit	124,643,390	1,695,720	2,682,497
Cost and expenses			
Selling, general and administrative expenses	72,532,600	986,775	2,283,808
Depreciation and amortization	164,648,764	2,239,976	2,145,988
Total cost and expenses	237,181,364	3,226,751	4,429,796
Operating Loss	(112,537,974)	(1,531,031)	(1,747,299)
Interest expenses	(16,971,500)	(230,890)	(410,313)
Other (expense) income	(5,075,573)	(69,051)	573,181
Net loss	(134,585,047)	(1,830,972)	(1,584,431)

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

**Statement of Changes in Members' Equity
For the year ended December 31, 2020 and December 31, 2019**

	Member's Contribution		Additional paid in capital		Accumulated deficit		Total Member's equity	
	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD
Balance January 01, 2019	7,163,033	97,450	2,775,474,625	37,759,145	(1,331,160,120)	(18,109,864)	1,451,477,538	19,746,731
Net Loss during the period	-	-	-	-	(116,463,126)	(1,584,431)	(116,463,126)	(1,584,431)
Member's equity as at December 31, 2019	7,163,033	97,450	2,775,474,625	37,759,145	(1,447,623,246)	(19,694,295)	1,335,014,412	18,162,300
Member's equity as at January 01, 2020	7,163,033	97,450	2,775,474,625	37,759,145	(1,447,623,246)	(19,694,295)	1,335,014,412	18,162,300
Net income during the year	-	-	-	-	(134,585,047)	(1,830,972)	(134,585,047)	(1,830,972)
Member's equity as at December 31, 2020	7,163,033	97,450	2,775,474,625	37,759,145	(1,582,208,293)	(21,525,267)	1,200,429,365	16,331,328

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

Statement of Cash Flow for the year ended December 31, 2020

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

	December 31, 2020		December 31, 2019
	Rs.	USD	USD
Cash Flow from Operating Activities			
Net Income (Loss)	(134,585,047)	(1,830,972)	(1,584,431)
Adjustments to reconcile net loss to net income (loss) to net cash provided by operating activities :			
Depreciation and amortization	164,648,764	2,239,976	2,145,988
Loss on disposal of fixed asset	5,075,647	69,052	60,956
Changes in net operating assets and liabilities			
Account Receivable	(38,277,205)	(520,745)	2,392,380
Receivables from related party	68,157,454	927,253	(1,081,996)
Inventories	103,371,056	1,406,319	3,027,298
Prepaid expenses and other current assets	9,786,123	133,136	(32,795)
Accounts payable	(77,070,781)	(1,048,515)	335,181
Payable, related party	(164,293,957)	(2,235,149)	(1,181,320)
Other current liabilities	5,796,581	78,860	12,363
	8,444,881	114,889	-
Net cash (used in) provided by operating activities	(48,946,484)	(665,897)	4,093,624
Cash Flows from Investing Activities			
Purchase of property, plant, and equipment and capital assets	(52,797,103)	(718,282)	(1,961,840)
Proceeds from sale of property, plant, and equipment	-	-	6,500
Net cash used in investing activities	(52,797,103)	(718,282)	(1,955,340)
Cash Flows from Financing Activities			
Proceed from paycheck protection plan	104,376,674	1,420,000	-
Repayment of finance lease	(1,704,868)	(23,194)	-
Net cash provided by financing activities	102,671,806	1,396,806	-
Net Increase in Cash and Cash Equivalents	928,219	12,628	2,138,284
Cash and Cash Equivalents at the Beginning of the year	213,176,786	2,900,179	761,895
Cash and Cash Equivalents at the end of the year	214,105,005	2,912,807	2,900,179
Supplemental cash flow information			
Interest paid	15,853,494	215,680	488,676
Assets purchased on finance lease	9,958,417	135,480	-

(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.

1. 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 years ended December 31, 2020 and December 31, 2019.
- c. Certain reclassifications, regroupings and reworking have been made in the financial statements of prior year to confirm to the classifications used in the current year. This has no impact on previously reported net loss.

2. 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. Any revisions in accounting estimates are recognized prospectively in the current and future periods.

3. 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.

4. Revenue recognition

The Company adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) as of January 1, 2019. Results for the year ended December 31, 2020 and December 31, 2019 respectively are presented under Topic 606. Please refer Note P "Revenue from contracts with customers" for further information on the Company's revenue.

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied; generally, this occurs with the transfer of control of the Company's products or services. The Company's global payment terms are typically 90 days. Revenue is measured as the amount of consideration the

Company expects to receive in exchange for transferring goods or providing services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the contract. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The Company's revenue represents sales of finished goods with incoterms ex-factory/ex works wherein the goods are made available at Company's factory location to be picked up by the customers. The performance obligation is met at the time of goods being made available for pick up by customers.

Revenue on consignment sale is recognized when the transfer of control is established between the buyer and the Company as per contractual obligation.

5. Accounts receivable and provision for doubtful debts

Accounts receivable consist of uncollateralized customer obligations which generally require payment within 90 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 loss.

6. Inventories

Inventories are stated at the lower of cost and market value. Cost is determined using the weighted average 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

7. 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:

Building improvements	10 years
Machinery and equipment	4-15 years
Equipment under finance lease	5 years
Production tools and dies	4-8 years
Office furniture	5-10 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.

8. Intangible assets

Intangible assets are stated at cost less accumulated amortization. The Company amortizes intangible assets over their estimated useful lives unless such lives are determined to be indefinite. Amortizable intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. Intangible assets with indefinite lives are tested at least annually for impairment and written down to the fair value as required. The estimated useful lives of the amortizable intangible assets are as follows:

Software	3-5 years
----------	-----------

9. 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.

10. Leases**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.

Capital leases

Capital leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between finance charges and reduction of the lease liability based on the implicit rate of return.

11. 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.

12. 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.

13. 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.

14. Government grant

Government grant is recognized only when there is a reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received. The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic period.

15. Recently issued accounting standards not yet adopted

In February 2016, the Financial Accounting Standards Board ("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, 2022. 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, 2020 and December 31, 2019, 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 four customers having greater than 10% accounts receivable accounted for approximately 90% (previous year four customers for 73%) of total accounts receivable. Four customers accounted for approximately 74% of total sales during the year 2020 (previous year four customers for 69%).

Company's four vendors having greater than 10% of the accounts payable accounted for 50% of accounts payable as of December 31, 2020 (previous year two vendor accounted for 48%).

NOTE D : CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	As of	
	December 31, 2020	December 31, 2019
Cash in hand	575	927
Balance with banks	2,912,232	2,899,252
Total	2,912,807	2,900,179

NOTE E : ACCOUNTS RECEIVABLE, NET

Accounts receivable as of December 31, 2020 and December 31, 2019 represent due from customers of \$ 4,016,764 and \$ 3,496,019 respectively. Accounts receivable, net, are stated net of provision for doubtful receivables and other allowances.

	As of	
	December 31, 2020	December 31, 2019
Accounts receivable	4,136,148	3,605,121
Less: provision for doubtful receivables and other allowances	(119,384)	(109,102)
Accounts receivable, net of allowances	4,016,764	3,496,019

The activity in provision for doubtful receivables and other allowances is given below:

	December 31, 2020	December 31, 2019
Balance at beginning of the year	(109,102)	-
Provision for doubtful receivables and other allowances	(119,384)	(109,102)
Reversal of provision for doubtful receivables and other allowances	109,102	-
Balance at the end of the year	(119,384)	(109,102)

NOTE F : INVENTORIES, NET

Major classes of inventory are as follows:

	As of	
	December 31, 2020	December 31, 2019
Raw material	325,092	605,021
Work in progress	1,074,909	1,955,326
Finished goods	1,106,001	1,391,772
Inventory reserve	(140,202)	(180,000)
Total	2,365,800	3,772,119

The activity in inventory reserve is given below:

	December 31, 2020	December 31, 2019
Balance at beginning of the year	(180,000)	(160,000)
Provision during the year	-	(20,000)
Reversal of provision during the year	39,798	-
Balance at the end of the year	(140,202)	(180,000)

NOTE G : PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant, and equipment includes the following:

	As of	
	December 31, 2020	December 31, 2019
Building improvements	1,213,511	1,112,317
Machinery and equipment	38,649,252	37,697,682
Equipment under finance lease	135,480	-
Production tools and dies	1,041,635	1,292,203
Vehicles	153,133	153,133
Construction-in-progress	432,509	493,150
	41,490,040	40,748,485
Less: accumulated depreciation	(28,663,741)	(26,737,914)
Property, plant and equipment, net	12,826,299	14,010,571

Depreciation expense for the year ended December 31, 2020 was \$ 2,110,397 (for the year ended December 31, 2019 \$ 1,985,800).

NOTE H : INTANGIBLE ASSETS, NET

Intangible assets include the following:

	As of	
	December 31, 2020	December 31, 2019
Software	726,762	701,199
Less: accumulated depreciation	(671,715)	(542,136)
Intangible assets, net	55,047	159,063

Amortization expense for the year ended December 31, 2020 was \$ 129,579 (for the year ended December 31, 2019 \$ 160,188).

NOTE I : RECEIVABLE FROM RELATED PARTIES

Receivable from related parties include:

	As of	
	December 31, 2020	December 31, 2019
Bharat Forge CDP GmbH	-	15,466
Bharat Forge Aluminum USA, Inc.	154,743	1,066,530
Total	154,743	1,081,996

(Refer Note R)

Bharat Forge PMT Technologie, LLC

NOTE J : PAYABLE TO RELATED PARTIES

Payable to related parties include:

	As of	
	December 31, 2020	December 31, 2019
Bharat Forge Global Holding GmbH (Germany)	-	60,620
Bharat Forge Limited	7,749	24,790
Bharat Forge Tennessee, Inc.	450,000	360,717
Bharat Forge America, Inc.	2,706,560	4,953,331
Total	3,164,309	5,399,458

(Refer Note R)

NOTE K : OTHER CURRENT LIABILITIES

Other current liabilities include:

	As of	
	December 31, 2020	December 31, 2019
Accrued expenses	208,659	315,009
Current obligations under capital leases	25,614	-
Employee related liabilities	382,035	222,439
Total	616,308	537,448

NOTE L : LONG TERM CAPITAL LEASE OBLIGATION

Long term capital lease obligation is calculated as-

	As of	
	December 31, 2020	December 31, 2019
Total capital lease obligation	117,309	-
Less: Current portion	(25,614)	-
Long term capital lease obligations	91,695	-

NOTE M : PAYCHECK PROTECTION PROGRAM

On April 23, 2020, the Company received loan proceeds amounting to \$ 1,420,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks ("the covered period" as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The Company intends to apply for 100% PPP loan forgiveness with Truist Bank ("Lender"). As of December 31, 2020, the Company does not have a reasonable assurance that loan amount will be 100% forgiven and therefore, the Company has recognized the entire loan proceeds of \$ 1,420,000 as of December 31, 2020 as a loan liability. Of the aforementioned balance, \$ 1,085,882 has been classified as current maturities as of December 31, 2020 on the balance sheet. The interest accrued on the said loan amounts to \$ 9,901 for the year ended December 31, 2020, whole of which was outstanding as of the year then ended.

NOTE N : COMMITMENTS AND CONTINGENCIES**Lease obligations****Operating leases**

The Company is obligated under operating leases with unrelated parties primarily for equipment. The rental expense for the year ended December 31, 2020 is \$ 551,179 (for the year ended December 31, 2019 \$ 547,536).

As of December 31, 2020, future rental commitments for the non-cancelable leases are as follows:

Years ending December 31,	Amount
2021	457,889
2022	416,453
2023	404,470
2024	394,083
2025	391,608
Thereafter	454,824
Total minimum lease payments	2,519,327

Capital leases

The company has taken two equipment under capital lease. The minimum future lease payments under capital lease as of December 31, 2020 are as follows:

Years ending December 31,	Amount
2021	30,792
2022	30,792
2023	30,792
2024	30,792
2025	10,264
Total minimum lease payments	133,432

NOTE O : INCOME TAXES

For the year ended December 31, 2020, the limited liability company will file a federal tax return as per applicable regulations in the United States of America. Generally, the income of a 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. The company files the entity level return in the state of Tennessee.

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:

Bharat Forge PMT Technologie, LLC

	As of	
	December 31, 2020	December 31, 2019
Non-current deferred tax liabilities		
Property, plant, and equipment	(396,357)	(647,999)
Total deferred tax liabilities	(396,357)	(647,999)
Non-current deferred tax assets		
Inventory	5,634	12,032
Inventory obsolescence	9,113	11,700
Provision for bad debts	7,760	7,092
Interest disallowed	-	3,912
State tax credit carryforward	168,981	184,644
State net operating loss carryforward	2,042,243	2,016,134
Total deferred tax assets	2,233,731	2,235,514
Net deferred taxes	1,837,374	1,587,515
Less: Deferred tax assets valuation allowance	(1,837,374)	(1,587,515)
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 \$1,837,374 and \$1,587,515 has been created as of December 31, 2020 and December 31, 2019 respectively.

The Company has net operating loss (NOL's) carryforward in the State of Tennessee of approximately \$31,419,129 as of December 31, 2020, which, if unutilized will expire during the years 2027 through 2035.

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 of December 31, 2020.

The tax years of 2017 through 2019 remain subject to examination by the taxing authorities.

NOTE P : REVENUE FROM CONTRACTS WITH CUSTOMERS**Disaggregated revenue information**

	For the year ended	
	December 31, 2020	December 31, 2019
Type of goods or services		
Sale of manufactured products	25,945,324	38,757,764
Total	25,945,324	38,757,764
Timing of revenue recognition		
Goods transferred at a point of time	25,945,324	38,757,764
Total	25,945,324	38,757,764

NOTE Q : 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, 2020 was \$ 117,554 (for the year ended December 31, 2019 it was \$ 154,449).

NOTE R : 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, 2019 and 2018, respectively) (BFL)

B. Parent company

1. Bharat Forge America, Inc. (owning approximately 82% of the membership interest) (BFA)
2. Bharat Forge Tennessee, Inc. (owning approximately 18% of the membership interest) (BFT)

C. Other related parties where common control exists

1. Bharat Forge CDP GmbH (CDP)
2. Bharat Forge Global Holding GmbH (Germany) (GMBH)
3. Bharat Forge Aluminum USA, Inc (BFALU)

The Company had transactions relating to accounts payable with following related parties:

BFL

BFL charged \$ 23,375 on account of commission for loan guarantee and other expenses for the year ended December 31, 2020 (December 31, 2019: \$ 24,790). The Company has payables outstanding to BFL amounting to \$ 7,749 as of December 31, 2020 and \$ 24,790 as of December 31, 2019.

BFA

To facilitate smooth operations the parent company, BFA, has obtained loan from bank, the proceeds thereof are used by the Company for capital and other expenditure. BFA pays interest to the bank on the loan amount and recovers the interest paid from the Company, to the extent of proceeds used during the years ended

Bharat Forge PMT Technologie, LLC

December 31, 2020 and December 31, 2019. The total interest allocated to the Company during the year ended December 31, 2020 was \$ 230,890 (\$ 399,460 for the year ended December 31, 2019).

The net payable on account of the transactions processed by BFA on behalf of PMT as of December 31, 2020 was \$ 2,706,560 and as of December 31, 2019 was \$ 4,953,331. The aforesaid balance includes interest allocated to the Company by BFA.

BFT

The Company has obtained 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, 2020 was \$ 360,000, and for year ended December 31, 2019 was \$ 360,000. Intercompany rent payable to BFT as of December 31, 2020 was \$ 450,000 and December 31, 2019 was \$ 390,000.

During the year ended December 31, 2019, income tax of \$ 29,283 was paid by the Company on behalf of Bharat Forge Tennessee, Inc. The same amount was receivable from BFT as of December 31, 2019

The net payable to BFT as of December 31, 2020 was \$ 450,000 and December 31, 2019 was \$ 360,717.

CDP

The Company has receivables outstanding from Bharat Forge CDP GmbH for expenses incurred on behalf of CDP, amounting to \$ NIL as of December 31, 2020 and \$ 15,466 as of December 31, 2019.

GmbH

The Company has payables outstanding to Bharat Forge Global Holding GmbH (Germany) amounting to \$ NIL as of December 31, 2020 and \$ 60,620 as of December 31, 2019.

BFALU

Expenses on account of interest, commission and other expenses totaling \$ 154,743 for the year ended December 31, 2020 and \$ 1,066,530 on account of capital expenditure and interest for the year ended December 31, 2019 were paid by the Company on behalf of BFALU. The same was outstanding as of December 31, 2020 and December 31, 2019 respectively.

NOTE 5 : SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 29, 2021 which is the date the financial statements were issued. No material subsequent event has been noted.

Impact of COVID-19

The management of the Company has evaluated the possible effect of COVID-19 on the carrying amount of accounts receivables and other assets and believes that the current COVID-19 scenario has not materially impacted the financial statement for the year ended December 31, 2020. The Company will continue to monitor developments to identify significant uncertainties surrounding COVID-19 and its impact on performance of the Company for future periods. Subsequent events have been evaluated through April 29, 2021 which is the date the financial statements are issued. No material subsequent events were noted

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Bharat Forge Aluminum USA, Inc.

Directors

Mr. A. B. Kalyani

Mr. Ravindra Nagarkar

Mr. Michael Weis

Auditors

KNAV P. A

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990 Hammond Drive NE,

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160, Mine lake

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U.S.A.

Independent Auditor's Report

Board of Directors

Bharat Forge Aluminum USA, Inc.

We have audited the accompanying financial statements of Bharat Forge Aluminum USA, Inc. ("the Company") which comprise the balance sheets as of December 31, 2020 and December 31, 2019, and the related statements of loss, stockholder's equity (deficit), and cash flows for the year ended December 31, 2020 and for the period September 27, 2019 to December 31, 2019 and 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 audits. We conducted our audits 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 of December 31, 2020, and December 31, 2019 and the result of its operations, and cash flows for the year ended December 31, 2020 and for the period September 27, 2019 to December 31, 2019, respectively, in accordance with accounting principles generally accepted in the United States of America.

Atlanta, Georgia

April 29, 2021

Bharat Forge Aluminum USA, Inc.

Balance sheet as on 31st December, 2020

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

	As of 31/12/2020		As of 31/12/2019
	Rs.	USD	USD
Assets			
Current assets			
Cash and cash equivalents	51,046,000	694,459	87,552
Receivable, related party	14,701	200	-
Total current assets	51,060,701	694,659	87,552
Capital work -in-progress	3,105,767,701	42,252,641	733,326
Capital advances	158,035,105	2,150,000	3,102,425
Other assets	161,710	2,200	-
Total assets	3,315,025,217	45,099,500	3,923,303
Liabilities and Stockholder's Equity (Deficit)			
Current liabilities			
Accounts payable	235,122,275	3,198,738	116,966
Payable to related parties (refer note E)	1,484,015,864	20,189,401	5,440,823
Short term borrowings	1,102,570,500	15,000,000	-
Current maturities of paycheck protection plan	8,163,800	111,065	-
Other current liabilities	3,389,890	46,118	200
Total current liabilities	2,833,262,329	38,545,322	5,557,989
Non-current liabilities			
Non-current portion of paycheck protection plan	1,237,452	16,835	-
Total liabilities	2,834,499,781	38,562,157	5,557,989
Stockholder's equity (deficit)			
Common stock (no par value, authorised 100 shares, issued and outstanding 10 shares)	7,350	100	100
Additional paid in capital	808,551,700	11,000,000	-
Accumulated deficit	(328,033,614)	(4,462,757)	(1,634,786)
Total stockholder's equity (deficit)	480,525,436	6,537,343	(1,634,686)
Total liabilities and stockholder's equity (deficit)	3,315,025,217	45,099,500	3,923,303

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

Statements of loss

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

	Year ended 31/12/2020		Period ended 31/12/2019
	Rs.	USD	USD
Costs and expenses			
General and administrative expenses	207,869,160	2,827,971	1,591,329
Interest expense	-	-	43,457
Total cost and expenses	207,869,160	2,827,971	1,634,786
Loss before income tax	(207,869,160)	(2,827,971)	(1,634,786)
Current income tax	-	-	-
Net loss	(207,869,160)	(2,827,971)	(1,634,786)

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

**Statement of stockholder's equity
For the year ended December 31, 2020, and for the period September 27, 2019 to December 31, 2019**

	Common Stock										Total Stockholder's equity (deficit)	
	Authorized		Issued & outstanding			Additional paid in capital		Accumulated Deficit		Total Stockholder's equity (deficit)		
	Shares	Rs.	USD	Shares	Rs.	USD	Rs.	USD	Rs.	USD		
Balance as of September 27, 2019	-	-	-	-	-	-	-	-	-	-	-	-
Common stock authorized, issued and outstanding (no par value)	100	73,505	1,000	10	7,350	100	-	-	-	7,350	100	100
Net loss during the period	-	-	-	-	-	-	-	(120,164,454)	(1,634,786)	(120,164,454)	(1,634,786)	(1,634,786)
Balance as of December 31, 2019	100	73,505	1,000	10	7,350	100	-	(120,164,454)	(1,634,786)	(120,157,104)	(1,634,686)	(1,634,686)
Balance as of January 1, 2020	100	73,505	1,000	10	7,350	100	-	(120,164,454)	(1,634,786)	(120,157,104)	(1,634,686)	(1,634,686)
Additional paid in capital	-	-	-	-	-	-	808,551,700	11,000,000	-	808,551,700	11,000,000	11,000,000
Net loss during the year	-	-	-	-	-	-	-	(207,869,160)	(2,827,971)	(207,869,160)	(2,827,971)	(2,827,971)
Balance as at December 31, 2020	100	73,505	1,000	10	7,350	100	808,551,700	11,000,000	(4,462,757)	480,525,436	6,537,343	6,537,343

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

Statement of cash flows

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

	Year ended December 31, 2020		Period ended December 31, 2019
	Rs.	USD	USD
Cash flow from operating activities			
Net loss	(207,869,160)	(2,827,971)	(1,634,786)
Changes in net operating assets and liabilities			
Other assets	(161,710)	(2,200)	-
Receivables, related party	(14,701)	(200)	-
Accounts payable, related party and others	901,196,583	12,260,394	1,722,038
Other current liabilities	3,375,189	45,918	200
Net cash provided by operating activities	696,526,201	9,475,941	87,452
Cash flow from investing activities			
Capital work-in-progress and capital advances	(2,572,439,135)	(34,996,934)	-
Net cash user in investing activities	(2,572,439,135)	(34,996,934)	-
Cash flow from financing activities			
Proceeds from short term borrowings	1,102,570,500	15,000,000	-
Proceeds from long term debt	9,401,251	127,900	-
Proceeds from additional paid in capital	808,551,700	11,000,000	-
Proceeds from issuance of equity shares	-	-	100
Net cash provided by operating activities	1,920,523,451	26,127,900	100
Net increase in cash and cash equivalents	44,610,517	606,907	87,552
Cash and cash equivalents at the beginning of the year/ period	6,435,483	87,552	-
Cash and cash equivalents at the end of the year/ period	51,046,000	694,459	87,552

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

Notes to Financial Statements

NOTE A : NATURE OF OPERATIONS

Bharat Forge Aluminum USA, Inc. (hereinafter referred to as "BFALU" or the "Company") was incorporated in the State of North Carolina on September 27, 2019 and is a wholly owned subsidiary of Bharat Forge America Inc ("BFA").

The Company's operations include manufacturing and selling of forged and machined components including aluminum castings for auto and industrial sector. The Company is in a set-up and construction phase and is yet to commence revenue generating activities.

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:

1. Basis of preparation

- a. All amounts are stated in United States Dollars, except as otherwise specified.
- b. The financial statements are for the year ended December 31, 2020 and for the period September 27, 2019 to December 31, 2019.

2. 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. 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. Any changes in accounting estimates are recognized prospectively in the current and future periods.

3. 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 carryforwards. 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.

The Company is a member of a group that files a consolidated federal tax return. Accordingly, income taxes payable to the tax authority is recognized on the financial statements of the parent company which is the taxpayer for income tax purposes. The Company approximates the amounts that would be reported if it were separately filing its tax return.

4. Revenue recognition

The Company is currently in a start-up phase and is expected to commence operations once the set-up for commercial production is completed.

Contract cost

The Company incurs certain incremental costs to obtain a contract that it expects to recover. The Company records an asset when these incremental costs to obtain a contract are incurred and amortize them on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The Company has elected the practical expedient permitting expensing of costs to obtain a contract when the expected amortization period is one year or less for prepaid service contracts.

4. Government grant

Government grant is recognized only when there is a reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received. The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic period.

5. 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.

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.

6. 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.

7. Capitalized interest

The Company capitalizes interest costs for qualifying assets. Qualifying assets are assets that require a significant amount of time to prepare for their intended use, including projects that are in the development or construction stages. Capitalized interest costs are considered an element of the historical cost of the qualifying asset. Capitalization ceases when the asset is substantially complete or if construction is interrupted for an extended period. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalized represents the borrowing costs specific to those borrowings. Where surplus funds available out of money borrowed specifically to finance a project are temporarily invested, the total capitalized interest is reduced by income generated from short-term investments of such funds.

8. 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.

9. 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.

10. Fair value measurement

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 payable and accrued liabilities. The estimated fair value of cash 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.

11. Recently issued accounting standards not yet adopted

In February 2016, the Financial Accounting Standards Board ("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, 2022. The Company is currently evaluating the impact of this standard on its financial statements.

NOTE C : CAPITAL WORK-IN-PROGRESS

Capital work-in-progress amounted to \$ 44,402,641 as of December 31, 2020 and \$ 3,835,751 as of December 31, 2019. Of the total amount as of December 31, 2020, capital advances amounted to \$ 2,150,000 (December 31, 2019: \$ 3,102,425). Capital advances were paid to a vendor to set up the plant and tooling facility in the year 2021.

NOTE D : OTHER CURRENT LIABILITIES

Other current liabilities include the following:

	As of December 31, 2020	As of December 31, 2019
Provision for franchise tax	200	200
Accrued interest	11,798	-
Employee related liabilities	34,120	-
Total	46,118	200

NOTE E : PAYABLES, RELATED PARTIES

Payables, related parties include the following:

	As of December 31, 2020	As of December 31, 2019
Bharat Forge America Inc.	15,922,620	3,558,412
Bharat Forge PMT Technologie, LLC	154,743	1,066,530
Bharat Forge Aluminiumtechnik GmbH	3,359,533	741,454
Bharat Forge Global Holding GmbH	216,000	70,030
Bharat Forge Limited	52,192	4,397
Bharat Forge CDP GmbH	484,313	-
Total	20,189,401	5,440,823

NOTE F : GOVERNMENT GRANT**Paycheck Protection Program**

On April 23, 2020, the Company received loan proceeds amounting to \$ 127,900 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks ("the covered period" as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The Company intends to apply for 100% PPP loan forgiveness with Truist Bank ("Lender"). As of December 31, 2020, the Company does not have a reasonable assurance that loan amount will be 100% forgiven and therefore, the Company has recognized the entire loan proceeds of \$ 127,900 as of December 31, 2020 as a loan liability. Of the aforementioned balance, \$ 111,065 has been classified as current maturities as of December 31, 2020 on the balance sheet. The interest accrued on the said loan amounts to \$ 962 for the year ended December 31, 2020, whole of which was outstanding as of the year then ended.

Community Economic Development NC

The Company is entitled to receive incentives from Community Economic Development North Carolina in the form of business development grants over a period of 12 years amounting to \$ 3,543,300 from the year ending December 31, 2021. As per the terms of the grant, the Company is liable to fulfil the following conditions:

- Invest an amount of \$ 34,400,000 in fixed assets on or before the year ending December 31, 2025.
- Create job opportunities as per the threshold for 12 years grant period.

NOTE G : SHORT TERM BORROWINGS

Short term borrowings include the following:

	As of	
	December 31, 2020	December 31, 2019
Line of credit	15,000,000	-
Total	15,000,000	-

Under an uncommitted line of credit agreement with a bank, the Company has available borrowings of \$ 15,000,000 through June 16, 2021. The interest rate as per the agreement was stipulated at 1% plus the applicable LIBOR (an average effective rate of 2.47% for the year ended December 31, 2020).

During the year ended December 31, 2020, the Company borrowed loans amounting to \$ 15,000,000 the whole of which is outstanding as of the year then ended. The line of credit is unsecured.

The interest expense for the year ended December 31, 2020 was \$ 226,627 (\$ Nil for the year ended December 31, 2019). The interest outstanding as of December 31, 2020 was \$ 11,799 and December 31, 2019 was \$ Nil.

NOTE H : INCOME TAXES

The Company will file a consolidated federal tax return as per regulations applicable to Chapter C corporations in the United States of America. For the year ended March 31, 2021, the Company will file state tax return in states where nexus is determined as per regulations applicable to Chapter C corporations in the United States.

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 of	
	December 31, 2020	December 31, 2019
Non-current deferred tax assets		
Interest disallowed	-	9,126
Unpaid related party provision disallowed u/s 267	10,960	-
Start-up costs	916,449	333,087
Net operating losses	9,210	1,134
Total deferred tax asset	936,619	343,347
Total deferred tax liability	-	-
Net deferred taxes	936,619	343,347
Less: deferred tax asset valuation allowance	(936,619)	(343,347)
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 \$ 936,619 and \$ 343,347 has been created as of December 31, 2020 and

December 31, 2019, respectively.

As of December 31, 2020, the Company has federal net operating loss (NOL's) carryforwards of approximately \$ 43,856, as per Tax Cuts and Jobs Act it will be carried forward indefinitely for utilization.

The Company has state NOL's carryforward in North Carolina state of approximately \$ 43,657 as of December 31, 2020, which if unutilized will expire in the year 2034 through 2035.

Accounting for uncertain tax position

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 of December 31, 2020.

The tax year 2019 remain subject to examination by the taxing authorities.

NOTE I : 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, 2020 is \$ 24,283 (for the year ended December 31, 2019 \$ NIL).

The rent agreement is effective till Feb 28, 2021.

As of December 31, 2020, future rental commitments for the non-cancelable leases are as follows:

Year ending December 31,	Amount
2021	4,400
Total minimum lease payments	4,400

NOTE J : 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.) (BFL)

B. Parent company

Bharat Forge America Inc. (owning 100% of common stock) (BFA)

C. Other related parties where common control exists

1. Bharat Forge PMT Technologie, LLC (PMT)
2. Bharat Forge Global Holding GmbH (GmbH)
3. Bharat Forge Aluminiumtechnik GmbH (BFAT)
4. Bharat Forge CDP GmbH (CDP)
5. Kalyani Precision Machining, Inc (KPM)
6. Kalyani Technoforge Limited (KTFL)

The Company had transactions with following related parties:

GmbH

Travel and other expenses of the Company amounting to \$ 216,000 were paid by GmbH for the year ended December 31, 2020 (December 31, 2019: \$ 70,030). The same were payable as of December 31, 2020 and December 31, 2019.

BFAT

The expenses capitalized on account of capital advances and capital expenditure amounting to \$ 3,359,533 were payable to BFAT as of December 31, 2020.

The expenses on account of capital expenditure and quick savings of \$ 741,454 were paid by BFAT and were payable as of December 31, 2019.

BFA

To facilitate smooth operations the parent company, BFA, has obtained loan from bank, the proceeds thereof are used by the Company for capital and other expenditure. The said loans are allocated to the Company and in turn repaid by the Company directly to the bank or to BFA. BFA pays interest to the bank on the loan amount and recovers the interest paid from the Company to the extent of proceeds used during the year ended December 31, 2020 and period ended December 31, 2019. The total interest charged to the Company was \$ 403,429 for the year ended December 31, 2020 and \$ 43,457 for the period ended December 31, 2019.

The net payable to BFA on account of the aforesaid amounted to \$ 15,922,620 as of December 31, 2020 and \$ 3,558,412 as of December 31, 2019.

PMT

Expenses on account of interest, commission and other expenses amounting to \$ 154,743 for the year ended December 31, 2020 and \$ 1,066,530 on account of capital expenditure and interest for the year ended December 31, 2019 were paid by PMT on behalf of the Company. The same was payable as of December 31, 2020 and December 31, 2019, respectively.

BFL

Commission and interest on loan expenses of the Company of \$ 52,192 were due to Bharat Forge Limited. as of December 31, 2020, and \$ 4,397 as of December 31, 2019.

CDP

Professional and project fees of the Company of \$ 484,313 were due to Bharat Forge CDP GmbH as of December 31, 2020 and Nil as of December 31, 2019.

KPM

The net receivable from KPM amounted to \$ 200 as on December 31, 2020 and NIL as on December 31, 2019 for taxes paid by the company on behalf of KPM.

KTFL

Consulting fees of \$ 260,612 were charged by KTFL for the year ended December 31, 2020 and NIL for the year ended December 31, 2019. The same was paid during the year.

NOTE K : RISKS AND UNCERTAINTIES

The Company's future results of operations involve several risks and uncertainties.

Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, competitive factors, including but not limited to pricing pressures; deterioration in general economic conditions; the Company's ability to effectively manage operating costs and increase operating efficiencies; declines in revenues; technological and market changes; the ability to attract and retain qualified employees and the Company's ability to execute on its business plan.

NOTE L : FAIR VALUE MEASUREMENT

Financial assets and liabilities held by the Company are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature.

NOTE M : COMMON STOCK

Common stock authorized, issued and outstanding

The authorized common stock is 100 shares with a par value of NIL as of December 31, 2020 and December 31, 2019 of which 10 shares were issued as of that date.

Voting

Each holder of common stock is entitled to one vote in respect of each share held by him 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 N : SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 29, 2021 which is the date the financial statements are issued. No material subsequent events were noted.

Impact of COVID-19

The management of the Company has evaluated the possible effect of COVID-19 on the carrying amount of accounts receivables and other assets and believes that the current COVID-19 scenario has not materially impacted the financial statement for the year ended December 31, 2020. The Company will continue to monitor developments to identify significant uncertainties surrounding COVID-19 and its impact on performance of the Company for future periods.

Kalyani Precision Machining, Inc.

Directors

Mr. A. B. Kalyani

Mr. Ravindra Nagarkar

Auditors

KNAV P. A

One Lakeside

Commons, Suite 850

990 Hammond Drive NE,

Atlanta, GA 30328

Registered Office

160, Mine lake

Court, Suite 200,

Raleigh, NC 27615

U.S.A.

Independent Auditor's Report

Board of Directors

Kalyani Precision Machining, Inc.

We have audited the accompanying financial statements of Kalyani Precision Machining, Inc. ("the Company") which comprise the balance sheets as of December 31, 2020 and December 31, 2019, and the related statements of loss, stockholder's deficit, and cash flows for the year ended December 31, 2020 and period September 27, 2019 to December 31, 2019 (period) 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 of December 31, 2020 and December 31, 2019 and the result of its operations, stockholder's deficit and the cash flows for the year and period then ended respectively, in accordance with accounting principles generally accepted in the United States of America.

Atlanta, Georgia

April 29, 2021

Financial statements
December 31, 2020 and December 31, 2019
Balance Sheets

	As of		
	December 31, 2020	December 31, 2020	December 31, 2019
	Rs.	USD	USD
Assets			
Current assets			
Cash and Cash equivalents	7,350	100	-
Receivable from related party	-	-	100
Total current assets	7,350	100	100
Total assets	7,350	100	100
Liabilities and Stockholder's Deficit			
Current liabilities			
Payables, related party	14,701	200	-
Other current liabilities	14,701	200	200
Total current liabilities	29,402	400	200
Stockholder's deficit			
Common stock (no par value, authorized 100 shares, issued and outstanding 10 shares)		-	-
Additional paid in capital	7,350	100	100
Accumulated deficit	(29,402)	(400)	(200)
Total stockholder's deficit	(22,052)	(300)	(100)
Total liabilities and stockholder's deficit	7,350	100	100

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

Financial statements
December 31, 2020 and December 31, 2019
Statements of loss

	For the year ended December 31,2020	For the year ended December 31,2020	For the period ended December 31,2019
	Rs.	USD	USD
Costs and expenses			
Selling, general and administrative expenses	14,701	200	200
Total cost and expenses	14,701	200	200
Current income tax	-	-	-
Net Loss	(14,701)	(200)	(200)

**Financial statements
December 31, 2020 and December 31, 2019
Statement of stockholder's deficit
For the year ended December 31, 2020 and period September 27, 2019 to December 31, 2019**

Particulars	Common Stock										
	Authorized		Issued and outstanding			Accumulated deficit		Additional paid in capital		Total stockholder's deficit	
	Shares	Rs.	USD	Shares	Rs.	USD	Rs.	USD	Rs.	USD	
Balance as at September 27, 2019	-	-	-	-	-	-	-	-	-	-	-
Common stock authorized, issued and outstanding (no par value)	100	-	-	10	-	-	-	-	-	-	-
Additional paid in capital	-	-	-	-	-	-	-	7,350	100	7,350	100
Net Loss	-	-	-	-	(14,701)	(200)	(14,701)	(200)	(14,701)	(200)	(200)
Balance as at December 31, 2019	100	-	-	10	(14,701)	(200)	(14,701)	7,350	100	(7,351)	(100)
Balance as at January 1, 2020	100	-	-	10	(14,701)	(200)	(14,701)	7,350	100	(7,351)	(100)
Net Loss	-	-	-	-	(14,701)	(200)	(14,701)	-	-	(14,701)	(200)
Balance as at December 31, 2020	100	-	-	10	(29,402)	(400)	(29,402)	7,350	100	(22,052)	(300)

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

Financial statements
December 31, 2020 and December 31, 2019
Statement of cash flows

	For the year ended December 31 , 2020	For the year ended December 31 , 2020	For the period ended December 31 , 2019
	Rs.	USD	USD
Cash flows from operating activities			
Net loss	(14,701)	(200)	(200)
Adjustments to reconcile net loss to net cash used in operating activities	-	-	-
Changes in net operating assets and liabilities			
Receivables, related parties	7,350	100	-
Payables, related parties	14,701	200	-
Other current liabilities	-	-	200
Net cash used in operating activities	7,350	100	-
Net increase in cash and cash equivalents	7,350	100	-
Cash and cash equivalents at the beginning of the year	-	-	-
Cash and cash equivalents at the end of the year	7,350	100	-
Supplementary disclosure of cash flow information			
Income tax paid	-	-	-
Receivable from parent for issuance of shares	-	-	100

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

Notes to Financial Statements

NOTE A : NATURE OF OPERATIONS

Kalyani Precision Machining, Inc. (hereinafter referred to as "KPM" or the "Company") was incorporated in the State of North Carolina on September 27, 2019 and is a wholly owned subsidiary of Bharat Forge America Inc ("BFA").

The Company is in a start-up phase and is yet to commence revenue generating activities. The Company will offer in-house machining facilities for various product lines enabling products to be supplied either in the pre-machined or completely machined condition, ready for installation with exceptional quality.

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:

1. Basis of preparation

- a. All amounts are stated in United States Dollars, except as otherwise specified.
- b. The financial statements are for the year ended December 31, 2020 and period September 27, 2019 to December 31, 2019.

2. 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. 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. Any changes in accounting estimates are recognized prospectively in the current and future periods.

3. 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 carryforwards. 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.

The Company is a member of a group that files a consolidated federal tax return. Accordingly, income taxes payable to the tax authority is recognized on the financial statements of the parent company which is the taxpayer for income tax purposes. The Company approximates the amounts that would be reported if it were separately filing its tax return.

4. Revenue recognition

The Company is currently in a start-up phase and is expected to commence operations once the set-up for commercial production is completed.

5. Government incentives

The Company receives incentives from Community Economic Development North Carolina in the form of business development grants. These grants will be recognized at their fair values in the statement of income where there is a reasonable assurance that all grant conditions have been complied with and the grant will be received.

6. 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.

7. Fair value measurement

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 accounts receivable and accrued liabilities. The estimated fair value of related party receivable and 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.

NOTE C : INCOME TAXES

The Company will file a federal tax return as a member of Bharat Forge America Inc. consolidated group for the year ended December 31, 2020.

The Company will file combined state tax returns in states where nexus is determined, and combined filing is required or permitted based on the state statutes.

The Company was incorporated on September 27, 2019 and had no operations since then, hence no current or deferred taxes have been provided in the financial statements.

The provision for franchise taxes amounted to \$ 200 which is the minimum tax for state of North Carolina for the year December 31, 2020 (December 31, 2019: \$ 200). The amount of \$ 200 pertaining to the year 2019 was paid by Bharat Forge Aluminium Inc on behalf of the Company. The payable balance outstanding as on December 31, 2020 amounted to \$ 200.

Accounting for uncertain tax position

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 of December 31, 2020.

NOTE D : GOVERNMENT INCENTIVES

The Company is entitled to receive grant over a period of 12 years amounting to \$ 1,560,600 from the year ending December 31, 2023. As per the terms of the grant, the Company is liable to fulfil the following conditions:

- Invest an amount of \$ 34,400,000 in fixed assets on or before the year ended December 31, 2025
- Create job opportunities as per the threshold for 12 years grant period.

NOTE E : RELATED PARTY TRANSACTIONS

The Company had transactions with -

A. Other related parties where common control exists

- i. Bharat Forge Aluminum Inc (BFALU)

The Company had transactions relating to accounts payable with following related parties:

BFALU

The net payable to BFALU amounted to \$200 as on December 31, 2020 and NIL as on December 31, 2019 for taxes paid by BFALU on behalf of the company.

NOTE F : RISKS AND UNCERTAINTIES

The Company's future results of operations involve several risks and uncertainties.

Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, competitive factors, including but not limited to pricing pressures; deterioration in general economic conditions; the Company's ability to effectively manage operating costs and increase operating efficiencies; declines in revenues; technological and market changes; the ability to attract and retain qualified employees and the Company's ability to execute on its business plan.

NOTE G : FAIR VALUE MEASUREMENT

Financial assets and liabilities held by the Company are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature.

NOTE H : COMMON STOCK

Common stock authorized, issued and outstanding

The authorized common stock is 100 shares with a par value of NIL as of December 31, 2020 and December 31, 2019 of which 10 shares were issued as of that date.

Voting

Each holder of common stock is entitled to one vote in respect of each share held by him 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 I : SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 29, 2021 which is the date the financial statements were issued. No material subsequent event has been noted.

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Analogic Controls India Limited

Directors

Mr. Kishore Mukund Saletore

Mr. Rajinder Singh Bhatia

Mr. Vikram Manohar Munje

Mr. Neelesh Vijay Tungar

Mr. Rudra Jadeja

Auditors

CA Hrushikesh S. Kulkarni

Chartered Accountant

Plot No 55, Niwara Co-op Society,

Shridharnagar, Dhankawadi,

Pune 411 043

Registered Office

Survey No. 23/2,

P.O. Gundlapochampally,

Medchal Mandal, RR Dist.,

Hyderabad 500 014

Independent Auditor's Report

To the Members of Analogic Controls India Limited

Report on the Financial Statements

Opinion

I have audited the accompanying financial statements of **Analogic Controls India Limited** ("the Company") which comprises the Balance Sheet as at 31st March, 2021, the Statement of Profit and Loss including other comprehensive income, the 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 and other explanatory information.

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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, and its loss including other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

I conducted my audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. My responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to my audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

I have determined that there are not key audit matters to be reported in my report.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the Board's Report including Annexures to Board's Report, but does not include the financial statements and my auditor's report thereon. The Board's Report including Annexures to Board's Report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the Board's Report including Annexures to Board's Report if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and take such actions as are required under the provisions of the Companies Act, 2013.

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. 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.

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

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

Auditor's Responsibilities for Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, I am also responsible for expressing my opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced.

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

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

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, to the extent applicable.
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 Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.
 - e) On the basis of written representations received from the directors as on 31st March, 2021, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021, 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) The Company has not paid any managerial remuneration during the financial year covered by this report. Accordingly, reporting requirements under Section 197(16) of the Act do not apply to the Company.
 - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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.

Hrushikesh Kulkarni

Chartered Accountant

Membership No. 160187

UDIN : 21160187AAAAAP9255

Place : Pune

Date : 13th May, 2021

“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, 2021.

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:

- (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 material discrepancies were noticed on physical verification of the fixed assets.
- (c) The Company does not own any immovable properties.
- (ii) 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, discrepancies noticed by the management on physical verification of stocks have been properly dealt with in the books of account.
- (iii) The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register 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 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. 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, 2021 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.
- (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.
- (iv) 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.

Hrushikesh Kulkarni

Chartered Accountant

Membership No. 160187

UDIN : 21160187AAAAAP9255

Place : Pune

Date : 13th May, 2021

“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, 2021

I have audited the internal financial controls over financial reporting of **Analogic Controls India Limited** (“the Company”) as of 31st March, 2021 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, 2021, 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.

Hrushikesh Kulkarni

Chartered Accountant

Membership No. 160187

UDIN : 21160187AAAAAP9255

Place : Pune

Date : 13th May, 2021

Analogic Controls India Limited

Balance Sheet as at 31st March, 2021

	Note No.	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
I ASSETS			
1 Non-current Assets			
(a) Property, Plant and Equipment	3	15,712,977	13,237,661
(b) Right of use assets	4	4,389,314	1,519,431
(c) Capital Work-in-Progress		452,011	2,760,479
(d) Intangible assets	5	-	33,985
(e) Intangible assets under development		310,500	310,500
(f) Financial Assets			
(i) Non current loans	6	215,050	223,050
(g) Other non current assets	7	2,507,633	906,208
(h) Income tax assets (net)	8	-	118,622
		23,587,485	19,109,936
2 Current Assets			
(a) Inventories	9	29,439,874	30,744,645
(b) Financial Assets			
(i) Trade receivables	10	31,195,284	6,028,901
(ii) Cash and cash equivalents	11	636,437	3,326,432
(iii) Bank balances other than (ii) above	11	2,900,000	30,914,600
(iv) Current Loans	12	33,000	-
(v) Other financial assets	13	521,098	565,524
(c) Other Current Assets	14	1,982,625	1,995,211
		66,708,318	73,575,313
TOTAL		90,295,803	92,685,249
II EQUITY AND LIABILITIES			
1 Equity			
(a) Equity Share Capital	15	184,896,700	184,896,700
(b) Other Equity	15	(115,359,665)	(112,413,583)
		69,537,035	72,483,117
2 Non-current Liabilities			
(a) Financial Liabilities			
(i) Lease Liability	16	3,086,974	-
(b) Provisions	17	2,183,083	1,708,334
(c) Deferred tax liabilities (Net)	18	-	-
(d) Other Non Current Liabilities	19	61,491	99,845
		5,331,548	1,808,179
3 Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	20	2,711,529	2,711,529
(ii) Trade payables			
Dues of micro enterprises and small enterprises	21	244,892	166,913
Dues of creditors other than micro enterprises and small enterprises	21	5,848,625	6,856,597
(iii) Lease Liability	22	1,313,161	1,606,151
(iv) Other financial liabilities	23	1,408,310	1,525,002
(b) Provisions	24	2,736,983	2,179,255
(c) Other Current Liabilities	25	887,149	2,351,651
(d) Income tax liabilities (net)	26	276,571	996,855
		15,427,220	18,393,953
TOTAL		90,295,803	92,685,249
Significant Accounting Policies and Notes forming an integral part of the Financial Statements	1-52		

As per my attached report of even date,

On behalf of the Board of Directors,

Hrushikesh Kulkarni
Chartered Accountant
M.No 160187
UDIN : 21160187AAAAAP9255

Rajinder Bhatia
Director
DIN : 05333963
Place : Pune
Date : 13th May, 2021

Vikram Munje
Director
DIN : 02772991
Place : Pune
Date : 13th May, 2021

Place : Pune
Date : 13th May, 2021

B Raja Ramesh Reddy
Chief Financial Officer
Place : Hyderabad
Date : 13th May, 2021

Tanay Mishra
Company Secretary
Place : Pune
Date : 13th May, 2021

Statement of Profit and Loss for the year ended 31st March, 2021

	Note No.	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
I Revenue from Operations	27	42,988,540	87,043,943
II Other Income	28	5,749,100	3,198,681
III Total revenue		48,737,640	90,242,624
IV Expenses			
Cost of Material Consumed	29	31,290,692	18,147,534
Changes in inventories of work-in progress	30	(10,053,621)	15,012,862
Employee Benefit Expenses	31	11,703,626	10,329,937
Finance Costs	32	363,188	1,179,643
Depreciation & Amortisation Expense	33	4,499,462	3,790,739
Other Expenses	34	13,411,980	14,019,501
Total expenses		51,215,327	62,480,216
V Profit/(Loss) before tax		(2,477,687)	27,762,408
VI Tax expense			
Current tax		(398,497)	(6,974,411)
Deferred tax		-	-
		(398,497)	(6,974,411)
VII Profit/(Loss) for the year		(2,876,184)	20,787,997
VIII Other Comprehensive Income			
<u>Items that will not be reclassified subsequently to profit/loss</u>			
Remeasurement of the net defined benefit liability/asset		(69,898)	(239,191)
Total other comprehensive income, net of tax		(69,898)	(239,191)
VIII Total Comprehensive Income/(Loss) for the Year		(2,946,082)	20,548,806
IX Earnings per share (of ₹ 10/- each):			
Basic	40	(0.16)	1.12
Diluted	40	(0.16)	1.12
Significant Accounting Policies and Notes forming an integral part of the Financial Statements	1-52		

As per my attached report of even date,

On behalf of the Board of Directors,

Hrushikesh Kulkarni
Chartered Accountant
M.No 160187
UDIN : 21160187AAAAAP9255

Rajinder Bhatia
Director
DIN : 05333963
Place : Pune
Date : 13th May, 2021

Vikram Munje
Director
DIN : 02772991
Place : Pune
Date : 13th May, 2021

Place : Pune
Date : 13th May, 2021

B Raja Ramesh Reddy
Chief Financial Officer
Place : Hyderabad
Date : 13th May, 2021

Tanay Mishra
Company Secretary
Place : Pune
Date : 13th May, 2021

Statement of changes in equity for the year ended 31st March, 2021

a. Equity share capital

	As at 31 st March, 2021		As at 31 st March, 2020	
	Nos.	₹	Nos.	₹
Equity shares of B 10/- each issued, subscribed and fully paid up				
As at beginning of the year	18,489,670	184,896,700	18,489,670	184,896,700
Changes in equity share capital during the year	-	-	-	-
As at end of the year	18,489,670	184,896,700	18,489,670	184,896,700

b. Other Equity

	Reserves and Surplus			Equity Component ascertained on initial recognition of 0% Compulsorily Convertible Debentures	Other Comprehensive Income	Total Other Equity
	Securities Premium	Retained earnings	Total			
	₹	₹	₹			
Balance as at 1 st April, 2019	1,135,000	(197,932,729)	(196,797,729)	63,263,275	572,065	(132,962,389)
Changes in other equity for the year ended 31 st March, 2019						
Profit for the year	-	20,787,997	20,787,997	-	(239,191)	20,548,806
Balance as at 31 st March, 2020	1,135,000	(177,144,732)	(176,009,732)	63,263,275	332,874	(112,413,583)
Changes in other equity for the year ended 31 st March, 2021						
Loss for the year	-	(2,876,184)	(2,876,184)	-	(69,898)	(2,946,082)
Balance as at 31 st March, 2021	1,135,000	(180,020,916)	(178,885,916)	63,263,275	262,976	(115,359,665)

Nature and purpose of reserves

(a) Securities premium : Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of section 52 of the Companies Act, 2013.

As per my attached report of even date,

On behalf of the Board of Directors,

Hrushikesh Kulkarni
Chartered Accountant
M.No 160187
UDIN : 21160187AAAAAP9255

Rajinder Bhatia
Director
DIN : 05333963
Place : Pune
Date : 13th May, 2021

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B Raja Ramesh Reddy
Chief Financial Officer
Place : Hyderabad
Date : 13th May, 2021

Tanay Mishra
Company Secretary
Place : Pune
Date : 13th May, 2021

Cash Flow Statement for the year ended 31st March, 2021

	Note No.	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
A. Cash flow from operating activities :			
Profit/Loss for the year		(2,876,184)	20,787,997
Adjusted for :			
Tax expense		398,497	6,974,411
Depreciation		4,499,462	3,790,739
Interest Paid		363,188	1,179,643
Interest Received		(611,261)	(802,982)
Profit on Sale of Property, Plant and Equipment		(76,670)	(8,256)
Other Comprehensive Income			
Remeasurement of the net defined benefit liability/asset		(69,898)	(239,191)
		4,503,318	10,894,364
Operating Profit before working capital changes :		1,627,134	31,682,361
Changes in :			
Trade and other receivables		(24,806,812)	53,759,519
Inventories		1,304,771	22,431,722
Liabilities and Provisions		(1,517,064)	(32,604,188)
		(25,019,105)	43,587,053
Cash generation from operations :		(23,391,971)	75,269,414
Direct Taxes paid		(1,000,159)	(4,593,518)
Net Cash (used in)/from operating activities :		(24,392,130)	70,675,896
B. Cash flow from investing activities :			
Purchase of Property, Plant and Equipment		(3,155,197)	(7,841,155)
Sale of Property, Plant and Equipment (Net of Advances)		127,116	39,651
Investment in fixed deposits		26,085,616	(28,625,000)
Interest received		611,261	802,982
Net cash (used in)/from investing activities :		23,668,796	(35,623,522)
C. Cash flow from financing activities :			
Proceeds from/(Repayment of) short term borrowings		-	(29,633,103)
Payment of lease liability including interest		(1,730,133)	(1,739,796)
Interest paid		(236,528)	(872,555)
Net cash (used in)/from financing activities :		(1,966,661)	(32,245,454)
Net changes in cash and cash equivalents (A+B+C) :		(2,689,995)	2,806,920

Analogic Controls India Limited

	Note No.	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Cash and Cash Equivalents, at the beginning :		3,326,432	519,512
Add : Net changes in cash and cash equivalents, as above		(2,689,995)	2,806,920
Cash and Cash Equivalents, at the close :		636,437	3,326,432
Cash and Cash Equivalents			
In current accounts		452,844	3,292,912
Cash on hand		183,593	33,520
		636,437	3,326,432

Significant Accounting Policies and Notes forming an integral part of the Financial Statements 1-52

As per my attached report of even date,

On behalf of the Board of Directors,

Hrushikesh Kulkarni
Chartered Accountant
M.No 160187
UDIN : 21160187AAAAAP9255

Place : Pune
Date : 13th May, 2021

Rajinder Bhatia
Director
DIN : 05333963
Place : Pune
Date : 13th May, 2021

B Raja Ramesh Reddy
Chief Financial Officer

Place : Hyderabad
Date : 13th May, 2021

Vikram Munje
Director
DIN : 02772991
Place : Pune
Date : 13th May, 2021

Tanay Mishra
Company Secretary

Place : Pune
Date : 13th May, 2021

Notes forming part of the Financial Statements for the year ended 31st March, 2021

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. 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.

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. Exchange differences 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 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.

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 from contracts with customers :

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note no. 26.

a) Sale of Goods :

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer.

The control of the goods manufactured in case of export sales is transferred usually on the date of issue of Bill of Lading while in case of domestic sales, the control is transferred usually on delivery of goods.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effect of variable consideration.

b) Sale of Services :

Revenue on time and material contracts are recognized as the related services are performed and revenue from the end of the last invoicing to their reporting date is recognized as unbilled revenue. Revenue from fixed-price, fixed-time frame contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Efforts or costs expended have been used to measure progress towards completion.

c) Contract assets :

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

d) Trade receivables :

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note no. 2.16.

e) Contract liabilities :

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

f) 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.

g) 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 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.

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 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 provision of Schedule II to the Companies Act, 2013 is given below.

Type of Asset	Estimated useful life
i) Buildings	
(a) Leasehold improvements	Primary lease period
ii) Computer and Data Processing Equipments	
(a) Servers and networks	6 years
(b) Other end user devices	3 years
iii) Furniture and Fixtures	10 years
iv) Office Equipments	5 years
v) Plant and Machinery (including test jigs)	5 years to 15 years
vi) Vehicles	8 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 and any significant part initially recognised is derecognised 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 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

2.9 Leases :

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

The Company adopted Ind AS 116, effective annual reporting period beginning on 1st April, 2019. The Company applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the standard, recognised on the date of initial application (1st April, 2019). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this Standard recognised as an adjustment to the opening balance of retained earnings as on 1st April, 2019. On that date, the Company recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as at 1st April, 2019. In accordance with the standard, the Company elected not to apply the requirements of Ind AS 116 to short-term leases and leases for which the underlying asset is of low value.

Company as a lessee

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU")

and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

i) Right of use assets

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

Type of Asset	Estimated useful life
Land and Building	2 year ^(a)
(a) amortised over the period of lease deed executed	

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

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

Lease liability and Right-of-use asset have been separately presented in the balance sheet and lease payments have been classified as financing cash flows.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement

date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognized as expense 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 incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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.

2.10 Inventories :

a) Raw Materials :

Raw materials and components, stores and spares and loose tools are valued at lower of cost or net realizable value. The costs are determined using the weighted average 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 weighted average method.

2.11 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.

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 31st March 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, 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 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.

2.15 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 116
- 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 115.
- 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 through 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 Estimation of uncertainties relating to the global health pandemic from COVID-19

The spread of COVID-19 has severely impacted business and there have been severe disruption to regular business operations due to lockdown and other emergency measures. This may impact the Company's operations. As at the date of approval of these financial statements the Company has made assessment of liquidity, recoverable values of its financial and non-financial assets, financial

and non-financial liabilities, carrying value of its assets and liabilities including possible obligations arising from any ongoing negotiations with customers, vendors and has concluded that there are no material adjustments required in the financial statements. The management believes that it has assessed and taken all the possible impacts known from these events wherever possible outcome is known. However, the impact assessment of COVID-19 is a continuous process, given the significant estimation and uncertainties associated with its nature, duration and outcome of any negotiations. The impact of global health pandemic might be different from that estimated as at the date of approval of these financial statements. The Company will continue to closely monitor any material changes to future economic conditions and its consequential impact on its financial statements.

Property, Plant and Equipment :

	Leasehold improvements	Computers and Printers	Plant and Machinery	Furniture and Fixtures	Vehicles	Office Equipments	Total
	₹	₹	₹	₹	₹	₹	₹
GROSS BLOCK, AT COST :							
As at 1 st April, 2019.	1,253,359	4,306,682	13,746,520	4,638,829	735,669	3,393,122	28,074,181
Additions	16,861	58,135	4,580,888	-	-	114,292	4,770,176
Disposals	-	-	(34,650)	-	-	(26,587)	(61,237)
Adjustments	-	-	-	-	-	-	-
As at 31st March, 2020.	1,270,220	4,364,817	18,292,758	4,638,829	735,669	3,480,827	32,783,120
Additions	-	107,306	5,327,987	-	-	28,372	5,463,665
Disposals	-	(223,627)	(266,760)	(22,595)	(735,669)	(108,973)	(1,357,624)
Adjustments	-	-	-	-	-	-	-
As at 31st March, 2021.	1,270,220	4,248,496	23,353,985	4,616,234	-	3,400,226	36,889,161
DEPRECIATION :							
Upto 1 st April, 2019.	172,898	4,187,743	6,541,350	3,402,663	698,885	2,586,772	17,590,311
Disposals	-	-	(3,257)	-	-	(26,585)	(29,842)
Adjustments	-	-	-	-	-	-	-
For the year	484,797	59,147	872,559	412,944	-	155,543	1,984,990
Upto 31st March, 2020.	657,695	4,246,890	7,410,652	3,815,607	698,885	2,715,730	19,545,459
Disposals	-	(223,625)	(253,422)	(22,592)	(698,885)	(108,654)	(1,307,178)
Adjustments	-	-	-	-	-	-	-
For the year	487,146	34,952	1,905,276	339,947	-	170,582	2,937,903
Upto 31st March, 2021.	1,144,841	4,058,217	9,062,506	4,132,962	-	2,777,658	21,176,184
NET BLOCK :							
As at 31 st March, 2020.	612,525	117,927	10,882,106	823,222	36,784	765,097	13,237,661
Upto 31st March, 2021.	125,379	190,279	14,291,479	483,272	-	622,568	15,712,977

4 Right of use assets :

	Right of use assets	Total
	₹	₹
GROSS BLOCK, AT COST :		
Additions	3,038,859	3,038,859
Disposals	-	-
Adjustments	-	-
As at 31st March, 2020.	3,038,859	3,038,859
Additions	4,397,457	4,397,457
Disposals	-	-
Adjustments	(3,038,859)	(3,038,859)
As at 31st March, 2021.	4,397,457	4,397,457
DEPRECIATION :		
Disposals	-	-
Adjustments	-	-
For the year	1,519,428	1,519,428
Upto 31st March, 2020.	1,519,428	1,519,428
Disposals	-	-
Adjustments	(3,038,859)	(3,038,859)
For the year	1,527,574	1,527,574
Upto 31st March, 2021.	8,143	8,143
NET BLOCK :		
Upto 31 st March, 2020.	1,519,431	1,519,431
Upto 31st March, 2021.	4,389,314	4,389,314

5 Intangible assets :

	Softwares	Total Intangible Assets
	₹	₹
GROSS BLOCK, AT COST :		
As at 1 st April, 2019.	1,893,937	1,893,937
Additions	-	-
Disposals	-	-
Adjustments	-	-
As at 31st March, 2020.	1,893,937	1,893,937
Additions	-	-
Disposals	-	-
Adjustments	-	-
As at 31st March, 2021.	1,893,937	1,893,937
AMORTIZATION :		
As at 1 st April, 2019.	1,573,631	1,573,631
Disposals	-	-
Adjustments	-	-
For the year	286,321	286,321
Upto 31st March, 2020.	1,859,952	1,859,952
Disposals	-	-
Adjustments	-	-
For the year	33,985	33,985
Upto 31st March, 2021.	1,893,937	1,893,937
NET BLOCK :		
As at 31 st March, 2020.	33,985	33,985
Upto 31st March, 2021.	-	-

6 Non current loans :

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Security deposits ^(a)	215,050	223,050
TOTAL :	215,050	223,050

(a) Financial assets carried at amortized cost

**7 Other non-current assets :
(Good)**

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Prepaid Expenses	9,347	21,906
Balances in Fixed Deposits with banks ^(a)	1,928,984	-
Capital Advances	-	315,000
Excise duty refund claims	569,302	569,302
TOTAL :	2,507,633	906,208

(a) Fixed deposits are under lien with bank, as margin for non fund bases credit facilities.

8 Income tax assets (net) :

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Tax paid in advance (net)	-	118,622
TOTAL :	-	118,622

9 Inventories :

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
(As taken, valued and certified by the Directors)		
Raw materials, including stock in transit	17,341,025	28,699,417
Work-in-progress	12,098,849	2,045,228
TOTAL :	29,439,874	30,744,645

During the year ended 31st March, 2021: ₹ 352,677 (31st March, 2020: NIL) was recognised as an expense for inventories carried at net realisable value.

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10 Trade Receivables :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Considered Good - Unsecured	31,195,284	6,028,901
Credit Impaired	8,649,413	8,764,552
Less : Allowances for credit losses	(8,649,413)	(8,764,552)
	-	-
TOTAL :	31,195,284	6,028,901

Above balances of trade receivables include balances with related parties (Refer note 37).

11 Cash and Bank Balances :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Cash and cash equivalents		
In current accounts	452,844	3,292,912
Cash on hand	183,593	33,520
	636,437	3,326,432
Other Bank balance		
Deposits with original maturity of less than 3 months ^(a)	-	29,300,000
Deposits with original maturity for more than 3 months but less than 12 months ^(a)	2,900,000	1,614,600
	2,900,000	30,914,600
TOTAL :	3,536,437	34,241,032

(a) Fixed deposits are under lien with bank, as margin for non fund based credit facilities.

12 Current loans :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Security Deposit	33,000	-
TOTAL :	33,000	-

13 Other financial assets (Current, Good):

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Other	521,098	565,524
TOTAL :	521,098	565,524

**14 Other current assets :
(Good)**

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Advances to suppliers	1,656,844	87,979
Prepaid expenses	177,069	183,109
Balances with government authorities		
GST input credit receivable	40,990	1,632,401
Other advances recoverable in cash or in kind or for value to be received	107,722	91,722
TOTAL :	1,982,625	1,995,211

15 Share Capital :

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Authorised :		
20,000,000 (20,000,000) Equity Shares of P 10/-, each	200,000,000	200,000,000
20,000,000 (20,000,000)	200,000,000	200,000,000
Issued, Subscribed and Paid up :		
18,489,670 (18,489,670) Equity Shares of P 10/-, each, fully paid up	184,896,700	184,896,700
18,489,670 (18,489,670)	184,896,700	184,896,700

- (a) The Company has only one class of shares referred to as equity shares having a par value of ₹ 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, 2021 and 31st March, 2020 is set out below.

	As at 31st March, 2021		As at 31 st March, 2020	
	No. of Shares	Amount in ₹	No. of Shares	Amount in ₹
Balance at the beginning of the year	18,489,670	184,896,700	18,489,670	184,896,700
Add: Shares issued during the year	-	-	-	-
Balance at the close of the year	18,489,670	184,896,700	18,489,670	184,896,700

(d) Details of shareholders holding more than 5% of the aggregate issued and subscribed shares

Name of the shareholders	As at 31st March, 2021		As at 31 st March, 2020	
	No. of Shares	% age	No. of Shares	% age
Bharat Forge Ltd. §	18,489,670	100.00	18,489,670	100.00

§ The Holding Company. (Including shares held through nominees)

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16 Lease Liability :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Lease Liability (Non-current)	3,086,974	-
TOTAL :	3,086,974	-

17 Long-Term Provisions :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Provision for employee benefits :		
Gratuity	1,851,653	1,433,911
Compensated absences	331,430	274,423
TOTAL :	2,183,083	1,708,334

18 Deferred tax Liabilities (net)

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Deferred Tax Liabilities :		
Timing differences for Depreciation	750,400	872,900
Less : Deferred Tax Assets :		
Timing differences for Disallowances	750,400	872,900
TOTAL :	-	-

19 Other Non-Current Liabilities :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Contract Liabilities	61,491	99,845
TOTAL :	61,491	99,845

20 Short-Term Borrowings :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Unsecured		
Demand loans from companies ^(a)	2,711,529	2,711,529
TOTAL :	2,711,529	2,711,529

(a) The Company is in the process of settlement of this loan. No interest is chargeable for the current year as well as for previous year.

21 Trade Payables :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Dues of micro enterprises and small enterprises	244,892	166,913
Dues of creditors other than micro enterprises and small enterprises	5,848,625	6,856,597
TOTAL :	6,093,517	7,023,510

22 Lease Liability :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Lease Liability (Current)	1,313,161	1,606,151
TOTAL :	1,313,161	1,606,151

23 Other financial liabilities :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Creditors for capital expenditure	175,463	360,029
Other amounts payable	1,232,847	1,164,973
TOTAL :	1,408,310	1,525,002

24 Short-Term Provisions :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Provision for employee benefits :		
Gratuity	80,298	63,416
Compensated absences	60,534	49,676
Other provisions :		
Liquidated damages ^{(a)(b)}	2,596,151	2,066,163
TOTAL :	2,736,983	2,179,255

(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	2,066,163	2,745,662
Arising during the year	529,988	24,036
Utilised during the year	-	-
Provision Written Back	-	(703,535)
Closing balance	2,596,151	2,066,163

(b) Provision for liquidated damages represents the expected claims not in the nature of variable consideration 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.

25 Other Current Liabilities :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Contract liabilities	75,375	1,494,186
Statutory liabilities	811,774	857,465
TOTAL :	887,149	2,351,651

26 Income tax liabilities (net) :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Income Tax provisions (net)	276,571	996,855
TOTAL :	276,571	996,855

27 Revenue from operations :

	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Sale of products ^(a)	38,403,323	29,061,244
Sale of services	4,585,217	57,982,699
TOTAL :	42,988,540	87,043,943

(a) Sale of products is net of rejections out of sales made in earlier years -

Disaggregate revenue information :

The table below presents disaggregated revenues from contracts with customers by offerings and contract type.

Revenue by offerings :

Sale of products	38,403,323	29,061,244
Product assembly, integration and repairing services	3,016,838	55,735,590
Warranty services	1,568,379	2,247,109
TOTAL :	42,988,540	87,043,943

Revenue by geographical segments :

Within India	42,988,540	87,043,943
TOTAL :	42,988,540	87,043,943

Revenue by contract type :

Fixed price contracts	42,988,540	87,043,943
TOTAL :	42,988,540	87,043,943

28 Other income :

	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Interest Income		
On Bank Deposits	600,805	788,982
Other	10,456	14,000
Credit balances written back	1,180,613	442,683
Provisions written back	3,864,175	703,535
Profit on Sale of property, plant and equipment	76,670	8,256
Profit on Foreign Exchange Fluctuations (Net)	11,588	48,222
Bad debts recovery	1,040	1,184,203
Miscellaneous Income	3,753	8,800
TOTAL :	5,749,100	3,198,681

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29 Cost of raw material and components consumed^(a) :

	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Inventory at the beginning of the year	28,699,417	36,118,277
Add: Purchases	19,932,300	10,728,674
	48,631,717	46,846,951
Less: Inventory at the end of the year (Refer note 9)	(17,341,025)	(28,699,417)
Cost of raw material and components consumed	31,290,692	18,147,534

30 Changes in inventories of work in progress :

	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Inventories at the beginning of the year		
Work-in-progress	2,045,228	17,058,090
	2,045,228	17,058,090
Inventories at the close of the year		
Work-in-progress	12,098,849	2,045,228
	12,098,849	2,045,228
TOTAL :	(10,053,621)	15,012,862

31 Employee benefit expenses :

	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Salaries and Wages	10,225,274	8,786,325
Contributions to		
- Provident fund	533,077	493,011
- Other fund/scheme	131,074	128,192
- Gratuity	364,726	373,836
Staff welfare expenses	449,475	548,573
TOTAL :	11,703,626	10,329,937

32 Finance costs :

	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Interest on Bank Borrowings	67,832	561,585
Interest on Income Tax	129,000	239,760
Interest on lease liabilities	126,660	307,088
Other Interest*	39,696	71,210
TOTAL :	363,188	1,179,643

* Other Interest includes interest on other borrowings, Micro and Small Enterprises, unwinding of discount on financial liabilities, etc.

33 Depreciation :

	For the year ended 31st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Depreciation on Property, Plant and Equipment	2,937,903	1,984,990
Depreciation on Right-of-use assets	1,527,574	1,519,428
Amortization on Intangible Assets	33,985	286,321
TOTAL :	4,499,462	3,790,739

34 Other expenses :

	For the year ended 31st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Consumption of Stores and Spares	132,987	145,969
Labour and Processing Charges	994,266	1,500
Power and Fuel	931,041	1,208,796
Repairs and Maintenance - Buildings	397,400	532,647
Repairs and Maintenance - Plant and Machinery	28,600	54,362
Repairs and Maintenance - Others	669,175	770,932
Insurance	101,002	172,034
Rates and Taxes	195,322	3,542,267
Liquidated damages (Refer note 24)	533,588	833,405
Communication	138,536	117,921
Bank Charges and Commission	193,417	234,345
Printing and Stationery	160,268	125,960
Travelling and Conveyance	2,709,446	2,420,184
Professional Fees	1,375,746	1,798,967
Technical Consultancy	456,027	442,884
Security Services	376,000	432,000
Payment to Auditors (Refer note 39)	350,000	350,000
Rent (Refer note 49)	24,663	150,000
Freight, Packing and Forwarding	74,497	361,500
Allowances for credit losses	3,223,861	-
Miscellaneous Expenses [#]	346,138	323,828
TOTAL :	13,411,980	14,019,501

Miscellaneous Expenses includes general office expenses, penalties and fines, etc.

35 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 ₹ 533,077/- (Previous Year: ₹ 493,011/-) 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 funded 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 31 st March, 2021	Year ended 31 st March, 2020
Mortality table	IALM 2012-14 Ult	IALM 2012-14 Ult
Discount rate	6.92%	6.77%
Expected rate of return on plan assets	5.56%	7.36%
Salary Growth Rate	8.00%	8.00%
Expected average remaining working lives (in years)	21.39	22.02
Withdrawal rate	4.00%	4.00%

Changes in the present value of the defined benefit obligation recognised in balance sheet are as follows:

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Present value of obligation as at the beginning of the year	1,805,040	1,256,157
Interest expense	122,154	96,096
Current service cost	263,404	214,425
Benefits (paid)	(1,389)	-
Remeasurements on obligation [Actuarial (Gain)/Loss]	66,185	238,362
Present value of obligation as at the end of the year	2,255,394	1,805,040

Changes in the fair value of plan assets recognised in the balance sheet are as follows:

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Fair value of plan assets at the beginning of the year	307,713	286,616
Interest Income	20,832	21,926
Contributions	-	-
Benefits paid	(1,389)	-
Return on plan assets, excluding amount recognized in Interest Income - Gain/(Loss)	(3,712)	(829)
Fair value of plan assets at the end of the year	323,444	307,713
Actual return on plan assets	17,120	21,097

Net Interest (Income/Expense)

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Interest (Income)/Expense – Obligation	122,154	96,096
Interest (Income)/Expense – Plan assets	(20,832)	(21,926)
Net Interest (Income)/Expense for the period	101,322	74,170

Remeasurement for the period [Actuarial (Gain)/loss]

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Experience (Gain)/Loss on plan liabilities	101,376	80,905
Demographic (Gain)/Loss on plan liabilities	-	-
Financial (Gain)/Loss on plan liabilities	(35,191)	157,457
Experience (Gain)/Loss on plan assets	3,712	829
Financial (Gain)/Loss on plan assets	-	-

Amount recognised in Statement of Other Comprehensive Income (OCI)

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Opening amount recognised in OCI outside profit and loss account	(453,083)	(692,274)
Remeasurement for the period-Obligation (Gain)/Loss	66,185	238,362
Remeasurement for the period-Plan assets (Gain)/Loss	3,712	829
Total Remeasurement cost/(credit) for the period recognised in OCI	69,897	239,191
Closing amount recognised in OCI outside profit and loss account	(383,186)	(453,083)

The amounts to be recognised in the Balance Sheet

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Present value of obligation as at the end of the period	(2,255,394)	(1,805,040)
Fair value of plan assets as at the end of the period	323,444	307,713
Net Asset/(liability) to be recognised in balance sheet	1,931,950	1,497,327

Expense recognised in the statement of profit and loss

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Current service cost	263,404	214,425
Net Interest (Income)/Expense	101,322	74,170
Net periodic benefit cost recognised in the statement of profit and loss	364,726	288,595

Reconciliation of Net Asset/(Liability) recognised:

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Net asset/(liability) recognised at the beginning of the period	(1,497,327)	(969,541)
Company contributions	-	-
Expense recognised at the end of period	(364,726)	(288,595)
Amount recognised outside profit & loss for the period	(69,897)	(239,191)
Net asset/(liability) recognised at the end of the period	(1,931,950)	(1,497,327)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
Funds managed by insurer	100%	100%

Sensitivity analysis

Impact of change in discount rate when base assumption is decreased/increased by 100 basis points

Discount rate	Present value of obligation	
	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Increase in discount rate by 100 basis points	2,039,835	1,627,692
Decrease in discount rate by 100 basis points	2,505,984	2,012,155

Impact of change in salary growth rate when base assumption is decreased/increased by 100 basis points

Salary growth rate	Present value of obligation	
	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Increase in salary growth rate by 100 basis points	2,502,042	2,008,170
Decrease in salary growth rate by 100 basis points	2,038,838	1,627,421

Impact of change in withdrawal rate when base assumption is decreased/increased by 100 basis points

Withdrawal rate	Present value of obligation	
	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Increase in withdrawal rate by 100 basis points	2,235,114	1,787,023
Decrease in withdrawal rate by 100 basis points	2,277,807	1,825,033

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	31 st March, 2021	31 st March, 2020
	₹	₹
Within the next 12 months (next annual reporting period)	1,931,951	1,497,327

Amount for the current and previous three years are as follows:

	31st March, 2021	31 st March, 2020	31 st March, 2019	31 st March, 2018	31 st March, 2017
	₹	₹	₹	₹	₹
Present Value of Defined Benefit Obligation	2,255,394	1,805,040	1,256,157	1,012,371	1,838,539
Fair Value of Plan Asset	323,444	307,713	286,616	269,542	320,567
Funded Status [Surplus/ (Deficit)]	(1,931,950)	(1,497,327)	(969,541)	(742,829)	(1,517,972)
Experience gain/(loss) adjustments on plan liabilities	101,376	80,905	25,433	728,730	317,289
Experience gain/(loss) adjustments on plan assets	3,712	829	577	8,944	-

(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, 2021	As at 31 st March, 2020
	₹	₹
1 Present Value of Obligation	(391,964)	(324,099)
2 Fair Value of Plan Assets	-	-
3 Net asset/(liability) recognized in the Balance Sheet	(391,964)	(324,099)

36 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 engaged in the business of designing, developing and manufacturing of reliable electronic systems and sub-systems for mission critical applications; 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.

37 Related Party Disclosure :
A. Related Parties and their relationships :

a) Holding Company :	i) Bharat Forge Limited
b) Fellow Subsidiary :	i) Kalyani Strategic Systems Limited
	ii) Kalyani Rafael Advanced Systems Private Limited
c) Key Managerial Personnel :	i) Mr. Rajaramesh Bommareddy Reddy - Chief Financial Officer
	ii) Mr. Tanay Mishra (Company secretary) [@]
	[@] On deputation from Bharat Forge Limited, the Holding Company

B. Transactions with Related Parties :

Particulars	Terms and Conditions (Refer foot note no.)	Key Managerial Personnel	Holding Company	Fellow Subsidiary	Total
		₹	₹	₹	₹
Remuneration	(a)	684,000 (616,870)	- -	- -	684,000 (616,870)
Reimbursement of expenses	(b)	152,178 (12,865)	- -	- -	152,178 (12,865)
Reimbursement of expenses paid	(c)	-	460,790	-	460,790
Sale of Service (Excluding Taxes)	(d)	-	-	207,050	207,050
			(55,943,080)	(55,943,080)	
Sale of Products (Excluding Taxes)	(d)	-	3,940,818	5,896,065	9,836,884
			(989,853)	(989,853)	
Purchase	(e)	-	-	-	-
			(50,050)	(50,050)	
Rent Paid	(f)	-	-	1,739,796	1,739,796
				(1,739,796)	(1,739,796)

(Figures in bracket indicate previous year)

- (a) Remuneration paid to the Key Managerial Personnel as per terms of appointment
- (b) Mediclaim insurance expenses and other expenses have been reimbursed during the current financial year
- (c) Expenses incurred on behalf of the holding company
- (d) 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.
- (e) 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.
- (f) Rent paid to related party is in the ordinary course of business and the same has been paid at arm's length price.

C. Balance with Related Parties:

	Key Managerial Personnel	Holding Company	Fellow Subsidiary	Total
	₹	₹	₹	₹
Amounts payables	-	-	160,206	160,206
	-	-	-	-
Amounts Receivable	-	3,139,522	244,319	3,383,841
	-	(2,310,179)	(2,310,179)	
Reimbursement of expenditure receivable	-	454,932	-	454,932
	-	-	-	-

(Figures in bracket indicate previous year)

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38 Unhedged foreign currency exposure :

	As at 31 st March, 2021 Foreign Currency	As at 31 st March, 2021	As at 31 st March, 2020 ₹ Foreign Currency	As at 31 st March, 2020 ₹
1 Assets :				
Advances to Trade Creditors	USD 1,383	101,224	USD 76	5,695
		101,224		5,695

39 Payments to Auditors (Excluding GST) :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
a) As auditor	350,000	350,000
TOTAL :	350,000	350,000

40 Earning per Share (Face Value of ₹ 10 Each) :

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Profit for the year after taxation	(2,876,184)	20,787,997
Weighted Average Number of Equity Shares, outstanding during the period	18,489,670	18,489,670
Basic Earning per Share in rupees	(0.16)	1.12
Diluted Earning per Share in rupees	(0.16)	1.12

41 Income and deferred taxes :

a) The major components of income tax expense for the years ended 31st March, 2021 and 31st March, 2020 are

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Current income tax		
Current income tax charge	-	5,607,000
Taxes for earlier years	398,497	1,367,411
TOTAL :	398,497	6,974,411

- b) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31st March 2021 and 31st March 2020 :

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
Accounting profit before tax	(2,477,687)	27,762,408
At India's enacted tax rate of 26.00% (31 st March 2020: 26%)	-	7,218,226
Tax effect due to non-taxable income for Indian tax purposes	-	-
Tax effect of non-deductible expenses	-	(70,870)
Tax effect of business loss set off in respect of which deferred tax asset was not recognised on prudent basis.	-	(7,095,460)
Tax allowances	-	62,190
MAT credit not recognised on prudent basis	-	5,401,811
Deferred tax asset (Net) not recognised on prudent basis.	-	86,800
Taxation effects of earlier year considered in current year.	398,497	1,367,411
Difference due to change in applicable statutory tax rate	-	4,303
At the effective income tax rate of -16.08% (31 st March, 2020: 25.12%)	398,497	6,974,411
Income tax expense reported in the statement of profit and loss	398,497	6,974,411

- c) Reconciliation of deferred tax liabilities (net)

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
Opening balance	-	-
Tax income/(expense) during the period recognised in profit or loss	-	-
Closing balance	-	-

- d) The Company has timing differences in respect of carried forward business loss aggregating to u 8,960,519/- (Previous Year: ₹ 9,006,969/-) and unaborbed depreciation aggregating to Rs 1,906,774/- (Previous Year: ₹ NIL/-) under the Income Tax Act, 1961. Deferred tax asset on account of this difference has not been recognized on the considerations of prudence.

42 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 :

Particulars	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	420,355	166,913
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	30,847	28,671
(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	316,974	630,630
(iv) The amount of interest due and payable for the year	39,696	71,212
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	1,197,802	1,158,106
(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	3,177	2,674

Dues to Micro and Small Enterprises have been identified by the Company from available information and relied upon by the Auditors.

43 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 whether documentary or clean, outstanding monies and receivables, but excluding property, plants and equipments. Rate of Interest applicable is 3.71% over Base Rate, p.a.

Particulars	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
1 Limit Sanctioned	70,000,000	70,000,000
2 Outstanding balance at the end of the year	-	-

44 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 ascertainment by tax authorities in assessments of the Company. The Company will be able to offset tax losses and allowances only to the extent of availability of adequate 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.

Revenue recognition

The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products/services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to

all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.

The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.

The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

Revenue for fixed-price contract is recognised using percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.

45 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 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
I) Financial assets				
Loans - Non Current				
Security Deposits	215,050	223,050	215,050	223,050
Others current financial assets				
Security Deposit	33,000	-	33,000	-
Interest receivable	521,098	565,524	521,098	565,524
	769,148	788,574	769,148	788,574
II) Financial liabilities				
Lease Liability - Non Current	3,086,974	-	3,086,974	-
Short term borrowings				
Demand loans from companies	2,711,529	2,711,529	2,711,529	2,711,529
Lease Liability	1,313,161	1,606,151	1,313,161	1,606,151
Other financial liabilities				
Creditors for capital expenditure	175,463	360,029	175,463	360,029
Other amounts payable	1,232,847	1,164,973	1,232,847	1,164,973
	8,519,974	5,842,682	8,519,974	5,842,682

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.

46 Fair value hierarchy :

	Date of Valuation	Quoted prices in active markets (Level 1) ₹	Significant observable inputs (Level 2) ₹	Significant unobservable inputs (Level 3) ₹	Total ₹
Assets for which fair value has been disclosed					
Security Deposits - Non Current	3/31/2021	-	-	215,050	215,050
Security Deposits - Current	3/31/2021	-	-	33,000	33,000
Interest receivable	3/31/2021	-	-	521,098	521,098
Liabilities for which fair value has been disclosed					
Lease Liability - Non Current	3/31/2021	-	3,086,974	-	3,086,974
Demand loans	3/31/2021	-	-	2,711,529	2,711,529
Lease Liability -Current	3/31/2021	-	1,313,161	-	1,313,161
Creditors for capital expenditure	3/31/2021	-	-	175,463	175,463
Other amounts payable	3/31/2021	-	-	1,232,847	1,232,847
Assets for which fair value has been disclosed					
Security Deposits - Non Current	3/31/2020	-	-	223,050	223,050
Security Deposits - Current	3/31/2020	-	-	-	-
Interest receivable	3/31/2020	-	-	565,524	565,524
Liabilities for which fair value has been disclosed					
Lease Liability - Non Current	3/31/2020	-	-	-	-
Demand loans	3/31/2020	-	-	2,711,529	2,711,529
Lease Liability	3/31/2020	-	1,606,151	-	1,606,151
Creditors for capital expenditure	3/31/2020	-	-	360,029	360,029
Other amounts payable	3/31/2020	-	-	1,164,973	1,164,973

47 Financial risk management disclosure :

The Company's principal financial liabilities, other than derivatives, comprise short term borrowings, 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 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, 2021 and 31st March, 2020.

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, 2021 and 31st March, 2020 including the effect of hedge accounting(if any)

i) Interest 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	Effect on equity pre-tax
		₹	₹
31st March, 2021	5.00%	5,061	5,061
	-5.00%	(5,061)	(5,061)
31 st March, 2020	5.00%	285	285
	-5.00%	(285)	(285)

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
	₹	₹	₹	₹	₹	₹
Year ended 31st March, 2021						
Demand loans from companies	2,711,529	-	-	-	-	2,711,529
Lease Liability	-	317,137	996,024	3,086,974	-	4,400,135
Creditors for capital expenditure	175,463	-	-	-	-	175,463
Other amounts payable	1,232,847	-	-	-	-	1,232,847
	4,119,839	317,137	996,024	3,086,974	-	8,519,974
Year ended 31st March, 2020						
Demand loans from companies	2,711,529	-	-	-	-	2,711,529
Lease Liability	-	-	1,606,151	-	-	1,606,151
Creditors for capital expenditure	360,029	-	-	-	-	360,029
Other amounts payable	1,164,973	-	-	-	-	1,164,973
	4,236,531	-	1,606,151	-	-	5,842,682

48 Disclosure pursuant to Ind AS 115 on "Revenue from contracts with customers"**a) Trade receivables and Contract balances :**

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognized as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straight line basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time.

Revenue recognition for fixed price contracts is based on percentage of completion method.

Invoicing to the clients is based on completion of the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price development contracts is classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

During the year ended 31st March, 2021 NIL (Previous Year : R NIL) of unbilled revenue pertaining to fixed price development contracts has been reclassified to Trade receivables upon billing to customers on completion of contracts.

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
b) Changes in Contract Assets are as under :		
Balance at the beginning of the year	-	-
Revenue recognised during the year	-	-
Invoices raised during the year	-	-
Balance at the end of the year	-	-
c) Changes in Contract Liabilities are as under :		
Balance at the beginning of the year	1,594,031	27,467,179
Revenue recognised from unearned revenue/advance from customers at the beginning of the year	(1,554,951)	(24,582,278)
Increased due to invoicing during the year excluding the amounts recognised as revenue during the year	97,788	-
Decreased due to adjustment against revenue out of advance received during the year	-	(1,290,870)
Balance at the end of the year	136,868	1,594,031

d) Performance obligations and remaining performance obligations :

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

The aggregate value of performance obligations that are completely or partially unsatisfied as at 31st March, 2021, other than those meeting the exclusion criteria mentioned above, is A 136,868/- (Previous year \$ 1,594,031/-). Out of this, the Company expects to recognize revenue of A 75,375/- (Previous year R 1,494,184/-) within the next one year and the remaining thereafter. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

Reconciliation for revenue as per Statement of profit & loss and the contracted price arising on account of various adjustments:

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Revenue recognised as per Statement of Profit & loss		
Sale of products ^(a)	38,403,323	29,061,244
Sale of services	4,585,217	57,982,699
	42,988,540	87,043,943
Add : Adjustments		
Deferment of Sales	136,866	1,594,031
Contract Price	43,125,406	88,637,974

49 Leases

The Company has lease contract for 36 months commencing from 30th March, 2018 for the plot situated at Survey No. 23/2, (New RDO 23/₹/4) Gundlapochampally Village and Grampanchayat, Medchal Mandal, Ranga Reddy, Hyderabad, District - Medchal, Telangana along with the factory building constructed on the plot for the purpose of carrying on its business operations. The Company's obligations under lease is secured by the lessor's title to the leased assets. The Company is restricted from assigning and subleasing the leased assets. The lease contract includes extension and termination options.

i) The carrying amount of right-of-use assets recognised and the movements during the period:

	Buildings
	₹
As at 31 st March, 2019	-
Additions	3,038,859
Depreciation	(1,519,428)
As at 31st March, 2020.	1,519,431
Additions	4,397,457
Depreciation	(1,527,574)
As at 31st March, 2021.	4,389,314

ii) The carrying amount of lease liability and the movements during the period:

	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
	₹	₹
As at 31 st March, 2020.	1,606,151	-
Additions	4,397,457	3,038,859
Accretion of Interest	126,657	307,088
Payments	(1,730,130)	(1,739,796)
As at 31st March, 2021.	4,400,135	1,606,151
Current	1,313,161	1,606,151
Non - Current	3,086,974	-

iii) The amounts recognised in Statement of profit and loss :

	For the year ended 31st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Depreciation expense of right-of-use assets	1,527,574	1,519,428
Interest expense on lease liabilities	126,657	307,088
Expense relating to short-term leases	24,663	150,000
As at 31st March, 2021.	1,678,894	1,976,516

- iv)** The Company had total cash outflows for leases of A 1,754,793/- (31st March, 2020: A 1,889,796/-). The Company also had non-cash addition of NIL (31st March, 2020: ₹ 3,038,859/-) to right-of-use assets and lease liabilities.

50 Capital commitments :

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities

	For the year ended 31st March, 2021	For the year ended 31 st March, 2020
	₹	₹
For Property, plant and equipment	222,046	754,950

51 Corporate Social Responsibility :

The Company has formed Corporate Social Responsibility (CSR) Committee and has also adopted a CSR Policy in accordance with the provisions of section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Company recognizes CSR spends as and when incurred. Relevant details for the financial year covered by these statements are as under.

	For the year ended 31st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Gross Amount required to be spent by the Company during the year	650,632	122,132
Amount spent during the year	-	-
Shortfall	650,632	122,132

As per my attached report of even date,

On behalf of the Board of Directors,

Hrushikesh Kulkarni
Chartered Accountant
M.No 160187
UDIN : 21160187AAAAAP9255

Rajinder Bhatia
Director
DIN : 05333963
Place : Pune
Date : 13th May, 2021

Vikram Munje
Director
DIN : 02772991
Place : Pune
Date : 13th May, 2021

Place : Pune
Date : 13th May, 2021

B Raja Ramesh Reddy
Chief Financial Officer
Place : Hyderabad
Date : 13th May, 2021

Tanay Mishra
Company Secretary
Place : Pune
Date : 13th May, 2021

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BF Elbit Advanced Systems Private Limited

Directors

Mr. B. N. Kalyani

Mr. A. B. Kalyani

Mr. Rajinder Singh Bhatia

Mr. Shai Israel Cohen

Mr. Yehuda Vered

Auditors

P V Deo & Associates LLP

Chartered Accountants

604, Jeevan Heights,

Thorat Colony, Erandwana,

Pune 411 004

Registered Office

Pune Cantonment,

Mundhwa,

Pune 411 036

Independent Auditor's Report

To the Members of BF Elbit Advanced Systems Private Limited

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of **BF Elbit Advanced Systems Private Limited** ("the Company") which comprises the Balance Sheet as at 31st March, 2021, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Statement of changes in equity and the Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements, give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, and its loss including other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those 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 Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

We have determined that there are no key audit matters to be reported in our report.

Information other than the financial statements and auditor's report thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the Board's Report including annexures to Board's Report, but does not include the financial statements and our auditor's report thereon. The Board's Report including annexures to Board's Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

When we read the Board's Report including annexures to Board's Report if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take such actions as are required under the provisions of the Companies Act, 2013.

Responsibility of management and those charged with governance for the financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. 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.

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

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

Auditor's responsibilities for audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced.

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

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

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, we give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
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 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 appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.
 - e) On the basis of written representations received from the directors as on 31st March, 2021, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021, 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 our separate Report in "**Annexure B**".
 - g) The Company has not paid any managerial remuneration during the financial year covered by this report. Accordingly, reporting requirements under section 197(16) of the Act do not apply to the Company.
 - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 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.

For P V Deo & Associates LLP

Chartered Accountants
FRN : W100637

Sunit S. Shaha

Partner
Membership No. 142953
UDIN : 21142953AAAAAQ3394

Place : Pune
Date : 18th May, 2021.

“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, 2021.

In terms of the information and explanations sought by us and given by the Company and the books and records examined by us in the course of audit and to the best of our knowledge and belief, we 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 inventories during the period covered by this report. Hence, 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, there under.
- (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 us 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, 2021 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.
- (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, we 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 our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

- (xiii) According to the records of the Company and according to the information and explanations given to me, the Company has not entered into any transactions with the related parties in contravention of the provisions of section 188 of the Companies Act, 2013. The details of related party transactions have been disclosed in the standalone financial statements as required by the Ind AS. Provisions of section 177 of the Act do not apply to the Company.
- (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 us and based on our 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.

For P V Deo & Associates LLP

Chartered Accountants
FRN : W100637

Sunit S. Shaha

Partner
Membership No. 142953
UDIN : 21142953AAAAAQ3394

Place : Pune
Date : 18th May, 2021.

“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, 2021.

We have audited the internal financial controls over financial reporting of **BF Elbit Advanced Systems Private Limited** (“the Company”) as of 31st March, 2021 in conjunction with our 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

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 were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system 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 our 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, 2021, 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.

For P V Deo & Associates LLP

Chartered Accountants

FRN : W100637

Sunit S. Shaha

Partner

Membership No. 142953

UDIN : 21142953AAAAAQ3394

Place : Pune

Date : 18th May, 2021.

BF Elbit Advanced Systems Private Limited

Balance sheet as at 31st March, 2021

	Notes	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
I. ASSETS			
1 Non-current assets			
a) Property, plant and equipment	3	241,098	393,873
b) Right of use assets	4	723,684	1,118,420
c) Capital Work in progress		62,769	30,408
d) Intangible assets	5	398,589	663,589
e) Financial assets			
i) Other financial assets	6	24,000	45,000
f) Other non-current assets	7	17,671,500	17,671,500
		19,121,640	19,922,790
2 Current assets			
a) Financial assets			
i) Trade receivables	8	-	38,735,085
ii) Cash and cash equivalents	9	9,543,412	35,629,092
b) Other current assets	10	3,859,413	3,624,355
		13,402,825	77,988,532
	TOTAL :	32,524,465	97,911,322
II. EQUITY AND LIABILITIES			
1 Equity			
a) Equity share capital	11	19,804,080	19,804,080
b) Other equity	12	(132,614,333)	(117,529,737)
		(112,810,253)	(97,725,657)
2 Non Current liabilities			
a) Financial liabilities			
i) Lease liabilities	26	379,562	795,301
		379,562	795,301
3 Current liabilities			
a) Financial Liabilities			
i) Borrowings	13	143,201,269	130,669,925
ii) Trade payables	14		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		1,238,883	63,355,994
iii) Lease liabilities	26	415,739	376,639
iv) Other financial liabilities	15	-	187,252
b) Other current liabilities	16	99,265	251,868
		144,955,156	194,841,678
	TOTAL :	32,524,465	97,911,322

Significant accounting policies and notes forming an integral part of the financial statements 1 to 36

As per our attached report of even date,
For P V Deo & Associates LLP,
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAQ3394
Place : Pune
Date : May 18, 2021

B. N. Kalyani
Director
DIN: 00089380
Place : Pune
Date : May 18, 2021

Rajinder Singh Bhatia
Director
DIN: 05333963

Statement of profit and loss for the year ended 31st March, 2021

	Notes	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
I. Income			
a) Revenue from operations (net)	17	-	97,473,124
b) Other income	18	277,307	398,792
Total Revenue		277,307	97,871,916
II. Expenses			
a) Purchases of stock-in-trade	19	-	76,094,400
b) Changes in inventories of stock-in-trade	20	-	15,435,784
c) Finance costs	21	13,692,332	12,041,717
d) Depreciation and amortization expenses	22	812,511	594,916
e) Other expenses	23	857,060	6,597,853
Total expenses		15,361,903	110,764,670
III. Loss before tax		(15,084,596)	(12,892,754)
IV. Tax expenses		-	-
V. Loss for the year		(15,084,596)	(12,892,754)
VI. Other comprehensive income		-	-
VII. Total comprehensive income for the year (V+VI)		(15,084,596)	(12,892,754)
VIII. Earnings per equity share for continuing operations [nominal value of share ₹ 10/-]			
a) Basic (In ₹)	27	(7.62)	(6.51)
b) Diluted (In ₹)	27	(7.62)	(6.51)
Significant accounting policies and notes forming an integral part of the financial statements	1 to 36		

As per our attached report of even date,
For P V Deo & Associates LLP,
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAQ3394

B. N. Kalyani
Director
DIN: 00089380

Rajinder Singh Bhatia
Director
DIN: 05333963

Place : Pune
Date : May 18, 2021

Place : Pune
Date : May 18, 2021

BF Elbit Advanced Systems Private Limited

Statement of changes in equity for the year ended 31st March, 2021

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
a Equity share capital		
As at beginning of the year	19,804,080	19,804,080
Changes in equity share capital during the year	-	-
As at end of the year	19,804,080	19,804,080
b Other equity		
		Retained Earnings
		₹
Balance as at 1 st April, 2019.		(104,636,983)
Add :		
Loss for the year		(12,892,754)
Balance as at 31 st March, 2020.		(117,529,737)
Add :		
Loss for the year		(15,084,596)
Balance as at 31 st March, 2021.		(132,614,333)
c Total equity (a+b)		(112,810,253)

Significant accounting policies and notes forming an integral part of the financial statements 1 to 36

As per our attached report of even date,
For P V Deo & Associates LLP,
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAQ3394

B. N. Kalyani
Director
DIN: 00089380

Rajinder Singh Bhatia
Director
DIN: 05333963

Place : Pune
Date : May 18, 2021

Place : Pune
Date : May 18, 2021

Cash Flow Statement for the year ended 31st March, 2021

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
(A) Cash flow from operating activities		
Loss before tax	(15,084,596)	(12,892,754)
Add :		
Depreciation and amortization expenses	812,511	594,916
Interest paid on borrowings	13,588,971	11,902,933
Interest paid on lease liabilities	103,361	138,784
Unrealised foreign exchange loss/(gain)	-	(398,792)
Operating loss before working capital changes	(579,753)	(654,913)
Movements in working capital :		
(Increase)/decrease in other current assets	(235,058)	582,738
(Increase)/decrease in other financial assets	21,000	-
(Increase)/decrease in inventories	-	15,435,784
(Increase)/decrease in trade receivables	38,735,085	24,347,195
Increase/(decrease) in trade payables	(62,117,111)	(26,441,318)
Increase/(decrease) in other current financial liabilities	(187,252)	187,252
Increase/(decrease) in other current liabilities	(152,603)	(309,107)
	(23,935,939)	13,802,544
Cash generated from operations	(24,515,692)	13,147,631
Direct taxes paid (net of refunds)	-	-
Net cash flows from operating activities	(24,515,692)	13,147,631
(B) Cash flows from investing activities		
Purchase of property, plant and equipment	(32,361)	(475,000)
Purchase of intangible assets	-	(795,000)
Net cash flows used in investing activities	(32,361)	(1,270,000)
(C) Cash flows from financing activities		
Proceeds from short term borrowings (net of repayment)	12,531,344	16,267,838
Interest Paid	(13,588,971)	(11,902,933)
Payment of principal lease liabilities	(376,639)	(341,216)
Payment of interest on lease liabilities	(103,361)	(138,784)
Net cash flows from/(used in) financing activities	(1,537,627)	3,884,905
(D) Net increase in cash and cash equivalents (A+B+C)	(26,085,680)	15,762,536
(E) Cash and cash equivalents at the beginning of the year	35,629,092	19,866,556
(F) Cash and cash equivalents at the end of the year	9,543,412	35,629,092

BF Elbit Advanced Systems Private Limited

Components of cash and cash equivalents as at	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Balances with banks in current accounts	9,543,412	35,629,092
	9,543,412	35,629,092

Significant accounting policies and notes forming an integral part of the financial statements

As per our attached report of even date,
For P V Deo & Associates LLP,
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAQ3394

B. N. Kalyani
Director
DIN: 00089380

Rajinder Singh Bhatia
Director
DIN: 05333963

Place : Pune
Date : May 18, 2021

Place : Pune
Date : May 18, 2021

Notes forming part of the financial statements for the year ended 31st March, 2021

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).

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 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 from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note no. 17.

a) Sale of Goods :

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer.

The control of the goods manufactured in case of export sales is transferred usually on the date of issue of Bill of Lading while in case of domestic sales, the control is transferred usually on delivery of goods.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effect of variable consideration.

b) Export incentives :

Income from export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable assurance and conditions precedent to claim are fulfilled.

c) Sale of Services :

Revenue on time and material contracts are recognized as the related services are performed and revenue from the end of the last invoicing to their porting date is recognized as unbilled revenue. Revenue from fixed-price, fixed-time frame contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Efforts or costs expended have been used to measure progress towards completion.

d) Contract assets :

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

e) Trade receivables :

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note no. 2.13.

f) Contract liabilities :

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

g) 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.

h) 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 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.

2.7 Property, plant and equipment :

Property, plant and equipment, capital work in progress 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 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) Building - Temporary structure	3 Years
ii) Computers	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 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 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 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.

The Company amortizes software over three years.

2.9 Leases :

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

Company as a lessee

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

i) Right of use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the Underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or

before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Type of Asset

i) Building Over the period of lease agreement

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

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

Lease liability and Right-of-use asset have been separately presented in the balance sheet and lease payments have been classified as financing cash flows.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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.

2.10 Inventories :

Inventories comprises of traded goods are stated at the lower of costs determined on weighted average basis and net realisable value.

2.11 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 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.12 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.

2.13 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 116 (Previous year 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 115
- 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 through 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 Estimation of uncertainties relating to the global health pandemic from COVID-19

The spread of COVID-19 has severely impacted business and there have been severe disruption to regular business operations due to lockdown and other emergency measures. This may impact the Company's operations. As at the date of approval of these financial statements the Company has made assessment of liquidity, recoverable values of its financial and non-financial assets, financial and non-financial liabilities, carrying value of its assets and liabilities including possible obligations arising from any ongoing negotiations with customers, vendors and has concluded that there are no material adjustments required in the financial statements. The management believes that it has assessed and taken all the possible impacts known from these events wherever possible outcome is known. However, the impact assessment of COVID-19 is a continuous process, given the significant estimation and uncertainties associated with its nature, duration and outcome of any negotiations. The impact of global health pandemic might be different from that estimated as at the date of approval of these financial statements. The Company will continue to closely monitor any material changes to future economic conditions and its consequential impact on its financial statements.

3 Property, plant and equipment :

	Building - Temporary structure	Office Equipment	Computers	Total
	₹	₹	₹	₹
Gross block, at cost :				
As at 1 st April, 2020.	667,813	179,840	-	847,653
Additions	-	-	444,592	444,592
Disposals	-	-	-	-
Adjustments	-	-	-	-
As at 31 st March, 2020.	667,813	179,840	444,592	1,292,245
Additions	-	-	-	-
Disposals	-	-	-	-
Adjustments	-	-	-	-
As at 31st March, 2021.	667,813	179,840	444,592	1,292,245
Depreciation and amortization :				
As at 1 st April, 2020.	667,813	161,790	-	829,603
Disposals	-	-	-	-
Adjustments	-	-	-	-
For the year	-	4,618	64,151	68,769
Upto 31 st March, 2020.	667,813	166,408	64,151	898,372
Disposals	-	-	-	-
Adjustments	-	-	-	-
For the year	-	4,578	148,197	152,775
Upto 31st March, 2021.	667,813	170,986	212,348	1,051,147
Net Block :				
As at 31 st March, 2020.	-	13,432	380,441	393,873
As at 31st March, 2021.	-	8,854	232,244	241,098

4 Right of use assets :

	Right of use assets	Total
	₹	₹
Gross block, at cost :		
As at 1 st April, 2020.	-	-
Additions	1,513,156	1,513,156
Disposals	-	-
Adjustments	-	-
As at 31 st March, 2020.	<u>1,513,156</u>	<u>1,513,156</u>
Additions	-	-
Disposals	-	-
Adjustments	-	-
As at 31st March, 2021.	<u>1,513,156</u>	<u>1,513,156</u>
Depreciation and amortization :		
Disposals	-	-
Adjustments	-	-
For the year	394,736	394,736
Upto 31 st March, 2020.	<u>394,736</u>	<u>394,736</u>
Disposals	-	-
Adjustments	-	-
For the year	394,736	394,736
Upto 31st March, 2021.	<u>789,472</u>	<u>789,472</u>
Net Block :		
As at 31 st March, 2020.	<u>1,118,420</u>	<u>1,118,420</u>
As at 31st March, 2021.	<u>723,684</u>	<u>723,684</u>

5 Intangible assets :

	Software	Total
	₹	₹
Gross block, at cost :		
As at 1 st April, 2020.	-	-
Additions	795,000	795,000
Disposals	-	-
Adjustments	-	-
As at 31 st March, 2020.	795,000	795,000
Additions	-	-
Disposals	-	-
Adjustments	-	-
As at 31st March, 2021.	795,000	795,000
Depreciation and amortization :		
Disposals	-	-
Adjustments	-	-
For the year	131,411	131,411
Upto 31 st March, 2020.	131,411	131,411
Disposals	-	-
Adjustments	-	-
For the year	265,000	265,000
Upto 31st March, 2021.	396,411	396,411
Net Block :		
As at 31 st March, 2020.	663,589	663,589
As at 31st March, 2021.	398,589	398,589

**6 Other financial assets (Non-current)
(Unsecured, Good)**

	As at	As at
	31st March, 2021	31 st March, 2020
	₹	₹
Deposits	24,000	45,000
TOTAL :	24,000	45,000

BF Elbit Advanced Systems Private Limited

7 Other non-current assets (Unsecured, Good)

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Capital advance to a related party	17,671,500	17,671,500
TOTAL :	17,671,500	17,671,500

For terms and conditions relating to related party receivables, refer note no. 25

8 Trade receivables

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Credit impaired	-	-
Others, including related party receivables	-	38,735,085
TOTAL :	-	38,735,085

For terms and conditions relating to related party receivables, refer note no. 25

9 Cash and cash equivalents

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Balances with banks In current accounts	9,543,412	35,629,092
TOTAL :	9,543,412	35,629,092

10 Other current assets (Unsecured, Good)

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Balances with government authorities	3,848,095	3,619,265
Prepaid expenses	11,318	4,106
Advances recoverable in cash or in kind for value to be received From others	-	984
TOTAL :	3,859,413	3,624,355

11 Equity share capital

		As at 31st March, 2021	As at 31 st March, 2020
		₹	₹
Authorised			
15,000,000	(15,000,000) Equity shares of ₹ 10/- each	150,000,000	150,000,000
Issued			
1,980,408	(1,980,408) Equity shares of ₹ 10/- each	19,804,080	19,804,080
Subscribed and fully paid-up			
1,980,408	(1,980,408) Equity shares of ₹ 10/- each	19,804,080	19,804,080
Total issued, subscribed and fully paid-up share capital :		19,804,080	19,804,080

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Equity shares	As at 31 st March, 2021		As at 31 st March, 2020	
	Nos.	₹	Nos.	₹
At the beginning of the year	1,980,408	19,804,080	1,980,408	19,804,080
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Outstanding at the end of the year	1,980,408	19,804,080	1,980,408	19,804,080

(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 ₹ 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 31 st March, 2021		As at 31 st March, 2020	
	Nos.	% of Holding	Nos.	% of Holding
Equity shares of ₹ 10 each fully paid				
Bharat Forge Limited, the Holding Company [#]	1,010,000	51	1,010,000	51
Elbit Systems Land and C4I Limited	970,408	49	970,408	49
	1,980,408	100	1,980,408	100

[#] including the shares held through nominees

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12 Other equity

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Retained earnings		
As per last account	(117,529,737)	(104,636,983)
Loss for the year	(15,084,596)	(12,892,754)
Less : Appropriations	-	-
Closing balance	<u>(132,614,333)</u>	<u>(117,529,737)</u>

13 Borrowings (Current)

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Demand loans from companies ^{(a)(b)}	143,201,269	130,669,925
TOTAL :	<u>143,201,269</u>	<u>130,669,925</u>
(a) Includes Loan from Bharat Forge Ltd, the Holding Company which carries interest @ 10% p.a.	128,745,714	117,446,925
(b) Includes Loan from other related party which carries interest @ 9.70% p.a.	14,455,555	13,223,000

14 Trade payables :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises (including related party payables)	1,238,883	63,355,994
TOTAL :	<u>1,238,883</u>	<u>63,355,994</u>

For terms and conditions relating to related party payables, refer note no. 25

15 Other financial liabilities (Current)

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Duty drawback refundable	-	187,252
TOTAL :	<u>-</u>	<u>187,252</u>

16 Other current liabilities

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Statutory liabilities	99,265	251,868
TOTAL :	99,265	251,868

17 Revenue from operations (net):

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
Sale of products	-	97,473,124
TOTAL :	-	97,473,124

Disaggregate revenue information :

The table below presents disaggregated revenues from contracts with customers for the year ended 31st March, 2021 and 31st March, 2020 by offerings and contract type.

Revenue by offerings :

Sale of products	-	97,473,124
TOTAL :	-	97,473,124

Revenue by geographical segments :

Within India	-	87,148,800
Outside India	-	10,324,324
TOTAL :	-	97,473,124

Revenue by contract type :

Fixed price contracts	-	97,473,124
TOTAL :	-	97,473,124

18 Other Income:

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
Gain on foreign exchange fluctuations	90,055	398,792
Sundry balances written back	187,252	-
TOTAL :	277,307	398,792

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19 Purchases of Stock-in-trade :

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Purchases of stock-in-trade	-	76,094,400
TOTAL :	-	76,094,400

20 Changes in inventories of stock-in-trade : (Increase)/Decrease in inventories :

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Inventories at the beginning of the year		
Stock-in-trade	-	15,435,784
Inventories at the close of the year		
Stock-in-trade	-	-
TOTAL :	-	15,435,784

21 Finance costs :

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Interest on borrowings	13,588,971	11,902,933
Interest on lease liabilities	103,361	138,784
TOTAL :	13,692,332	12,041,717

22 Depreciation and amortization expenses

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
On property, plant and equipment	152,775	68,769
On intangible assets	265,000	131,411
On right of use assets	394,736	394,736
TOTAL :	812,511	594,916

23 Other expenses

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
Insurance	-	6,463
Legal and professional fees	692,198	370,785
Payment to Auditors (Refer details below)	110,000	135,000
Rates & taxes	25,741	6,992
Outward transport expenses	-	431,664
Business promotion expenses	-	5,000,000
Miscellaneous expenses [#]	29,121	646,949
TOTAL :	857,060	6,597,853

Miscellaneous Expenses include general office expenses, printing and stationery, amounts written off etc.

Payment to auditors

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
As auditor:		
- Audit fee	100,000	100,000
- Tax Audit Fees	-	25,000
- Income Tax matters	10,000	10,000
TOTAL :	110,000	135,000

24 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 engaged in the business of defence and aerospace that will include activities of conceptualisation, 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 programmes and to act as off-set partner and/or to undertake offset 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.

25 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 Company :	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
			₹	₹	₹	₹
1	Reimbursement of expenses paid	(a)	12,500 (5,647,500)	- -	- -	12,500 (5,647,500)
2	Reimbursement of expenses received	(b)	- (88,987)	- -	- -	- (88,987)
3	Rent paid	(c)	480,000 (480,000)	- -	- -	480,000 (480,000)
4	Interest Paid	(d) & (e)	12,252,386 (10,675,757)	- -	1,336,585 (1,227,176)	13,588,971 (11,902,933)
5	Repayment of Inter Corporate Loan	(d) & (e)	- (504,000)	- -	- -	- (504,000)
6	Purchase of material	(f)	- (76,094,400)	- -	- -	- (76,094,400)
7	Sale of goods	(g)	- -	- (10,324,324)	- -	- (10,324,324)

- (a) Expenses incurred by related parties on behalf of the Company are reimbursable at cost on demand.
- (b) Expenses incurred by the Company on behalf of the related parties 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 five 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.
- (f) The Company has purchased material from the Holding company for the purpose of trading.
- (g) The Company has sold material to its related party at normal credit terms.

(iii) Balances outstanding

Sr. No.	Nature of transaction	Bharat Forge Limited	Elbit Systems Land and C4I Limited	Kalyani Strategic Systems Limited	Total
		₹	₹	₹	₹
1	Demand Loans(including interest payable on these loans)	128,745,714 (117,446,925)	- -	14,455,555 (13,223,000)	143,201,269 (130,669,925)
2	Capital advance given	- -	17,671,500 (17,671,500)	- -	17,671,500 (17,671,500)
3	Trade payable	785,183 (62,969,283)	- -	- -	785,183 (62,969,283)
4	Trade receivable	- -	- (10,723,117)	- -	- (10,723,117)

(Figures in bracket indicate previous year)

26 Leases :**Company as lessee**

The Company has lease contracts for building used in its operations. Lease of building have lease term of five years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further mentioned below:

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

	Buildings	
	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Balance at the beginning of the year	1,118,420	1,513,156
Additions	-	-
Depreciation	(394,736)	(394,736)
Balance at the end of the year	723,684	1,118,420

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Below are the carrying amounts of lease liabilities and the movements during the year :

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Balance at the beginning of the year	1,171,940	1,513,156
Additions	-	-
Accretion of interest	103,361	138,784
Payments	(480,000)	(480,000)
Balance at the end of the year	795,301	1,171,940
Current	415,739	376,639
Non - Current	379,562	795,301

The following are the amounts recognised in profit or loss:

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Depreciation expense of right-of-use assets	394,736	394,736
Interest expense on lease liabilities	103,361	138,784
Expense relating to short-term leases (included in administrative expenses)	-	-
Expense relating to leases of low-value assets (included in administrative expenses)	-	-
Variable lease payments (included in cost of sales)	-	-
Total amount recognised in profit or loss	498,097	533,520

The Company had total cash outflows for leases of ₹ 480,000/- (31st March, 2020: ₹ 480,000/-). The non-cash additions to right-of-use assets and lease liabilities is NIL (31st March, 2020: ₹ 1,513,156/-).

27 Earnings per share (EPS) :

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Numerator for basic and diluted EPS		
Loss for the year attributable to shareholders as at 31 st March	(15,084,596)	(12,892,754)
Weighted average number of equity shares in calculating basic EPS	1,980,408	1,980,408
EPS - Basic (in ₹)	(7.62)	(6.51)
EPS - Diluted - (in ₹)	(7.62)	(6.51)

28 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 31 st March, 2021		As at 31 st March, 2020	
	USD	₹	USD	₹
a) Capital Advance	280,000	17,671,500	280,000	17,671,500
b) Trade receivable	-	-	142,243	10,723,117

29 Commitments :

	As at	As at
	31 st March, 2021	31 st March, 2020
	₹	₹
Estimated amount of contracts remaining to be executed on capital account and not provided for.	10,136,644	10,554,026
For commitments relating to lease agreements, please refer note 26	795,301	1,171,940

30 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 ascertainment by tax authorities in assessments of the Company. The Company will be able to offset tax losses and allowances only to the extent of availability of adequate 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. See Note 31 and 32 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.

Revenue recognition

The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products/services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.

The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.

The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

Revenue for fixed-price contract is recognised using percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.

31 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 31 st March, 2021 ₹	As at 31 st March, 2020 ₹	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Financial assets				
Other current financial assets				
Deposits	24,000	45,000	24,000	45,000
Total	24,000	45,000	24,000	45,000
Financial liabilities				
Lease liability (Non-current)	379,562	795,301	379,562	795,301
Demand loans from companies	143,201,269	130,669,925	143,201,269	130,669,925
Lease liability (Current)	415,739	376,639	415,739	376,639
Duty drawback refundable	-	187,252	-	187,252
Total	143,996,570	132,029,117	143,996,570	132,029,117

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.

32 Fair value hierarchy :

	Date of Valuation	Quoted prices in active markets (Level 1) ₹	Significant observable inputs (Level 2) ₹	Significant unobservable inputs (Level 3) ₹	Total ₹
Assets for which fair value has been disclosed					
Deposits	3/31/2021	-	-	24,000	24,000
Liabilities for which fair value has been disclosed					
Lease liability (Non-current)	3/31/2021	-	-	379,562	379,562
Demand loans from companies	3/31/2021	-	-	143,201,269	143,201,269
Lease liability (Current)	3/31/2021	-	-	415,739	415,739
Assets for which fair value has been disclosed					
Deposits	3/31/2020	-	-	45,000	45,000
Liabilities for which fair value has been disclosed					
Lease liability (Non-current)	3/31/2020	-	-	795,301	795,301
Demand loans from companies	3/31/2020	-	-	130,669,925	130,669,925
Lease liability (Current)	3/31/2020	-	-	376,639	376,639
Duty drawback refundable	3/31/2020	-	-	187,252	187,252

33 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, 2021 and 31st March, 2020.

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, 2021 and 31st March, 2020 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 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.

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
	₹	₹	₹	₹	₹	₹
As at 31st March, 2021						
Lease liability (Non-current)	-	-	-	379,562	-	379,562
Demand loans from companies	143,201,269	-	-	-	-	143,201,269
Lease liability (Current)	-	100,117	315,622	-	-	415,739
	143,201,269	100,117	315,622	379,562	-	143,996,570
As at 31st March, 2020						
Lease liability (Non-current)	-	-	-	795,301	-	795,301
Demand loans from companies	130,669,925	-	-	-	-	130,669,925
Lease liability (Current)	-	90,701	285,938	-	-	376,639
Duty drawback refundable	187,252	-	-	-	-	187,252
	130,857,177	90,701	285,938	795,301	-	132,029,117

34 Disclosure pursuant to Ind AS 115 on "Revenue from contracts with customers"
a) Trade receivables and Contract balances :

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognized as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straight line basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time.

Revenue recognition for fixed price contracts is based on percentage of completion method. Invoicing to the clients is based on completion of the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price development contracts is classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

	As at 31st March 2021	As at 31 st March 2020
	₹	₹

b) Changes in Contract Assets are as under :

Balance at the beginning of the year	-	-
Revenue recognised during the year	-	-
Invoices raised during the year	-	-
Balance at the end of the year	-	-

c) Changes in Contract Liabilities are as under :

Balance at the beginning of the year	-	-
Revenue recognised from unearned revenue/advance from customers at the beginning of the year	-	-
Increased due to invoicing during the year excluding the amounts recognised as revenue during the year	-	-
Decreased due to adjustment against revenue out of advance received during the year	-	-
Balance at the end of the year	-	-

d) Performance obligations and remaining performance obligations :

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

The Company does not have any performance obligations that are completely or partially unsatisfied as at 31st March, 2021 and 31st March, 2020, other than those meeting the exclusion criteria mentioned above.

Reconciliation for revenue as per Statement of profit & loss and the contracted price arising on account of various adjustments:

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Revenue recognised as per Statement of Profit & loss		
Sale of products	-	97,473,124
Add : Adjustments	-	-
Contract Price	-	97,473,124

35 Going concern :

The Company has incurred losses of ₹ 15,084,596/- (31st March, 2020 : ₹ 12,892,754/-) during the year. As at 31st March, 2021, the Company's accumulated losses are ₹ 132,614,333/- (31st March, 2020 : ₹ 117,529,737/-) which have completely eroded the net worth of the Company. The Company also has net current liabilities of ₹ 131,573,331/- as at 31st March, 2021 (31st March, 2020 : ₹ 116,853,146/-). The management is confident of streamlining the operations so as to start generating profits. The Company has received funding from the Holding Company and a Fellow Subsidiary Company in the form of demand loans. The said companies have confirmed their willingness to continue the said loans so as 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.

36 Income tax :

- a) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31st March 2021 and 31st March 2020:

	As at 31 st March 2021 ₹	As at 31 st March 2020 ₹
Accounting loss before tax	(15,084,596)	(12,892,754)
At India's enacted tax rate of 26.00% (31 st March, 2021: 26%)	-	-
Deferred tax savings on current year accounting loss	(3,921,995)	(3,352,116)
Tax effect of non-deductible expenses	7,883	3,289,539
Deferred tax not recognised on prudence basis	3,914,112	62,577
At the effective income tax rate of 26% (31 st March, 2020: 26%)	-	-
For P V Deo & Associates LLP, Income tax expense reported in the statement of profit and loss	-	-

- b) The Company has carried forward business loss ₹ 27,073,749/- (31st March, 2020 : ₹ 12,470,246/-) and unabsorbed depreciation of ₹ 1,209,915/- (31st March, 2020 : ₹ 810,513/-). Business losses

BF Elbit Advanced Systems Private Limited

will 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 ₹ 7,448,029/- (31st March, 2020 ₹ 3,533,916/-).

**As per our attached report of even date,
For P V Deo & Associates LLP,**
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAQ3394

B. N. Kalyani
Director
DIN: 00089380

Rajinder Singh Bhatia
Director
DIN: 05333963

Place : Pune
Date : May 18, 2021

Place : Pune
Date : May 18, 2021

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Kalyani Rafael Advanced Systems Private Limited

Directors

Mr. Rajinder Singh Bhatia
Mr. Vikram Manohar Munje
Mr. Rudra Kumar Jadeja
Mr. Tzvi Marmor
Mr. Alon Shlomy

Auditors

Deloitte Haskins & Sells
KRB Towers, Plot No. 1 to 4 & 4A
1st, 2nd & 3rd Floor, Jubilee Enclave,
Madhapur, Hyderabad, Telangana 500 081
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Registered Office

Pune Cantonment,
Mundhwa,
Pune 411 036

Corporate office

A-301 & 302, The Platina,
Gachibowli, Hyderabad,
Telangana 500 032 INDIA

Independent Auditor's Report

To The Members of

KALYANI RAFAEL ADVANCED SYSTEMS PRIVATE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **KALYANI RAFAEL ADVANCED SYSTEMS PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2021, 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 significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

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 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 Ind AS 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 financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted

in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

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 relevant books of account

- d. In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
 - e. On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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 Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the Company being a private company, section 197 of the Act related to the managerial remuneration is not applicable.
 - h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - 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 B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants
(F.R.N. 117266W/W-100018)

Sumit Trivedi

Partner
(Membership No. 209354)
UDIN: 21209354AAAAGG2923

Place: Hyderabad
Date: May 18, 2021

Kalyani Rafael Advanced Systems Private Limited

Balance Sheet as at March 31, 2021

(₹ in Lakhs)

Particulars	Note No.	As at March 31, 2021	As at March 31, 2020
I. ASSETS			
1. Non-current assets			
a) Property plant and equipment	3A	1,141.40	1,394.13
b) Right-of-use assets	3C	27.31	63.42
c) Intangible assets	3B	17.26	27.08
d) Financial assets			
i) Other financial assets	4	6.92	21.04
e) Deferred tax assets (net)	33	29.79	18.94
f) Other non-current assets	5	129.75	387.09
		1,352.43	1,911.70
2. Current assets			
a) Inventories	6	522.82	268.51
b) Financial assets			
i) Trade receivables	7	3,069.70	1,988.85
ii) Cash and cash equivalents	8	300.02	373.18
iii) Bank balances other than (ii) above	8	1,756.18	1,737.41
iv) Other financial assets	4A	54.23	65.60
c) Other current assets	5A	189.24	256.66
		5,892.19	4,690.21
TOTAL Assets (1 + 2)		7,244.62	6,601.91
II. EQUITY AND LIABILITIES			
1. Equity			
a) Equity share capital	9	3,980.29	3,980.29
b) Other equity	10	(338.99)	(460.38)
		3,641.30	3,519.91
LIABILITIES			
2. Non-current liabilities			
a) Financial liabilities			
i) Other financial liabilities	11	-	31.95
b) Provisions	12	7.16	4.29
		7.16	36.24
3. Current liabilities			
a) Financial liabilities			
i) Trade Payables			
Total outstanding dues of micro enterprises and small enterprises	13	209.05	98.78
Total outstanding dues of creditors other than micro enterprises and small enterprises	13	2,932.40	1,457.60
ii) Other financial liabilities	13A	425.80	1,470.51
b) Other current liabilities	14	21.11	13.74
c) Provisions	15	7.80	5.13
		3,596.16	3,045.76
TOTAL Equity and Liabilities (1+2+3)		7,244.62	6,601.91

Corporate information & significant accounting policies

1 & 2

See accompanying notes forming part of the financial statements

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

For and on behalf of the Board of Directors of
Kalyani Rafael Advanced Systems Private Limited

Sumit Trivedi
Partner

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Rudra Kumar Jadeja
Director
DIN: 08486168

Place : Hyderabad
Date: May 18, 2021

Place : Hyderabad
Date: May 18, 2021

Statement of Profit and Loss for the year ended March 31, 2021

(₹ in Lakhs)

Particulars	Note No.	For the year ended March 31, 2021	For the year ended March 31, 2020
I. Revenue from operations	16	7,989.19	6,428.76
II. Other income	17	95.01	256.94
III. Total income (I + II)		8,084.20	6,685.70
IV. Expenses			
a) Cost of materials consumed	18	2,231.74	1,332.08
b) Purchases of Stock-in-trade	19	4,618.63	4,301.11
c) Changes in stock of finished goods and work-in-progress	20	(8.54)	-
d) Employee benefits expenses	21	264.14	217.91
e) Finance costs	22	15.28	22.14
f) Depreciation and amortisation expense	23	352.50	381.49
g) Other expenses	24	542.88	405.70
(IV) Total Expenses		8,016.63	6,660.43
V. Profit before tax (III - IV)		67.57	25.27
VI. Tax Expenses			
- Current tax		-	-
- Deferred tax	33	(14.67)	0.46
Total Tax Expenses (VI)		(14.67)	0.46
VII. Profit for the year (V - VI)		82.24	24.81
VIII. Other Comprehensive Income/(loss)			
(a) Items that will not be reclassified to profit or loss in subsequent period (net of taxes)			
- Remeasurements of the defined benefit (liabilities)/asset		0.26	(0.28)
Income tax effect		(0.07)	0.08
	[a]	0.19	(0.20)
(b) Items that will be reclassified to profit or loss in subsequent period (net of taxes)			
- Movement on cash flow hedges		53.98	(53.98)
Income tax effect		(15.02)	15.02
	[b]	38.96	(38.96)
Total other comprehensive Income/(loss)	[a+b]	39.15	(39.16)
IX. Total Comprehensive income/(loss) for the year (VII + VIII)		121.39	(14.35)
X. Earnings per equity share - Basic and diluted (face value per equity share ₹ 10/-)	29	0.21	0.06

Corporate information & significant accounting policies

1 & 2

Total outstanding dues of micro enterprises and small enterprises

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

For and on behalf of the Board of Directors of
Kalyani Rafael Advanced Systems Private Limited

Sumit Trivedi
Partner

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Rudra Kumar Jadeja
Director
DIN: 08486168

Place : Hyderabad
Date: May 18, 2021

Place : Hyderabad
Date: May 18, 2021

Kalyani Rafael Advanced Systems Private Limited

Cash Flow Statement for the year ended March 31, 2021

Particulars	(₹ in Lakhs)	
	Year ended March 31, 2021	Year ended March 31, 2020
Cash flow from operating activities		
Profit before tax	67.57	25.27
Adjustments for :		
Depreciation and amortisation	352.50	381.49
Finance costs incurred	15.28	22.14
Net unrealised exchange (gain)/loss	(33.35)	(150.30)
Interest Income	(93.10)	(124.13)
(Gain)/loss on sale of property, plant and equipment	(1.23)	-
Operating profit before working capital changes	307.67	154.47
Movements in working capital :		
(Increase)/decrease in other financial assets	(17.29)	(150.74)
(Increase)/decrease in other assets	328.44	323.89
(Increase)/decrease in trade receivables	(1,004.05)	53.26
(Increase)/decrease in Inventories	(254.31)	(156.91)
Increase/(decrease) in other financial liabilities	(921.42)	1,243.91
Increase/(decrease) in Provisions	5.54	(3.17)
Increase/(decrease) in trade payables	1,527.58	(1,497.82)
Increase/(decrease) in other current liabilities	4.70	(53.50)
Cash generated from operations	(23.14)	(86.61)
Income taxes paid/(received)	1.84	(4.31)
Net cash flows (used in)/generated by operating activities (A)	(21.30)	(90.92)
Cash flows from investing activities		
Acquisition of property, plant and equipment (including capital work in progress and capital advances)	(121.85)	(401.40)
Sale proceeds of property, plant and equipment	3.98	-
Fixed deposit with banks not considered as cash and cash equivalents is matured	1,191.67	1,555.65
Fixed deposit with banks not considered as cash and cash equivalents is invested	(1,210.44)	(1,778.38)
Interest income	122.03	114.68
Net cash flows (used in)/generated by investing activities (B)	(14.61)	(509.45)
Cash flows from financing activities		
Repayment of lease liabilities	(36.01)	(30.85)
Finance costs	(15.28)	(22.14)
Net cash (used in)/generated from financing activities (C)	(51.29)	(52.99)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(87.20)	(653.37)
Cash and cash equivalents at the beginning of the year	373.18	908.28
Exchange fluctuation on foreign currency bank balances	14.04	118.27
Cash and cash equivalents at the end of the year (Refer below)	300.02	373.18

Note:

1. Cash Flow Statement has been prepared under the Indirect method as set out in the Indian Accounting Standard 7 on Cash Flow Statements. Cash and cash equivalents in the Cash Flow Statement comprise cash at bank and in hand, demand deposits and cash equivalents which are short-term and held for the purpose of meeting short-term cash commitments.

2. Reconciliation of Cash and cash equivalents with Balance Sheet:	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents as per Balance Sheet (Refer Note 8)	2,056.20	2,110.59
Less: Other Bank balances not considered as Cash and cash equivalents	1,756.18	1,737.41
Net Cash and cash equivalents	300.02	373.18

3. Reconciliation of Financial Liabilities - Lease liabilities:

Opening balance	68.68	-
Add: Impact of Ind AS 116	-	99.53
Less: (Repayments) of lease liabilities	(36.01)	(30.85)
Closing balance	32.67	68.68

See accompanying notes forming part of the financial statements

In terms of our report attached
For Deloitte Haskins & Sells LLP
 Chartered Accountants

Sumit Trivedi
 Partner

Place : Hyderabad
 Date: May 18, 2021

For and on behalf of the Board of Directors of
Kalyani Rafael Advanced Systems Private Limited

Rajinder Singh Bhatia
 Director
 DIN: 05333963

Rudra Kumar Jadeja
 Director
 DIN: 08486168

Place : Hyderabad
 Date: May 18, 2021

Vikram Munje
 Director
 DIN: 02772991

Statement of Changes in Equity for the year ended March 31, 2021

A Equity share capital

Particulars	(₹ in Lakhs)	
	Number of shares	Amount
Balance at April 01, 2019	39,802,943	3,980.29
Changes in equity share capital during the year	-	-
Balance as at March 31, 2020	39,802,943	3,980.29
Balance at April 01, 2020	39,802,943	3,980.29
Changes in equity share capital during the year	-	-
Balance as at March 31, 2021	39,802,943	3,980.29

B Changes in other equity

Particulars	(₹ in Lakhs)		
	Items of Other Comprehensive Income	Reserves and Surplus	Total
	Effective portion of cash flow Hedge	Retained Earnings	
Balance at April 01, 2019	-	(446.03)	(446.03)
Profit for the year	-	24.81	24.81
Other comprehensive income/(loss) for the year, net of income tax	(38.96)	(0.20)	(39.16)
Balance as at March 31, 2020	(38.96)	(421.42)	(460.38)
Balance at April 01, 2020	(38.96)	(421.42)	(460.38)
Profit for the year	-	82.24	82.24
Other comprehensive income/(loss) for the year, net of income tax	38.96	0.19	39.15
Balance as at March 31, 2021	-	(338.99)	(338.99)

See accompanying notes forming part of the financial statements

In terms of our report attached
For Deloitte Haskins & Sells LLP
 Chartered Accountants

Sumit Trivedi
 Partner

Place : Hyderabad
 Date: May 18, 2021

For and on behalf of the Board of Directors of
Kalyani Rafael Advanced Systems Private Limited

Rajinder Singh Bhatia
 Director
 DIN: 05333963

Rudra Kumar Jadeja
 Director
 DIN: 08486168

Place : Hyderabad
 Date: May 18, 2021

Vikram Munje
 Director
 DIN: 02772991

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 Defense 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.

To engage in projects and programs floated or to be floated by the Government of India or its instrumentalities or other entities based in India or abroad.

To Carry on the business of and to act as manufacturer, importer, marketer, agent, distributors, collaborators, or otherwise to deal in all types of automatic, semi-automatic, digital, electronic instruments, equipments, apparatus, machineries, tools and their parts, fittings, components and accessories used in health care treatment, diagnosis, research test cure, operation and for saving life or human-being and other allied products.

The Company had set 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:

The financial statements which comprise the Balance sheet, the Statement of Profit and Loss, the Cash flow statement and the Statement of changes in Equity ("Financial Statements") have been prepared in accordance with Indian Accounting Standards (Ind ASs) notified under Section 133 of the Companies Act, 2013, read together with the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter. The Company adopted Ind AS from April 1, 2016. The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency. The Company has consistently applied accounting policies to all periods.

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

2.03 Use of estimates and judgements

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 useful lives of property, plant and equipment, valuation of deferred tax liabilities, Leases and provisions and contingent liabilities.

Useful lives of Property, plant and equipment

The company reviews the useful life of property, plant and equipment at the end of the reporting period. This reassessment may results in change in depreciation expenses 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 2.07 and 33.

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 valuer's establish the appropriate valuation techniques and inputs to the model. The external valuer's 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 31.

Defined benefit obligations

The Company uses actuarial assumptions viz., discount rate, mortality rates, salary escalation rate etc., to determine such employee benefit obligations.

Leases

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116 Leases. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the non-cancellable period of a lease. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

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:

The Company is in the business of defence and aerospace. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, except for the agency services, because it typically controls the goods or services before transferring them to the customer.

Sale of Products/Goods: Revenue from sale of Products/Goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the Products/Goods. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of Products/Goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

b) Sale of Service: Revenue from sale of services is in nature of MRO services for defense equipments on customer product which normally takes 1 – 4 days for completion and MRO services revenue recognized is measured based on the fixed input method, agreed with the recipient of service, and therefore the services transferred to date.

c) 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 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.

2.06 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 an utilised compensated absence on the basis of an independent actuarial valuation.

2.07 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.

2.08 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 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 embodied 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
- ii) Tools & Equipments - 10 Years
- iii) Lease improvement costs are amortised over the period of the lease term.

Assets individually costing ₹ 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.

2.09 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.

2.10 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.

2.11 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.

2.12 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.

Derivatives financial instruments and hedge accounting

Initial recognition and subsequent measurement

The company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gain or loss arising from changes in the fair value of the derivatives are taken directly to statement of profit and loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to statement of profit and loss when the hedge item affects statement of profit and loss or treated as basic adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk is an unrecognised firm commitment.

At the inception of a hedge relationship, the company formally designates and documents the hedge relationship to which the company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the company's risk management objective and strategy for undertaking the hedge, the hedging/economic relationship, the hedge item or transaction, the nature of the risk being hedged, hedged ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows

attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below :

Fair value hedges :

The change in the fair value of a hedging instrument is recognised in the statement of profit and loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit and loss as finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through the statement of profit and loss over the remaining term of the hedge using the EIR method. EIR amortisation may be as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for the changes in its fair value attributable to the risk being hedged.

The company uses forward currency contracts as hedges of its exposure to foreign currency risk in trade receivables. The change in fair value is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit and loss.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in statement of profit and loss. When an unrecognised firm commitment is designated as hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in statement of profit and loss.

Cash flow hedges :

Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

The effective portion of the gain or loss on the hedging instruments is recognised in OCI in the cash flow hedge reserve, while an ineffective portion is recognised immediately in the statement of profit and loss.

The company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance cost.

Amounts recognised as OCI are transferred to statement of profit and loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

2.13 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.

2.14 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.

2.15 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.

2.16 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 (including of MAT) 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.

2.17 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.

2.18 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.

2.19 Dividend

Dividend on share is recorded as liability on the date of approval by the shareholders.

2.20 Revenue from Contract with Customers

a. Disaggregation of revenue from contracts with customers

Set out below is the disaggregation of the Company's revenue from contracts with customers :

Particulars	(₹ in Lakhs)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
<u>Sale of products</u>		
- Sale of goods	7,622.17	6,342.82
- Sale of service	318.09	-
Total revenue	7,940.26	6,342.82
<u>Geographical Markets</u>		
a. Within India	23.70	-
b. Outside India	7,916.56	6,342.82
Total revenue from contracts with customers	7,940.26	6,342.82
<u>Timing of revenue recognition</u>		
Goods transferred at a point in time	5,281.48	5,722.28
Bill and Hold transaction	2,340.69	620.54
Services transferred at a point in time	318.09	-
Total revenue from contracts with customers	7,940.26	6,342.82

Sale of goods includes F.O.B. value of export of ₹ 7,622.17 Lakhs (March 31, 2020 : ₹ 6,342.82 Lakhs)

b. Contract balances:

Additional disclosure under Trade Receivables Note

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. No provision for ECL on trade receivables.

c. Reconciliation for revenue as per Statement of profit & loss and the contracted price arising on account of various adjustments shall be disclosed

Revenue Reconciliation	(₹ in Lakhs)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue recognised as per Statement of profit & loss	7,940.26	6,342.82
Adjustments	-	-
Contract Price	7,940.26	6,342.82

d. Transaction price allocated to the remaining performance obligations

Description of performance obligations:

Sale of goods:

The performance obligation is satisfied upon removal of goods from factory and payment is generally due within 30 to 45 days from the date of Invoice. The Company enters into an agreement with customer for products which are to be manufactured. The control of the product manufactured is transferred on the date of removal of goods from factory.

Sale of services:

The performance obligation is satisfied upon the completion of services in the place of service informed by the recipient with in India and payment is generally due with in 60

days from the date of invoice. The company enters into an agreement with customer for services which are to be performed as obliged. The completion of services confirms by the customer itself.

e. Accounting policy:

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements relating to revenue from contracts with customers are provided in Note no. f in below:

Revenue for sale of Goods

The Company is in the business of defence and aerospace. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, except for the agency services, because it typically controls the goods or services before transferring them to the customer.

- a) Sale of Products/Goods: Revenue from sale of Products/Goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the Products/Goods. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of Products/Goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).
- b) Sale of Service: MRO services revenue recognized is measured based on the fixed input method, agreed with the recipient of service, and therefore the services transferred to date.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company does not considers the effect of variable consideration.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note No. 30 and 31 (Financial instruments – initial recognition and subsequent measurement and Fair value).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or

services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Bill- and - Hold arrangements

A bill-and-hold arrangements is a contract under which an entity bills a customer for a goods but the entity retains physical possession of the goods until it is transferred to the customer at a point of time in future.

An entity shall determine when it has satisfied its performance obligation to transfer a product by evaluating when a customer obtains control of the goods.

f. Judgments

The Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying contract with customers

Company enters into agreements with its customers which define the key terms of the contract with customers. However, the rates and quantity for the supplies are separately agreed through purchase orders. Management has exercised judgement to determine that contract with customer for the purpose of Ind AS 115 is agreement is ready along with customer POs for the purpose of identification of performance obligations and other associated terms.

Identifying performance obligation

Company enters into a contract with customer for sale of products & services which are to be produced using the Sub assemblies and various mechanical parts and provided the services. The Company also determined that the promises to transfer the product and service within the context of the contract.

Determination of timing of satisfaction of performance obligation for sale of products & services

The Company concluded that revenue for sale of products & services is to be recognised at point in time because it does not meet the criteria for recognising revenue over a period of time. The Company has applied judgment in determining the point when the control of the products & services are transferred based on the criteria's mentioned in the standard read along with the contract with customers, applicable laws and considering the industry practices. Accordingly, the Company has exercised following judgments:

Finished goods

The goods manufactured are "make to print" or "Integration and Testing" as per specific customer designs for which the sub assembly, Harness, Mechanical Parts before commercial production commences. Further, the dispatch of goods is made on the basis of the specific production schedules obtained from the customer. The Company has made judgement in determining the point of time when the control is passed on to the customer considering the terms of contract with customers along with application of various commercial laws and industry practices.

Services

The instructions for services are provided by customer to the Company. Company can perform the service obligations in the plant. Once service is done by the Company the customer confirms the services. The Company has made judgement in determining the point of time when the performance is completed is passed on to the customer considering the terms of contract with customers along with application of various commercial laws and industry practices.

Determination of revenue in case of Bill-and-hold transaction

- i) Reason for the bill-and-hold arrangement
The company completes its performance obligation to transfer the control of the goods to the customer in accordance with the agreed -upon specifications in the contract for which customer has accepted the control and confirmed to the Company. However, due to the non-availability of international cargo and aircrafts, the physical movement of goods did not happen. Hence, company recognised the revenue of goods on these goods in the current year.
- ii) The company identified the goods and stored separately in the factory premises until goods are cleared from the factory premises.
- iii) The goods are ready for physical transfer to the customer from the factory premises of the company.
- iv) The company cannot use the goods for any other purpose and direct it to another customer.

2.21. Leases

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116 Leases. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the non-cancellable period of a lease. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

- i) The following is the movement in lease liabilities during the year ended March 31, 2021

Particulars	(₹ in Lakhs)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Balance at the beginning	68.68	-
Impact on transition of Ind AS 116	-	99.53
Add: Interest cost accrued during the year	6.77	9.80
Less: Payment of lease liabilities including interest	42.78	40.65
Balance at the end	32.67	68.68

- ii) The impact of change in accounting policy on account of adoption of Ind AS 116 is as given below

Particulars	(₹ in Lakhs)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest on lease liability (refer note 22)	6.77	9.80
Amortisation of right of use assets (refer note 23)	36.11	36.11
Less: Lease rental expenses	42.78	40.65
Impact on the statement of profit and loss account	0.10	5.26

Kalyani Rafael Advanced Systems Private Limited

iii) Maturity analysis of lease liabilities as on March 31, 2021 on an discounted basis.

(₹ in Lakhs)		
Particulars	As at March 31, 2021	As at March 31, 2020
Less than one year	32.67	36.73
One to three years	-	31.95
Total discounted lease liabilities as at March 31, 2021	32.67	68.68

(₹ in Lakhs)		
3A. Property, plant and equipment	As at March 31, 2021	As at March 31, 2020
Carrying amounts of:		
Plant and equipment	582.00	635.25
Tools & Instruments	327.84	371.15
Computer equipments	45.35	73.54
Furniture and fixtures	36.85	44.07
Vehicles	21.10	24.14
Office equipment	4.35	7.65
Lease hold improvements	123.91	238.33
TOTAL - Property, plant and equipment	1,141.40	1,394.13

Cost	Plant and equipment	Tools & Instruments	Computer Equipments	Furniture and fixtures	Vehicles	Office equipment	Leasehold improvements	Total
Balance as at April 1, 2019	916.99	470.17	185.46	58.94	-	13.62	547.10	2,192.28
Additions	4.97	5.67	0.09	-	24.31	0.48	-	35.52
Disposals/adjustments*	(112.64)	-	112.64	-	-	-	-	-
Balance as at March 31, 2020	809.32	475.84	298.19	58.94	24.31	14.10	547.10	2,227.80
Additions	24.33	2.21	11.29	-	-	-	-	37.83
Disposals/adjustments*	-	(0.66)	-	(2.47)	-	(2.00)	-	(5.13)
Balance as at March 31, 2021	833.65	477.39	309.48	56.47	24.31	12.10	547.10	2,260.50

* Adjustments includes transfers inter-se

Accumulated depreciation	Plant and equipment	Tools & Instruments	Computer Equipments	Furniture and fixtures	Vehicles	Office equipment	Leasehold improvements	Total
Balance as at April 1, 2019	126.57	59.98	121.29	9.26	-	3.79	194.35	515.24
Depreciation expense	76.60	44.71	74.26	5.61	0.17	2.67	114.42	318.44
Depreciation adjustments*	(29.10)	-	29.10	-	-	-	-	-
Balance as at March 31, 2020	174.07	104.69	224.65	14.87	0.17	6.46	308.77	833.68
Depreciation expense	77.58	45.04	39.48	5.59	3.04	2.65	114.42	287.80
Disposals/adjustments	-	(0.18)	-	(0.84)	-	(1.36)	-	(2.38)
Balance as at March 31, 2021	251.65	149.55	264.13	19.62	3.21	7.75	423.19	1,119.10

* Adjustments includes transfers inter-se

		(₹ in Lakhs)	
3B. Intangible assets	As at March 31, 2021	As at March 31, 2020	
Carrying amounts of:			
Acquired computer software	17.26	27.08	
TOTAL	17.26	27.08	
Cost			
	Acquired computer software		Total
Balance as at April 1, 2019	85.08		85.08
Additions	-		-
Balance as at March 31, 2020	85.08		85.08
Additions	18.77		18.77
Balance as at March 31, 2021	103.85		103.85
Accumulated amortisation			
	Acquired computer software		Total
Balance as at April 1, 2019	31.06		31.06
Amortisation expense	26.94		26.94
Balance as at March 31, 2020	58.00		58.00
Amortisation expense	28.59		28.59
Balance as at March 31, 2021	86.59		86.59
		(₹ in Lakhs)	
3C. Right-of-use assets	As at March 31, 2021	As at March 31, 2020	
Carrying amounts of:			
Land & Building	27.31	63.42	
TOTAL - Right-of-use assets	27.31	63.42	
Cost			
	Land & Building		Total
Impact on transition of Ind AS 116	99.53		99.53
Additions	-		-
Deletions	-		-
Balance as at March 31, 2020	99.53		99.53
Additions	-		-
Deletion	-		-
Balance as at March 31, 2021	99.53		99.53
Accumulated amortisation			
	Land & Building		Total
Impact on transition of Ind AS 116	-		-
Amortisation expense	36.11		36.11
Deletions	-		-
Balance as at March 31, 2020	36.11		36.11
Amortisation expense	36.11		36.11
Deletions	-		-
Balance as at March 31, 2021	72.22		72.22

4 Other non-current financial assets (unsecured, considered good unless otherwise stated)

Particulars	(₹ in Lakhs)	
	As at March 31, 2021	As at March 31, 2020
Security deposits	6.92	21.04
TOTAL :	6.92	21.04

4A Other current financial assets (unsecured, considered good unless otherwise stated)

Particulars	As at	
	March 31, 2021	March 31, 2020
Interest accrued but not due on fixed deposits	36.94	65.60
Security deposit	14.12	-
Receivables from sale of Property, plant and equipment	3.17	-
TOTAL :	54.23	65.60

5 Other non-current assets (unsecured, considered good unless otherwise stated)

Particulars	As at	
	March 31, 2021	March 31, 2020
a) Tax paid in advance less provision (current tax)	8.31	18.75
b) Balances with Government authorities other than income tax	121.44	368.34
TOTAL :	129.75	387.09

5A Other current assets (unsecured, considered good unless otherwise stated)

Particulars	As at	
	March 31, 2021	March 31, 2020
a) Advance for supplies	162.67	245.50
b) Prepaid expenses	26.57	11.16
TOTAL :	189.24	256.66

6 Inventories

Particulars	As at	
	March 31, 2021	March 31, 2020
a) Raw materials	113.84	258.75
b) Work-in-progress	9.94	1.40
c) Material in Transit	390.18	-
d) Stores & Spares	8.86	8.36
TOTAL :	522.82	268.51

7 Trade receivables

Particulars	(₹ in Lakhs)	
	As at March 31, 2021	As at March 31, 2020
Unsecured:		
Considered good	3,069.70	1,988.85
TOTAL :	3,069.70	1,988.85

Notes:

- The normal credit period allowed by the Company ranges from 30 to 45 days against goods and 60 days against services. Trade receivables are dues in respect of goods sold or services rendered in the normal course of business.
- The normal credit period allowed by the Company ranges from 30 to 45 days against goods and 60 days against services. The normal credit period allowed by the Company ranges from 30 to 45 days against goods and 60 days against services.

8 Cash and cash equivalents

Particulars	As at	As at
	March 31, 2021	March 31, 2020
A) Balance with banks		
a) Unrestricted balance with banks	256.39	373.05
b) In deposits with original maturity of less than three months	35.00	-
c) Cash on hand	8.63	0.13
Cash and cash equivalent	300.02	373.18
B) Other Bank balances		
a) Deposits with original maturity of more than three months (Refer point No. i & ii below)	1,756.18	1,737.41
Other bank balances	1,756.18	1,737.41
TOTAL : (A + B)	2,056.20	2,110.59
(i) Under bank's lien as margin for bank guarantees issued.	86.66	131.89
(ii) Includes deposits with maturity of more than 12 months	1,546.18	1,737.41

9 Equity share capital

Particulars	As at	As at
	March 31, 2021	March 31, 2020
Authorised capital		
80,000,000 (80,000,000) equity shares of ₹ 10 each	8,000.00	8,000.00
TOTAL :	8,000.00	8,000.00
Issued capital		
39,892,943 (39,892,943) equity shares of ₹ 10 each	3,989.29	3,989.29
TOTAL :	3,989.29	3,989.29
Subscribed and fully paid-up capital		
39,802,943 (39,802,943) equity shares of ₹ 10 each	3,980.29	3,980.29
TOTAL :	3,980.29	3,980.29

(a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting year

Particulars	As at March 31, 2021		As at March 31, 2020	
	Nos.	₹ in Lakhs	Nos.	₹ in Lakhs
At the beginning of the year	39,802,943	3,980.29	39,802,943	3,980.29
Add: Shares issued during the year	-	-	-	-
No. of shares outstanding at the end of the year	39,802,943	3,980.29	39,802,943	3,980.29

(b) Details of shareholders holding more than 5% shares in the Company

Name of Shareholder	As at March 31, 2021		As at March 31, 2020	
	Nos.	% of Holding	Nos.	% of Holding
Equity shares of ₹ 10 each fully paid				
Kalyani Strategic Systems Limited	19,901,471	50.00%	19,901,471	50.00%
Rafael Advanced Defense Systems Ltd.	19,503,442	49.00%	19,503,442	49.00%

(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 ₹ 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.

10 Other equity

Particulars	₹ in Lakhs	
	As at March 31, 2021	As at March 31, 2020
I Effective portion of cash flow Hedge		
Balance at the beginning of the year	(38.96)	-
Gain/(Loss) for the year (net of deferred tax)	38.96	(38.96)
Reclassification and ineffectiveness		
Balance at the end of the year	Subtotal (I) :	(38.96)
II Retained earnings		
Balance at the beginning of the year	(421.42)	(446.03)
Profit for the year	82.24	24.81
Remeasurements of defined benefits plans, net of tax	0.19	(0.20)
Balance at the end of the year	Subtotal (II) :	(421.42)
Grand Total (I + II):	(338.99)	(460.38)

11 Other non-current financial liabilities :

Particulars	(₹ in Lakhs)	
	As at March 31, 2021	As at March 31, 2020
Lease liability	-	31.95
TOTAL :	-	31.95

12 Non-current provisions

Particulars	(₹ in Lakhs)	
	As at March 31, 2021	As at March 31, 2020
Provision For employee benefits		
Leave encashment	7.16	4.29
TOTAL :	7.16	4.29

13 Trade payables

Particulars	(₹ in Lakhs)	
	As at March 31, 2021	As at March 31, 2020
I. Total outstanding dues of micro enterprises and small enterprises	209.05	98.78
TOTAL :	209.05	98.78
II. Total outstanding dues of creditors other than micro enterprises and small enterprises		
i) Acceptances	-	-
ii) Other than Acceptances	2,916.85	1,443.69
iii) Trade Payable for salaries and wages	15.55	13.91
TOTAL :	2,932.40	1,457.60
TOTAL (I + II) :	3,141.45	1,556.38

13A Other current financial liabilities

Particulars	(₹ in Lakhs)	
	As at March 31, 2021	As at March 31, 2020
Payable on purchase of property, plant and equipment	1.21	66.46
Advances from customers	391.92	1,313.34
Current maturities of lease liabilities	32.67	36.73
Fair value of cash flow hedges	-	53.98
TOTAL :	425.80	1,470.51

14 Other current liabilities :

Particulars	(₹ in Lakhs)	
	As at March 31, 2021	As at March 31, 2020
Statutory liabilities (other than income-tax)	18.44	13.74
Provision for income tax	2.67	-
TOTAL :	21.11	13.74

15 Current provisions

Particulars	As at	
	March 31, 2021	March 31, 2020
Provision For employee benefits		
Leave encashment	2.86	2.27
Gratuity	4.94	2.86
TOTAL :	7.80	5.13

16 Revenue from operations

Particulars	Year ended	
	March 31, 2021	March 31, 2020
Revenue from sale of goods	7,622.17	6,342.82
Revenue from services	318.09	-
Other operating revenue (Refer Note below)	48.93	85.94
TOTAL :	7,989.19	6,428.76
Note:		
Other operating revenues comprise:		
Duty draw back on exports	12.01	6.65
Sale of MEIS scrips	22.30	24.23
Others	14.62	55.06
TOTAL :	48.93	85.94

17 Other income

Particulars	Year ended	
	March 31, 2021	March 31, 2020
(a) Interest income		
(i) Bank deposits	93.10	124.13
(ii) Income tax refund	0.68	-
(b) Net gain on foreign currency transactions	-	132.81
(c) Gain on disposal of Property, plant and equipment	1.23	-
TOTAL :	95.01	256.94

18 Cost of materials consumed

Particulars	(₹ in Lakhs)	
	Year ended March 31, 2021	Year ended March 31, 2020
Opening stock	267.11	110.20
Add: Purchases	2,087.33	1,488.99
Less: Closing stock	122.70	267.11
TOTAL :	2,231.74	1,332.08

19 Purchase of stock-in-trade

Particulars	Year ended	
	March 31, 2021	March 31, 2020
Purchases of stock-in-trade	4,618.63	4,301.11
TOTAL :	4,618.63	4,301.11

20 Changes in stock of finished goods and work-in-progress

Particulars	Year ended	
	March 31, 2021	March 31, 2020
Inventories at the end of the year:		
Work-in-progress	9.94	1.40
Inventories at the beginning of the year:		
Work-in-progress	1.40	1.40
NET (INCREASE)/DECREASE :	(8.54)	-

21 Employee benefit expenses

Particulars	Year ended	
	March 31, 2021	March 31, 2020
a) Salaries and wages	252.37	208.56
b) Contribution to provident and other funds (Refer note 32)	7.12	5.72
c) Staff welfare expenses	4.65	3.63
TOTAL :	264.14	217.91

22 Finance costs

Particulars	Year ended	
	March 31, 2021	March 31, 2020
a) Interest expenses - others	0.18	0.17
b) Other borrowing cost - Bank charges	8.33	12.17
c) Interest on lease liabilities	6.77	9.80
TOTAL :	15.28	22.14

23 Depreciation and amortization expense:

Particulars	(₹ in Lakhs)	
	Year ended March 31, 2021	Year ended March 31, 2020
a) Depreciation of property, plant and equipment (Refer Note 3A)	287.80	318.44
b) Amortisation of intangible assets (Refer Note 3B)	28.59	26.94
c) Amortisation of right-of-use assets (Refer Note 3C)	36.11	36.11
TOTAL :	352.50	381.49

24 Other expenses

Particulars	Year ended	
	March 31, 2021	Year ended March 31, 2020
a) Consumption of stores and spares	6.26	-
b) Inventory write off	86.98	-
c) Power and fuel	23.23	26.87
d) Equipment hire charges	12.86	32.74
e) Repairs & maintenance - others	12.80	11.22
f) Rates, insurance and taxes	15.43	12.10
g) Communication expenses	5.67	4.81
h) Travelling and conveyance	14.33	44.27
i) Printing & stationery	1.18	2.06
j) Legal and professional fees	111.19	111.27
k) Payment to auditors	19.20	10.18
l) IT Maintenance charges	4.49	0.45
m) Manpower outsourcing	29.82	30.85
n) Project transfer and training cost	101.94	-
o) Event & exhibition expenses	-	60.38
p) Net loss on foreign currency transactions	49.77	-
q) Miscellaneous expenses	47.73	58.50
TOTAL :	542.88	405.70

25 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 engaged in the business of defence and aerospace that will include activities of conceptualisation, 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 programmes and to act as off-set partner and/or to undertake offset 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 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.

26 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
Common Directors	Analogic Controls India Limited
Common shareholders having significant influence over the company	Astra Rafael Comsys Pvt Ltd
Key Managerial Personnel	Rudra Kumar Jadeja - Chief Executive Officer & Director

(ii) Related parties with whom transactions have taken place during the year

(₹ in Lakhs)							
Sr. No.	Nature of transaction	Rudra Kumar Jadeja - Chief Executive Officer	Astra Rafael Comsys Pvt Ltd	Analogic Controls India Limited	Rafael Advanced Defense Systems Limited	Bharat Forge Limited	Total
1	Sale of goods	-	-	-	7,622.17	-	7,622.17
		(-)	(-)	(-)	(6,342.82)	(-)	(6,342.82)
2	Sale of services	-	-	-	294.38	-	294.38
		(-)	(-)	(-)	(-)	(-)	(-)
3	Sale of property, plant & equipment	-	-	-	1.29	2.68	3.97
		(-)	(-)	(-)	(-)	(-)	(-)
4	Purchase of raw materials	-	-	60.73	1,900.48	-	1,961.21
		(-)	(-)	(-)	(-)	(-)	(-)
5	Other expenses - Fabrication charges	-	-	-	15.91	-	15.91
		(-)	(-)	(-)	(-)	(-)	(-)
6	Reimbursement of expenses paid	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(59.00)	(59.00)
7	Project transfer and training cost	-	-	-	101.94	-	101.94
		(-)	(-)	(-)	(-)	(-)	(-)
8	Miscellaneous income	-	-	-	-	2.25	2.25
		(-)	(-)	(-)	(-)	(-)	(-)
9	Advances received	-	62.30	-	566.59	-	628.89
		(-)	(-)	(-)	(1,964.64)	(-)	(1,964.64)
10	Salary Cost	70.00	-	-	-	-	70.00
		(68.18)	(-)	(-)	(-)	(-)	(68.18)
	Total	70.00	62.30	60.73	10,502.76	4.93	10,700.72

* Figures in the bracket represents end of March 31, 2020 .

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(iii) Balances outstanding

Sr. No.	Nature of Balances	Rudra Kumar Jadeja - Chief Executive Officer	Astra Rafael Comsys Pvt Ltd	Analogic Controls India Limited	Rafael Advanced Defense Systems Limited	Bharat Forge Limited	Total
1	Trade Receivable	-	-	-	3,069.70	-	3,069.70
		(-)	(-)	(-)	(1,988.85)	(-)	(1,988.85)
2	Trade Payables	-	-	-	1,916.39	29.91	1,946.30
		(-)	(-)	(-)	(443.42)	(54.00)	(497.42)
3	Other payables	-	-	-	101.94	-	101.94
		(-)	(-)	(-)	(-)	(-)	(-)
4	Receivable for property, plant and equipment	-	-	-	-	3.17	3.17
		(-)	(-)	(-)	(-)	(-)	(-)
5	Payable of property, plant and equipment	-	-	-	-	-	-
		(-)	(-)	(-)	(54.08)	(-)	(54.08)
6	Advances	-	62.30	-	329.62	-	391.92
		(-)	(-)	(-)	(1,313.34)	(-)	(1,313.34)
7	Salary Payable	17.69	-	-	-	-	17.69
		(2.59)	(-)	(-)	(-)	(-)	(2.59)
Total		17.69	62.30	-	5,417.65	33.08	5,530.72

* Figures in brackets represents end of previous year .

27 Contingent Liabilities & Commitments

Particulars	₹ in Lakhs)	
	As at March 31, 2021	As at March 31, 2020
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)	-	368.85

28 Dues to Micro and Small Enterprises**Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act (MSME), 2006**

The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. The amount of principal and interest outstanding during the year is given below :

Particulars	(₹ in Lakhs)	
	As at March 31, 2021	As at March 31, 2020
i) Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at March 31, 2021	209.05	98.78
ii) Interest due to suppliers registered under the MSMED Act and remaining unpaid as at March 31, 2021	0.67	0.25
iii) Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	316.69	1,777.73
iv) Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
v) Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
vi) Interest due and payable towards suppliers registered under MSMED Act, for payments already made	5.11	15.05
vii) Further interest remaining due and payable for earlier years	15.05	11.15

Interest payable as per section 16 of the Micro, Small and medium Enterprises Development, 2006, for the year is ₹ 5.11 Lakhs (March 31, 2020: ₹ 15.05 Lakhs). The same has not been accrued in the books of the Company.

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

29 Earnings per share (EPS)

Particulars	As at	
	March 31, 2021	March 31, 2020
Profit for the year attributable to equity shareholders	82.24	24.81
Weighted average number of equity shares	39,802,943	39,802,943
Earning per share - Basic and diluted	0.21	0.06

30 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 objectives and policies :

The company's principal financial liabilities other than derivatives comprise loan and borrowings, trade payables. The main purpose of these financial liabilities is to finance the company's operations. The company's principal financial assets including loans, trade and other receivables and cash and cash equivalent that derive directly from its operations. The company FVTOCI and FVTPL investments and enters into a derivative transactions.

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 Finance and Risk Management Committee (FRMC) that advises on financial risks and the appropriate financial risk governance framework for the company. The FRMC provides assurance 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. Further, all the derivative activities for risk management purposes are carried out by experienced members from the senior management who have relevant expertise, appropriate skills and supervision. It is the company's policy that no trading in activities for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised as below :

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 assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹ 3,069.70 Lakhs and ₹ 1,988.85 Lakhs as of March 31, 2021 and March 31, 2020 respectively, being the total of the carrying amount of balances with trade receivables.

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.

ii) 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 and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at March 31, 2021 and March 31, 2020.

The analysis excludes the impact of movements in market variables on the carrying values of gratuity and other post-retirement obligations and provisions.

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 manages its foreign currency risk by hedging its forecasted sales for next 1 year to the extent of 40% to 50% on rolling basis.

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions, the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted upto the point of settlement of the resulting receivable or payable that is denominated in the foreign currency. The company discloses fair value of the outstanding derivative in the financial statements. The impact on the company's pre-tax equity due to change in fair value of the outstanding forward contracts as follows:

1) Foreign currency exposures hedged by derivatives - Nil (Previous Year - ₹ 1,468.42 Lakhs)

Particulars	Changes in rate	Effect on OCI
March 31, 2021	USD/INR	-
March 31, 2020	USD/INR	(53.98)

2) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise

The below table represents the unhedged foreign currency in Indian Rupees

Particulars	Currency in ₹ Lakhs.	As at March 31, 2021	As at March 31, 2020
Assets			
Trade receivables	INR	3,069.70	1,988.79
Cash & Bank balances	INR	203.06	327.95
Liabilities			
Trade payables	INR	2,814.45	1,235.09
Payable on purchase of Property, Plant and Equipment	INR	-	54.08

The below table represents the unhedged foreign currency in respective currencies

Particulars	Currency in Lakhs.	As at March 31, 2021	As at March 31, 2020
Assets			
Trade receivables	USD	41.76	26.38
Cash & Bank balances	USD	2.76	4.35
Liabilities			
Trade payables	USD	38.29	16.38
Payable on purchase of Property, Plant and Equipment	USD	-	0.72

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in USD exchange rates, with all other variables held constant, the impact on the Company's profit before tax due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

For the year ended	Currency	Change in rate	Effect on pre-tax equity
March 31, 2021	USD	+10%	44.97
	USD	-10%	(44.97)
March 31, 2020	USD	+10%	102.76
	USD	-10%	(102.76)

Forward Exchange Contracts
Cash flow hedges

Foreign exchange forward contracts measured at fair value through OCI as designated as hedging instruments in cash flow hedges of forecast sales in US Dollars. These forecast transactions are highly probable.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates.

(₹ in Lakhs)

Particulars	March 31, 2021		March 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Fair value of foreign currency forward contracts	-	-	-	1,502.70

The terms of foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through profit and loss. Amounts of outstanding forward contracts are as follows :

(₹ in Lakhs)

Nature of Instrument	Currency	Purpose	March 31, 2021		March 31, 2020	
			Foreign Currency	In ₹	Foreign Currency	In ₹
Forward contracts	USD	Hedging of highly probable sales	-	-	19.93	1,468.42

The cash flow hedges of the expected future sales during the year ended March 31, 2021 were assessed to be highly effective and net unrealised gain/loss of ₹ Nil (March 31, 2020 : unrealised loss of ₹ 38.96 Lakhs), with a deferred tax asset/liability of ₹ Nil (March 31, 2020 : deferred tax liability of ₹ 15.02 Lakhs) relating to the hedge instruments, is included in OCI.

The movement in Accumulated OCI for instruments designated in a cash flow hedge is as follows:

	(₹ in Lakhs)	
	Exchange Rate Risk hedges	
	March 31, 2021	March 31, 2020
Balance as the beginning of the year	(38.96)	-
i) Gains/Losses transferred to P&L on occurrence of the forecast transaction	53.98	-
Deferred Tax on the above	(15.02)	-
ii) Gains/Losses transferred to P&L due to cash flows no longer expected to occur	-	-
Deferred Tax on the above	-	-
iii) Change in Fair Value of Effective Portion of cash flow hedges	-	(53.98)
Deferred Tax on the above	-	15.02
iv) Gains/Losses transferred to P&L on ineffectiveness	-	-
Deferred Tax on the above	-	-
Balance as the end of the year	-	(38.96)
Of the above:		
Balance relating to continuing hedges	-	(38.96)
Balance relating to hedge accounting is no longer applied	-	-

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	(₹ in Lakhs)			
	March 31, 2021		March 31, 2020	
	Less than 1 Year	1-3 Years	Less than 1 Year	1-3 Years
Financial liabilities				
Trade payables	3,141.45	-	1,556.38	-
Payable for Property, Plant & Equipment	1.21	-	66.46	-
Lease Liabilities	32.67	-	36.73	31.95
Others	391.92	-	1,367.32	-

31 Fair Value Measurements

Set out below is the comparison by class of the carrying amounts and fair value of the Company's financial instruments

Particulars	Fair value hierarchy	(₹ in Lakhs)			
		Carrying amount		Fair Value	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
FINANCIAL ASSETS					
Financial assets measured at amortised cost					
(a) Security deposits	Level 2	21.04	21.04	21.04	21.04
(b) Receivables from sale of Property, plant and equipment	Level 2	3.17	-	3.17	-
(c) Interest accrued on deposits	Level 2	36.94	65.60	36.94	65.60
(d) Cash in hand	Level 2	8.63	0.13	8.63	0.13
(e) Balance with banks in current account	Level 2	256.39	373.05	256.39	373.05
(f) Balances with banks in deposit accounts	Level 2	1,791.18	1,737.41	1,791.18	1,737.41
(g) Trade receivables	Level 2	3,069.70	1,988.85	3,069.70	1,988.85
(h) Advances for supplies	Level 2	162.67	245.50	162.67	245.50
Financial assets measured at fair value through Statement of Profit & Loss		-	-	-	-
TOTAL FINANCIAL ASSETS		5,349.72	4,431.58	5,349.72	4,431.58
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost					
(a) Payables on purchase of property plant & equipment	Level 2	1.21	66.46	1.21	66.46
(b) Trade Payable	Level 2	3,141.45	1,556.38	3,141.45	1,556.38
(c) Others	Level 2	445.70	1,395.76	445.70	1,395.76
Financial liabilities measured at fair value through OCI					
(a) Cash flow Hedge	Level 2	-	53.98	-	53.98
TOTAL FINANCIAL LIABILITIES		3,588.36	3,072.58	3,588.36	3,072.58

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 financial 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.

32 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 ₹ 7.12 Lakhs for Provident Fund contributions (March 31, 2020 : ₹ 5.72 Lakhs) 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 funded as on the valuation date.

Defined benefit plans – as per actuarial valuation on March 31, 2021 (₹ in Lakhs)

Particulars	Funded Plan	
	Gratuity	
	March 31, 2021	March 31, 2020
Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:		
Service Cost		
Past service cost and (gains)/losses from settlements	-	-
Current Service Cost	2.17	1.57
Net interest expense	0.17	0.07
Components of defined benefit costs recognised in profit or loss	2.34	1.64
Remeasurement on the net defined benefit liability		
Return on plan assets (excluding amount included in net interest expense)	(0.01)	(0.06)
Actuarial gains and loss arising from changes in financial assumptions	(0.17)	0.54
Actuarial gains and loss arising from experience adjustments	(0.41)	(0.20)
Actuarial gains and loss arising from demographic adjustments	0.31	-
Components of defined benefit costs recognised in other comprehensive income	(0.28)	0.28
Total	2.06	1.92

I. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March

1. Present value of defined benefit obligation as at 31st March	6.24	4.10
2. Fair value of plan assets as at 31st March	1.31	1.24
3. Surplus/(Deficit)	(4.94)	(2.86)
4. Current portion of the above	4.94	2.86
5. Non current portion of the above	1.31	1.24

II. Change in the obligation during the year ended 31st March

1. Present value of defined benefit obligation at the beginning of the year	4.09	2.05
2. Add/(Less) on account of Scheme of Arrangement/Business Transfer	-	-
3. Expenses Recognised in Profit and Loss Account		
- Current Service Cost	2.17	1.57
- Past Service Cost	-	-
- Interest Expense (Income)	0.25	0.07
4. Recognised in Other Comprehensive Income		
Remeasurement (gains)/losses		
- Actuarial Gain (Loss) arising from:		
i. Demographic Assumptions	(0.31)	-
ii. Financial Assumptions	0.17	(0.54)
iii. Experience Adjustments	0.41	0.20
iv. Return on plan asset	(0.01)	(0.06)
5. Benefit payments	-	-
6. Present value of defined benefit obligation at the end of the year	6.25	4.09

Particulars	Funded Plan	
	Gratuity	
	March 31, 2021	March 31, 2020
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	1.24	1.10
2. Add/(Less) on account of Scheme of Arrangement/Business Transfer	-	-
3. Expenses Recognised in Profit and Loss Account		
- Expected return on plan assets	0.07	0.08
4. Recognised in Other Comprehensive Income		
Remeasurement gains/(losses)		
- Actual Return on plan assets in excess of the expected return	(0.01)	0.06
5. Contributions by employer (including benefit payments recoverable)	-	-
6. Benefit payments	-	-
7. Fair value of plan assets at the end of the year	1.30	1.24
IV. The Major categories of plan assets (As % of Total Plan Assets)		
- Funds Managed By Insurer	100%	0%
V. Actuarial assumptions		
1. Discount rate	5.90%	6.00%
2. Expected rate of return on plan assets	6.00%	7.00%
3. Attrition rate	20.00%	20.00%

Maturity Profile of Defined Benefit Obligation:

Year Ending March 31, 2021	Expected Benefit Payment in lakhs (₹)
2022	0.03
2023	0.04
2024	0.63
2025	1.27
2026	1.59
2027-2031	9.24

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	2% Increase		2% Decrease	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	₹ In Lakhs	₹ In Lakhs	₹ In Lakhs	₹ In Lakhs
Defined Benefit Obligation	6.55	4.27	5.97	3.95

Kalyani Rafael Advanced Systems Private Limited

B. Effect of 1 % change in the assumed Salary Escalation Rate	2% Increase		2% Decrease	
	March 31, 2021 ₹ In Lakhs	March 31, 2020 ₹ In Lakhs	March 31, 2021 ₹ In Lakhs	March 31, 2020 ₹ In Lakhs
Defined Benefit Obligation	6.03	3.99	6.47	4.22

C. Effect of 1 % change in the assumed Withdrawal Rate	2% Increase		2% Decrease	
	March 31, 2021 ₹ In Lakhs	March 31, 2020 ₹ In Lakhs	March 31, 2021 ₹ In Lakhs	March 31, 2020 ₹ In Lakhs
Defined Benefit Obligation	6.29	4.13	6.20	4.08

VI. Experience Adjustments:	Year Ended	
	March 31, 2021 ₹ In Lakhs	March 31, 2020 ₹ In Lakhs
	Gratuity	
1. Defined Benefit Obligation	6.25	4.09
2. Fair value of plan assets	1.31	1.24
3. Surplus/(Deficit)	(4.94)	(2.85)
4. Experience adjustment on plan liabilities [(Gain)/Loss]	(0.58)	0.34
5. Experience adjustment on plan assets [Gain/(Loss)]	0.01	0.06

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.

33 Deferred Tax Assets (net)

Nature of Timing Difference	(₹ in Lakhs)	
	As at March 31, 2021	As at March 31, 2020
Deferred Tax Liability		
Property, plant and equipment	5.04	(33.49)
Other deductible timing difference	9.16	(17.37)
Total (A)	14.20	(50.86)
Deferred Tax Asset		
Items related to OCI	0.01	15.09
MAT credit	15.58	4.31
Carry forward tax losses	-	50.40
Total (B)	15.59	69.80
Deferred Tax Asset/Liability (Net) (A)+(B)	29.79	18.94

2020-21	Opening Balance	Recognized in Profit & Loss	Recognized in Other Comprehensive Income	MAT credit	Total
Deferred Tax Asset					
Cash Flow Hedges (including forward element of forward contracts)	15.02		(15.02)		-
Property, Plant & Equipment	(33.49)	38.53	-	-	5.04
Remeasurement Defined Benefit Obligation	0.08	-	(0.07)	-	0.01
Disallowances under Income Tax Act, 1961, allowed on payment basis	1.54	(1.47)	-	-	0.07
Lease Liabilities	(18.91)	28.00	-	-	9.09
MAT credit	4.31	-	-	11.27	15.58
Carry forward tax losses	50.40	(50.40)	-	-	-
Total	18.94	14.67	(15.09)	11.27	29.79

Note: No Deferred Tax Asset has been set-up on brought forward of business losses

2019-20	Opening Balance	Recognized in Profit & Loss	Recognized in Other Comprehensive Income	MAT credit	Total
Deferred Tax Asset					
Cash Flow Hedges (including forward element of forward contracts)			15.02		15.02
Property, Plant & Equipment	(50.40)	16.91	-	-	(33.49)
Remeasurement Defined Benefit Obligation	-	-	0.08	-	0.08
Disallowances under Income Tax Act, 1961, allowed on payment basis	-	1.54	-	-	1.54
Lease Liabilities	-	(18.91)	-	-	(18.91)
MAT credit	-	-	-	4.31	4.31
Carry forward tax losses	50.40	-	-	-	50.40
Total	-	(0.46)	15.09	4.31	18.94

Note: No Deferred Tax Asset has been set-up on brought forward of business losses

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

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Profit before tax (A)	67.57	25.27
Enacted tax rate (B)	27.82%	27.82%
Expected Tax Expenses (C=A * B)	18.80	7.03
Adjustments		
Setoff of carry forward losses of earlier years	(18.80)	(7.03)
Tax effects of other adjustments	(14.67)	0.46
Total Adjustments - D	(33.47)	(6.57)
Tax expense recognised in profit or loss (E=C+D)	(14.67)	0.46

- 34** The Company has considered the possible effects that may result from the pandemic while assessing the recoverability of receivables, inventory, other financial assets and also in estimating future cash flows for probable forecast sale transactions. The Company has also considered the impacts on Deferred Tax Assets. In developing the assumptions relating to the possible future uncertainties in the global and domestic economic conditions because of this pandemic, the Company, as at the date of approval of these financial statements has used internal and external sources of information. The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions
- 35** Previous year figures have been regrouped/reclassified wherever necessary to correspond with current year classification and disclosure.

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

Sumit Trivedi
Partner

Place : Hyderabad
Date: May 18, 2021

For and on behalf of the Board of Directors of
Kalyani Rafael Advanced Systems Private Limited

Rajinder Singh Bhatia
Director
DIN: 05333963

Rudra Kumar Jadeja
Director
DIN: 08486168

Place : Hyderabad
Date: May 18, 2021

Vikram Munje
Director
DIN: 02772991

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Kalyani Strategic Systems Limited

Directors

Mr. Kishore Mukund Saletore
Mr. Rajinder Singh Bhatia
Mr. Vikram Manohar Munje
Mr. Mogalpalli Venkata Krishna

Auditors

P V Deo & Associates LLP
Chartered Accountants
604, Jeevan Heights,
Thorat Colony, Erandwana,
Pune 411 004

Registered Office

Pune Cantonment,
Mundhwa,
Pune 411 036

Independent Auditor's Report

To the Members of Kalyani Strategic Systems Limited

Report on the standalone financial statements

Opinion

We have audited the accompanying financial statements of **Kalyani Strategic Systems Limited** ("the Company") which comprises the Standalone Balance Sheet as at 31st March, 2021, the Standalone Statement of Profit and Loss, including the Standalone Statement of Other Comprehensive Income, the Standalone Statement of changes in equity and the Standalone Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements, give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, and its loss including other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those 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 Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

We have determined that there are no key audit matters to be reported in our report.

Information other than the financial statements and auditor's report thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the Board's Report including annexures to Board's Report, but does not include the standalone financial statements and our auditor's report thereon. The Board's Report including annexures to Board's Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Board's Report including annexures to Board's Report if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take such actions as are required under the provisions of the Companies Act, 2013.

Responsibility of management and those charged with governance for the standalone financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash

flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for audit of the standalone financial statements

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced.

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

that we identify during our audit.

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

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, we give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
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 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 appears from our examination of those books.
 - c) The Standalone Balance Sheet, the Standalone Statement of Profit and Loss including other comprehensive income, the Standalone Statement of Changes in Equity and the Standalone Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.
 - e) On the basis of written representations received from the directors as on 31st March, 2021, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021, 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 standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "**Annexure B**".
 - g) The Company has not paid any managerial remuneration during the financial year covered by this report. Accordingly, reporting requirements under section 197(16) of the Act do not apply to the Company.
 - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 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.

For P V Deo & Associates LLP

Chartered Accountants
FRN : W100637

Sunit S. Shaha

Partner
Membership No. 142953
UDIN :

Place : Pune
Date : 19th May, 2021

“ANNEXURE A” REFERRED TO IN THE INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS OF KALYANI STRATEGIC SYSTEMS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2021.

In terms of the information and explanations sought by us and given by the Company and the books and records examined by us in the course of audit and to the best of our knowledge and belief, we 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 us, 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 us, no discrepancies were noticed on physical verification of the fixed assets.
- (c) According to the information and explanations given to us and on the basis of our 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 our opinion and according to the information and explanations given to us, 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 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 us by the Management, the provisions of the Employees’ State Insurance Act, 1948 do not apply to the Company. According to the information and explanations given to us, 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, 2021 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.
- (viii) In our opinion and according to the information and explanation given to us, the Company has not defaulted in in repayment of loans or borrowings to a bank.
- (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, we 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 our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3 (xii) of the Order is not applicable.
 - (xiii) According to the records of the Company and according to the information and explanations given to us, the Company has not entered into any transactions with the related parties in contravention of the provisions of section 188 of the Companies Act, 2013. The details of related party transactions have been disclosed in the standalone financial statements as required by the Ind AS.
 - (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 us and based on our 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.

For P V Deo & Associates LLP

Chartered Accountants

FRN : W100637

Sunit S. Shaha

Partner

Membership No. 142953

UDIN :

Place : Pune

Date : 19th May, 2021

“ANNEXURE B” REFERRED TO IN THE INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS OF KALYANI STRATEGIC SYSTEMS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2021.

We have audited the internal financial controls over financial reporting of **Kalyani Strategic Systems Limited** (“the Company”) as of 31st March, 2021 in conjunction with our 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

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 were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system 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 judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls 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 standalone 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 standalone 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 standalone 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, internal financial controls with reference to standalone financial statements and such internal financial controls were operating effectively as at 31st March, 2021, 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.

For P V Deo & Associates LLP

Chartered Accountants
FRN : W100637

Sunit S. Shaha

Partner
Membership No. 142953
UDIN :

Place : Pune
Date : 19th May, 2021

Kalyani Strategic Systems Limited

Standalone Balance Sheet as at 31st March, 2021

	Notes	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
I. ASSETS			
1 Non-current assets			
a) Property, plant and equipment	3	55,650,952	54,627,436
b) Right of use assets	4	73,106,265	74,003,591
c) Capital work in progress		7,380,737	4,108,047
d) Investments in subsidiary and joint venture	5	200,014,710	200,014,710
e) Deferred tax assets (net)	6	-	85,801
f) Other non-current assets	7	41,490,107	2,797,473
g) Income tax assets (net)	8	705,048	409,340
		378,347,819	336,046,398
2 Current assets			
a) Inventories	9	1,380,682	1,354,059
b) Financial assets			
i) Investments	10	37,107,941	35,833,769
ii) Trade receivable	11	160,206	-
iii) Cash and cash equivalents	12	765,598	2,843,568
iv) Bank balances other than (iii) above	12	15,955,409	173,972,398
v) Loans	13	14,629,553	13,396,998
c) Other current assets	14	1,183,472	2,199,363
		71,182,861	229,600,155
	TOTAL :	449,530,680	565,646,553
II. EQUITY AND LIABILITIES			
1 Equity			
a) Equity share capital	15	421,326,300	421,326,300
b) Other equity	16	(14,585,999)	(8,822,605)
		406,740,301	412,503,695
2 Non-current liabilities			
a) Long term provisions	17	263,763	87,610
		263,763	87,610
3 Current liabilities			
a) Financial liabilities			
i) Short term borrowings	18	9,076,178	150,000,000
ii) Trade payables	19		
Total outstanding dues of micro enterprises and small enterprises		130,514	16,890
Total outstanding dues of creditors other than micro enterprises and small enterprises		32,609,030	1,953,418
iii) Other financial liabilities	20	485,600	777,637
b) Short term provisions	21	13,503	5,291
c) Other current liabilities	22	211,791	302,012
		42,526,616	153,055,248
	TOTAL :	449,530,680	565,646,553

Significant accounting policies and notes forming an integral part of the Standalone Financial Statements 1 to 45

As per our attached report of even date,
For P V Deo & Associates LLP,
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAX5066

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Yogendra Thakar
Chief Financial Officer

Rajesh Khurana
Chief Executive Officer

Place: Pune
Date: May 19, 2021

Ms. Jenny Chhabada
Company Secretary
Membership No. A47582

Place: Pune
Date: May 19, 2021

Standalone Statement of Profit and Loss for the year ended 31st March, 2021

	Notes	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
I. Revenue from operations	23	50,067,785	3,811,998
II. Other income	24	10,593,033	8,064,989
Total revenue		60,660,818	11,876,987
III. Expenses			
Cost of material consumed	25	542,516	-
Purchases of stock in trade	26	43,184,408	-
Changes in inventories of stock in trade	27	2	3,811,998
Employee benefits expenses	28	5,121,531	1,329,288
Finance cost	29	10,762,127	875,413
Depreciation and amortization expense	30	2,266,778	1,873,517
Other expenses	31	4,465,976	5,307,346
IV. Total expenses		66,343,338	13,197,562
V. Loss before tax (III - IV)		(5,682,520)	(1,320,575)
VI. Tax expenses			
Current tax		2,332	(392,643)
Deferred tax		85,801	47,838
		88,133	(344,805)
VII. Loss for the year (V - VI)		(5,770,653)	(975,770)
VIII. Other comprehensive income			
Other comprehensive income not to be reclassified to profit and loss in the subsequent period			
- Remeasurement of (losses)/Gains of defined benefit plans		7,259	(24,402)
IX. Total comprehensive income for the year (VII+VIII)		(5,763,394)	(1,000,172)
X. Earnings per equity share [nominal value of share ₹ 10/-] fully paid shares			
a) Basic (In ₹)	36	(0.14)	(0.02)
b) Diluted (In ₹)	36	(0.12)	(0.02)
Significant accounting policies and notes forming an integral part of the Standalone Financial Statements	1 to 45		

As per our attached report of even date,
For P V Deo & Associates LLP,
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAX5066

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Yogendra Thakar
Chief Financial Officer

Rajesh Khurana
Chief Executive Officer

Place: Pune
Date: May 19, 2021

Ms. Jenny Chhabada
Company Secretary
Membership No. A47582

Place: Pune
Date: May 19, 2021

Standalone statement of changes in equity for the year ended 31st March, 2021

a) Equity share capital

	As at 31 st March, 2021		As at 31 st March, 2020	
	Nos.	₹	Nos.	₹
Balance at the beginning of the year	48,151,576	421,326,300	36,113,684	361,136,840
Issued during the year	-	-	12,037,892	60,189,460
Balance at the end of the year	48,151,576	421,326,300	48,151,576	421,326,300

b) Other equity

	Retained Earnings	Other Comprehensive Income	Total
	₹	₹	₹
Balance at the beginning of the year	(7,822,433)	-	(7,822,433)
Add :			
Total comprehensive income for the year	(975,770)	(24,402)	(1,000,172)
Balance at the end of the year 31 st March, 2020	(8,798,203)	(24,402)	(8,822,605)
Add :			
Total comprehensive income for the year	(5,770,653)	7,259	(5,763,394)
Balance at the end of the year 31st March, 2021	(14,568,856)	(17,143)	(14,585,999)

c) Total equity (a+b)

406,740,301

Significant Accounting Policies and Notes forming an integral part of the Standalone Financial Statements

1 to 45

As per our attached report of even date,
For P V Deo & Associates LLP,
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAX5066

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Yogendra Thakar
Chief Financial Officer

Rajesh Khurana
Chief Executive Officer

Place: Pune
Date: May 19, 2021

Ms. Jenny Chhabada
Company Secretary
Membership No. A47582

Place: Pune
Date: May 19, 2021

Standalone Cash Flow Statement for the year ended 31st March, 2021

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
(A) Cash flow from operating activities		
Profit/(loss) before tax	(5,682,520)	(1,320,575)
Add :		
Depreciation	2,266,778	1,873,517
Interest paid on borrowings	10,540,448	864,043
Other borrowing cost paid	202,200	-
Other Comprehensive Income		
Remeasurement of the net defined benefit liability/asset	7,259	(24,402)
	7,334,165	1,392,583
Less :		
Interest received on intercorporate loans	(1,336,585)	(1,227,176)
Interest received from bank	(6,217,508)	(1,154,935)
Interest received on income tax refund	(24,972)	-
Profit on sale of units of mutual fund	-	(252,592)
Fair Value Adjustment	(1,274,172)	(833,769)
Operating profit/(loss) before working capital changes	(1,519,072)	(2,075,889)
Movements in working capital :		
Increase/(decrease) in Trade Payables	30,769,236	(3,196,509)
Increase/(decrease) in Other Current Liabilities	(90,221)	285,370
Increase/(decrease) in Other Current Financial Liabilities	(292,037)	777,637
Increase/(decrease) in Short Term Provisions	8,212	5,291
Increase/(decrease) in Long Term Provisions	176,153	87,610
(Increase)/decrease in other non-current assets	(38,692,634)	(2,207,473)
(Increase)/decrease in Trade Receivable	(160,206)	-
(Increase)/decrease in Loans	-	15,000
(Increase)/decrease in other current assets	1,015,891	757,024
(Increase)/decrease in Inventories	(26,623)	2,457,941
	(7,292,229)	(1,018,109)
Cash generated from operations	(8,811,301)	(3,093,998)
Direct taxes paid (net of refunds)	(273,068)	(513,638)
Net cash from/(used in) operating activities	(A) (9,084,369)	(3,607,636)
(B) Cash flows from investing activities		
Purchase of Property, Plant and Equipment	(5,665,658)	(4,301,547)
Investments in Units of Mutual Fund	-	(55,000,000)
Sale of Investment in Mutual Funds	-	20,252,592
Investments In/(liquidation of) fixed deposits	158,016,989	(170,826,650)
Interest received from bank	6,217,508	1,154,935
Net cash used in investing activities	(B) 158,568,839	(208,720,670)

Kalyani Strategic Systems Limited

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
(C) Cash flows from financing activities		
Proceeds from issue of Equity Shares	-	60,189,460
Proceeds from short term borrowings	9,076,178	-
Inter corporate loans given	(1,232,555)	(1,104,458)
Interest received on Inter corporate loans	1,336,585	1,227,176
Inter corporate loans repaid	(150,000,000)	150,000,000
Interest paid on borrowings	(10,540,448)	(864,043)
Other borrowing costs paid	(202,200)	-
Net cash from/(used in) financing activities	(C) (151,562,440)	209,448,135
(D) Net increase/(Decrease) in cash and cash equivalents (A+B+C)	(2,077,970)	(2,880,171)
(E) Cash and cash equivalents at the beginning of the year	2,843,568	5,723,739
(F) Cash and cash equivalents at the end of the year	765,598	2,843,568

Components of cash and cash equivalents	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Balances with banks		
In Current accounts	765,598	2,843,568
TOTAL :	765,598	2,843,568

Significant Accounting Policies and Notes forming an integral part of the Standalone Financial Statements

1 to 45

As per our attached report of even date,
For P V Deo & Associates LLP,
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAX5066

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Yogendra Thakar
Chief Financial Officer

Rajesh Khurana
Chief Executive Officer

Place: Pune
Date: May 19, 2021

Ms. Jenny Chhabada
Company Secretary
Membership No. A47582

Place: Pune
Date: May 19, 2021

Notes forming part of the Standalone Financial Statements for the year ended 31st March, 2021

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. During the financial year covered by these statements, the Company was engaged in trading activities and in carrying out trial runs of its products.

The Company has identified 12 months as its operating cycle.

2. Significant accounting policies:

2.1 Basis of accounting and preparation of standalone financial statements:

These standalone 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.

The standalone 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).

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.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

2.5 Revenue recognition :

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The policy of recognizing the revenue is determined by the five stage model proposed by Ind AS 115 "Revenue from contract with customers". The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note no. 37.

a) Revenue from sale of goods :

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer.

The control of the goods manufactured in case of export sales is transferred usually on the date of issue of Bill of Lading while in case of domestic sales, the control is transferred usually on delivery of goods.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effect of variable consideration the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

b) Sale of Services :

Revenue on time and material contracts are recognized as the related services are performed and revenue from the end of the last invoicing to their reporting date is recognized as unbilled revenue. Revenue from fixed-price, fixed-time frame contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Efforts or costs expended have been used to measure progress towards completion.

d) Contract assets :

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

e) Trade receivables :

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note no. 2.15.

f) Contract liabilities :

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

e) 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.

f) Dividend Income

Revenue is recognised when the Company's right to receive the payment is established,

which is generally when shareholders approve the dividend.

g) 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. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

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 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 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 Company assesses at contract inception whether a contract is, or contains, a lease. That is,

if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a Lessee

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

i) **Right of use assets**

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

Type of Asset	Useful life of asset
i) Leasehold Land	Over the period of lease agreement

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

ii) **Lease liabilities**

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

Lease liability and Right-of-use asset have been separately presented in the balance sheet and lease payments have been classified as financing cash flows.

iii) **Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognized as expense 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 incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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 March 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 Retirement and other employee benefits :

a) Provident Fund :

The Company operates a defined contribution plan.

For all the employees of the Company, portion of provident fund is contributed to the Government administered pension fund which is a defined contribution scheme.

The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises 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.

b) Gratuity :

The Company operates a defined benefits plan for its employees. The plan is at present unfunded. 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. Actuarial valuation is carried out for the plan 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

c) 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.

2.15 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.

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 116
- 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 115

- 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 through 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.

Original Classification	Revised Classification	Accounting Treatment
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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.2 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.

2.21 Use of estimates

The preparation of standalone 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 standalone financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the standalone financial statements.

Actual results may differ from the estimates and assumptions used in preparing the accompanying standalone financial statements. Any revisions to accounting estimates are recognised prospectively in current and future periods.

2.22 Estimation of uncertainties relating to the global health pandemic from COVID-19

The spread of COVID-19 has severely impacted business and there have been severe disruption to regular business operations due to lockdown and other emergency measures. This may impact the Company's operations. As at the date of approval of these standalone financial statements the Company has made assessment of liquidity, recoverable values of its financial and non-financial assets, financial and non-financial liabilities, carrying value of its assets and liabilities including possible obligations arising from any ongoing negotiations with customers, vendors and has concluded that there are no material adjustments required in the standalone financial statements. The management believes that it has assessed and taken all the possible impacts known from these events wherever possible outcome is known. However, the impact assessment of COVID-19 is a continuous process, given the significant estimation and uncertainties associated with its nature, duration and outcome of any negotiations. The impact of global health pandemic might be different from that estimated as at the date of approval of these standalone financial statements. The Company will continue to closely monitor any material changes to future economic conditions and its consequential impact on its standalone financial statements.

3 Property, plant and equipment :

	Freehold land ₹	Leasehold land ₹	Building ₹	Plant and machinery ₹	Furniture ₹	Total ₹
Gross block, at Cost :						
As at 31 st March, 2019	27,332,200	75,741,700	28,972,650	93,150	-	132,139,700
Additions	-	-	-	193,500	-	193,500
Reclass on account of adoption of Ind AS 116	-	(75,741,700)	-	-	-	(75,741,700)
Disposals	-	-	-	-	-	-
As at 31 st March, 2020	27,332,200	-	28,972,650	286,650	-	56,591,500
Additions	-	-	1,535,468	727,700	129,800	2,392,968
Disposals	-	-	-	-	-	-
As at 31st March, 2021	27,332,200	-	30,508,118	1,014,350	129,800	58,984,468
Depreciation and Amortization :						
Upto 31 st March, 2019	-	838,324	973,693	16,639	-	1,828,656
Disposals	-	-	-	-	-	-
Reclass on account of adoption of Ind AS 116	-	(838,324)	-	-	-	(838,324)
For the year	-	-	965,755	7,977	-	973,732
As at 31 st March, 2020	-	-	1,939,448	24,616	-	1,964,064
Disposals	-	-	-	-	-	-
For the year	-	-	1,338,755	21,166	9,531	1,369,452
As at 31st March, 2021	-	-	3,278,203	45,782	9,531	3,333,516
Net Block :						
As at 31 st March, 2020	27,332,200	-	27,033,202	262,034	-	54,627,436
As at 31st March, 2021	27,332,200	-	27,229,915	968,568	120,269	55,650,952

4 Right of use assets :

	Land	Total
	₹	₹
Gross block, at Cost :		
Reclassified on account of adoption of Ind AS 116	75,741,700	75,741,700
Additions	-	-
Disposals	-	-
Adjustments	-	-
As at 31 st March, 2020.	<u>75,741,700</u>	<u>75,741,700</u>
Additions	-	-
Disposals	-	-
Adjustments	-	-
As at 31st March, 2021.	<u>75,741,700</u>	<u>75,741,700</u>
Depreciation and Amortization :		
Reclassified on account of adoption of Ind AS 116	838,324	838,324
Disposals	-	-
Adjustments	-	-
For the year	899,785	899,785
Upto 31 st March, 2020.	<u>1,738,109</u>	<u>1,738,109</u>
Disposals	-	-
Adjustments	-	-
For the year	897,326	897,326
Upto 31st March, 2021.	<u>2,635,435</u>	<u>2,635,435</u>
NET BLOCK :		
Upto 31 st March, 2020.	<u>74,003,591</u>	<u>74,003,591</u>
Upto 31st March, 2021.	<u>73,106,265</u>	<u>73,106,265</u>

5 Investments in subsidiary and joint ventures :

No of shares held		As at 31 st March, 2021	As at 31 st March, 2020
		₹	₹
(At Cost)			
Equity Instruments, Unquoted :			
Investments in Subsidiary :			
19,901,471	(19,901,471)	Equity shares having Face value of ₹ 10/- each, fully paid up, of Kalyani Rafael Advanced Systems Private Limited ^(a)	199,014,710
			199,014,710
Investments in Joint Ventures :			
100,000	(100,000)	Equity shares having Face value of ₹ 10/- each, fully paid up, of BF Premier Energy Systems Private Limited	1,000,000
			1,000,000
		TOTAL :	200,014,710
			200,014,710

- (a) On 31st March, 2021 and on 31st March, 2020, 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.

6 Deferred tax asset (Net) :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Deferred tax assets :		
On disallowances	-	94,751
	-	94,751
Deferred tax liability :		
On Timing differences in depreciation	-	8,950
	-	8,950
TOTAL :	-	85,801

7 Other non-current assets (Unsecured, good)

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Capital advances	26,603,165	1,320,000
GST input tax credit	13,867,723	-
Prepaid expenses	1,019,219	1,477,473
TOTAL :	41,490,107	2,797,473

Kalyani Strategic Systems Limited

8 Income tax assets :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Taxes paid in advance	705,048	409,340
TOTAL :	705,048	409,340

9 Inventories (As taken, valued and certified by the Directors)

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Raw material	1,380,682	1,354,057
Stock in trade (Stock lying with third parties ₹ Nil/- (previous year : ₹ 2)	-	2
TOTAL :	1,380,682	1,354,059

10 Current investments :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
(At fair value through profit and loss)		
In units of mutual funds, Quoted :		
9,172.597 (9,172.597) Units of HDFC Liquid Fund - Direct Plan - Growth Option	37,107,941	35,833,769
TOTAL :	37,107,941	35,833,769

11 Trade receivable : (Unsecured)

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Credit impaired	-	-
Others	160,206	-
TOTAL :	160,206	-

For terms and conditions relating to related party receivable refer Note No. 34

12 Cash and bank balances :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Cash and cash equivalents :		
Balances with banks		
In Current accounts	765,598	2,843,568
	765,598	2,843,568
Other bank balances :		
In fixed deposits ^{(a)(b)(c)}	15,955,409	173,972,398
	15,955,409	173,972,398
TOTAL :	16,721,007	176,815,966
(a) Out of above FDs having original maturity less than 3 months.	-	165,577,209
(b) Other FDs having maturity after 3 months but within 12 Months.	15,955,409	8,395,189
(c) All the FDs are pledged with the banks for issuing bank guarantees		

**13 Loans (Current) :
(Unsecured, good)**

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Deposits	173,998	173,998
Loans to related parties:		
Inter-corporate loan to a fellow subsidiary ^{(a)(b)}	14,455,555	13,223,000
TOTAL :	14,629,553	13,396,998
(a) Including interest due, thereon		
(b) For terms and conditions relating to related party receivable refer Note No. 34		

**14 Other current assets :
(Unsecured, Good)**

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
GST Input Tax Credit	313,164	1,022,144
Advance to vendors		
To the Holding Company ^(a)	-	467,322
To other vendors	18,653	138,568
Prepaid Expenses	604,052	571,329
Other amounts receivable	247,603	-
(a) For terms and conditions relating to related party receivable refer Note No. 34		

15 Equity share capital

		As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Authorised			
50,000,000	(50,000,000) Equity shares of ₹ 10/- each	500,000,000	500,000,000
	TOTAL :	500,000,000	500,000,000
Issued			
48,151,576	(48,151,576) Equity shares of ₹ 10/- each	481,515,760	481,515,760
	TOTAL :	481,515,760	481,515,760
Subscribed			
48,151,576	(48,151,576) Equity shares of ₹ 10/- each	481,515,760	481,515,760
	TOTAL :	481,515,760	481,515,760
Paid-up			
36,113,684	(36,113,684) Equity shares of ₹ 10/- each, fully paid up	361,136,840	361,136,840
12,037,892	(12,037,892) Equity shares of ₹ 10/- each, ₹ 5/- per share paid up	60,189,460	60,189,460
48,151,576	(48,151,576)	421,326,300	421,326,300
	TOTAL :	421,326,300	421,326,300

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	As at 31 st March, 2021		As at 31 st March, 2020	
	Nos.	₹	Nos.	₹
At the beginning of the year	48,151,576	421,326,300	36,113,684	361,136,840
Shares issued during the year (₹ 5/- per share paid up)	-	-	12,037,892	60,189,460
Shares bought back during the year	-	-	-	-
Outstanding at the end of the year	48,151,576	421,326,300	48,151,576	421,326,300

(b) Terms/rights attached to equity shares

The Company has only one class of issued equity shares having a par value of ₹ 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.

The Company has issued 12,037,892 equity shares of ₹ 10/- each at par to the existing shareholders on rights basis, during the preceding financial year. These shares are partly paid with ₹ 5/- per share paid up. These shares rank pari-passu in all respects with the existing equity shares.

(c) Details of shareholders holding more than 5% shares in the Company

Name of Shareholder	31 st March, 2021		31 st March, 2020	
	Nos.	% of Holding	Nos.	% of Holding
Equity shares of ₹ 10 each fully paid up				
Bharat Forge Limited, the Holding Company [#]	18,417,978	51.00	18,417,978	51.00
Sundaram Trading and Investment Private Limited	6,861,600	19.00	6,861,600	19.00
Saarloha Advanced Materials Private Limited	6,861,600	19.00	6,861,600	19.00
Kalyani Global Engineering Private Limited	3,972,506	11.00	3,972,506	11.00
Equity shares of ₹ 10 each fully paid, ₹ 5/- per share paid up				
Bharat Forge Limited, the Holding Company [#]	6,139,324	51.00	6,139,324	51.00
Sundaram Trading and Investment Private Limited	2,287,200	19.00	2,287,200	19.00
Saarloha Advanced Materials Private Limited	2,287,200	19.00	2,287,200	19.00
Kalyani Global Engineering Private Limited	1,324,168	11.00	1,324,168	11.00

[#] including the shares held through nominees

16 Other equity

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Other comprehensive income		
As per last account	(24,402)	-
Add :		
Other comprehensive income for the year	7,259	(24,402)
	(17,143)	(24,402)
Surplus in the Statement of Profit and Loss		
As per last account	(8,798,203)	(7,822,433)
Add :		
Loss for the year	(5,770,653)	(975,770)
	(14,568,856)	(8,798,203)
Closing balance	(14,585,999)	(8,822,605)

17 Long Term Provisions :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Provisions for Employee Benefits :		
Gratuity	104,874	24,402
Compensated absences	158,889	63,208
TOTAL :	263,763	87,610

18 Short term borrowings :

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Secured :		
Overdraft ^{(a),(b)}	9,076,178	-
Unsecured :		
Loan from the Holding Company ^{(c),(d)}	-	150,000,000
TOTAL :	9,076,178	150,000,000

- (a) Overdraft from Axis Bank Limited is repayable on demand and carries interest at 3 MCLR plus 1%.
- (b) Secured by first pari-passu charge on the current assets.
- (c) Rate of interest for intercorporate loan is 7.25% and the loan is repayable within 10 months from the date of disbursement.
- (d) For terms and conditions relating to related party receivable refer Note No. 34

19 Trade payables :

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Total outstanding dues of micro enterprises and small enterprises	130,514	16,890
Total outstanding dues of creditors other than micro enterprises and small enterprises	32,609,030	1,953,418
(Including related party payables)		
TOTAL :	32,739,544	1,970,308

For balances and terms and conditions relating to related party receivable refer Note No. 34

20 Other financial liabilities (Current)

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Interest accrued but not due on loan from the Holding Company ^{(a),(b)}	-	777,637
Creditors for Capital Expenditure	485,600	-
TOTAL :	485,600	777,637

- (a) Rate of interest for intercorporate loan is 7.25% and the loan is repayable within 10 months from the date of disbursement.
- (b) For terms and conditions relating to related party receivable refer Note No. 34

21 Short term provisions :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Provisions for Employee Benefits :		
Compensated absences	13,503	5,291
TOTAL :	13,503	5,291

22 Other Current Liabilities :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Statutory liabilities	211,791	302,012
TOTAL :	211,791	302,012

23 Revenue from operations

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Sale of products	50,067,785	-
Other operating revenue	-	3,811,998
TOTAL :	50,067,785	3,811,998

Disaggregate revenue information :

The table below presents disaggregated revenues from contracts with customers for the year ended 31st March, 2021 by offerings and contract type.

Revenue by offerings :

Sale of products	50,067,785	-
TOTAL :	50,067,785	-

Revenue by geographical Segment :

Within India	-	-
Outside India	50,067,785	-
TOTAL :	50,067,785	-

Revenue by contract type :

Fixed price contracts	50,067,785	-
TOTAL :	50,067,785	-

24 Other Income

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Interest received		
On loan to a fellow subsidiary	1,336,585	1,227,176
On Bank FDs	6,217,508	1,154,935
On income tax refund	24,972	-
Lease rent received	1,739,796	1,739,796
Profit on sale on short term investments	-	252,592
Fair value gain on short term investments	1,274,172	833,769
Provision for doubtful debts written back	-	2,856,721
TOTAL :	10,593,033	8,064,989

25 Cost of material consumed

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Inventory at the beginning of the year	1,354,059	-
Add: Purchases	569,139	1,354,059
Less: Inventory at the end of the year	(1,380,682)	(1,354,059)
Cost of raw material and components consumed	542,516	-

26 Purchases of stock in trade

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Purchases of stock in trade	43,184,408	-
TOTAL :	43,184,408	-

27 Changes in inventories of Stock in trade :

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Inventories at the beginning		
Stock in trade	2	3,812,000
Inventories at the close		
Stock in trade	-	2
TOTAL :	2	3,811,998

28 Employee Benefit Expenses :

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Salaries and Wages including bonus	4,523,120	1,210,475
Contributions to provident and other funds	264,469	69,597
Staff Welfare Expenses	333,942	49,216
TOTAL :	5,121,531	1,329,288

29 Finance Cost

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Interest on borrowings	10,540,448	864,043
Other interest	19,479	11,370
Other borrowing costs	202,200	-
TOTAL :	10,762,127	875,413

30 Depreciation and amortization expenses

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
On property, plant and equipment	1,369,452	973,732
On right of use assets	897,326	899,785
TOTAL :	2,266,778	1,873,517

31 Other expenses

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Water charges	346,510	602,019
Freight and forwarding charges	205,114	438,718
Legal and professional fees	2,570,438	513,935
Payment to Auditors (Refer details below)	250,000	200,000
Bank charges	656,857	169,466
Share issue expenses	-	121,250
Bad debts	-	2,856,721
Miscellaneous expenses [#]	437,057	405,237
TOTAL :	4,465,976	5,307,346

[#] Miscellaneous Expenses include general office expenses, printing and stationery etc.

Payment to auditors

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
As auditor:		
- Audit fee	170,000	170,000
- Tax audit fee	50,000	-
- Certification	30,000	30,000
TOTAL :	250,000	200,000

32 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 ₹ 264,469/- (Previous Year: ₹ 69,597/-) 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 practice 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) Unfunded Plan Risk

The liability is unfunded as on 31st March, 2021.

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 31 st March, 2021	Year ended 31 st March, 2020
Mortality table	IALM 2012-14 Ult	IALM 2012-14 Ult
Discount rate	6.80%	6.80%
Expected rate of return on plan assets	0.00%	0.00%
Salary Growth Rate	7.00%	7.00%
Expected average remaining working lives (in years)	16.2	16.2
Withdrawal rate	5.00%	5.00%

Changes in the present value of the defined benefit obligation recognised in balance sheet are as follows:

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Present value of obligation as at the beginning of the year	24,402	-
Interest expense	1,659	-
Current service cost	86,072	-
Benefits (paid)	-	-
Remeasurements on obligation [Actuarial (Gain)/Loss]	(7,259)	24,402
Present value of obligation as at the end of the year	104,874	24,402

Changes in the fair value of plan assets recognised in the balance sheet are as follows:

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Fair value of plan assets at the beginning of the year	-	-
Interest Income	-	-
Contributions	-	-
Benefits paid	-	-
Return on plan assets, excluding amount recognized in Interest Income - Gain/(Loss)	-	-
Fair value of plan assets at the end of the year	-	-
Actual return on plan assets	-	-

Net Interest (Income/Expense)

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Interest (Income)/Expense – Obligation	1,659	-
Interest (Income)/Expense – Plan assets	-	-
Net Interest (Income)/Expense for the period	1,659	-

Remeasurement for the period [Actuarial (Gain)/loss]

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Experience (Gain)/Loss on plan liabilities	(5,662)	24,402
Demographic (Gain)/Loss on plan liabilities	-	-
Financial (Gain)/Loss on plan liabilities	(1,597)	-
Experience (Gain)/Loss on plan assets	-	-
Financial (Gain)/Loss on plan assets	-	-

Amount recognised in Statement of Other comprehensive Income (OCI)

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Opening amount recognised in OCI outside profit and loss account	24,402	-
Remeasurement for the period-Obligation (Gain)/Loss	(7,259)	24,402
Remeasurement for the period-Plan assets (Gain)/Loss	-	-
Total Remeasurement cost/(credit) for the period recognised in OCI	(7,259)	24,402
Closing amount recognised in OCI outside profit and loss account	17,143	24,402

The amounts to be recognised in the Balance Sheet

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Present value of obligation as at the end of the period	(104,874)	(24,402)
Fair value of plan assets as at the end of the period	-	-
Net Asset/(liability) to be recognised in balance sheet	(104,874)	(24,402)

Expense recognised in the statement of profit and loss

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Current service cost	86,072	-
Net Interest (Income)/Expense	1,659	-
Net periodic benefit cost recognised in the statement of profit and loss	87,731	-

Reconciliation of Net Asset/(Liability) recognised:

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
Net asset/(liability) recognised at the beginning of the period	(24,402)	-
Company contributions	-	-
Expense recognised at the end of period	(87,731)	-
Amount recognised outside profit & loss for the period	7,259	(24,402)
Net asset/(liability) recognised at the end of the period	(104,874)	(24,402)

Sensitivity analysis

Impact of change in discount rate when base assumption is decreased/increased by 100 basis point

	Present value of obligation	
	Year ended 31st March, 2021	Year ended 31 st March, 2020
Discount rate	₹	₹
Increase in discount rate by 100 basis points	90,761	21,068
Decrease in discount rate by 100 basis points	122,664	28,621

Impact of change in salary growth rate when base assumption is decreased/increased by 100 basis point

	Present value of obligation	
	Year ended 31st March, 2021	Year ended 31 st March, 2020
Salary growth rate	₹	₹
Increase in salary growth rate by 100 basis points	121,327	28,304
Decrease in salary growth rate by 100 basis points	91,510	21,243

Impact of change in withdrawal rate when base assumption is decreased/increased by 100 basis point

	Present value of obligation	
	Year ended 31st March, 2021	Year ended 31 st March, 2020
Withdrawal rate	₹	₹
Increase in withdrawal rate by 100 basis points	104,703	24,320
Decrease in withdrawal rate by 100 basis points	105,081	24,499

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 analysis 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	31 st March, 2021 ₹	31 st March, 2020 ₹
Within the next 12 months (next annual reporting period)	-	-

Amount for the current and previous three years are as follows:

	31 st March, 2021 ₹	31 st March, 2020 ₹
Present Value of Defined Benefit Obligation	104,874	24,402
Fair Value of Plan Asset	-	-
Funded Status [Surplus/(Deficit)]	(104,874)	(24,402)
Experience gain/(loss) adjustments on plan liabilities	(104,874)	(24,402)
Experience gain/(loss) adjustments on plan assets	-	-

(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 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
1	Present Value of Obligation	172,392	68,499
2	Fair Value of Plan Assets*	-	-
3	Net asset/(liability) recognized in the Balance Sheet	(172,392)	(68,499)

* The Company has not funded the liability as on 31st March, 2021.

33 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 engaged in the business of business of scientific, technical and other research and development in the field of developing/deploying advance defence, aerospace and other strategic areas; 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.

34 Related Party disclosures

(i) Names of the related parties and related party relationship

- Key Management Personal :
- i) Mr. Rajesh Khurana - Chief Executive Officer
(Appointed w. e. f. 27th June, 2020)^(a)
 - ii) Mr. Pramod Madhukar Puranik - Chief Executive Officer
(Since resigned w. e. f. 26th June, 2020)^(a)
 - iii) Mr. Yogendra Thakar - Chief Financial officer^(a)
 - iv) Ms. Jenny Chhabada - Company Secretary^(a)
- (a) On deputation from Bharat Forge Limited, the Holding Company

Holding Company : Bharat Forge Limited

Subsidiary Company : Kalyani Rafael Advanced Systems Private Limited

- Fellow Subsidiary Companies :
- i) BF Elbit Advanced Systems Private Limited
 - ii) Analogic Controls India Limited

Joint Venture : 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 Personnel		Holding Company	Subsidiary Company	Fellow Subsidiary Companies		Total	
			Yogendra Thakar	Bharat Forge Limited			Kalyani Rafael Advanced Systems Private Limited	BF Elbit Advanced Systems Private Limited		Analogic Controls India Limited
			₹	₹			₹	₹		₹
1	Share Allotment	(a)	-	-	-	-	-	-	-	
			(-)	(30,696,620)	(-)	(-)	(-)	(-)	(30,696,620)	
2	Intercorporate loan accepted	(b)	-	-	-	-	-	-	-	
			(-)	(150,000,000)	(-)	(-)	(-)	(-)	(150,000,000)	
3	Repayment of intercorporate loan	(b)	-	150,000,000	-	-	-	-	150,000,000	
			(-)	(-)	(-)	(-)	(-)	(-)	-	
4	Rent income received	(c)	-	-	-	-	1,739,796	1,739,796	1,739,796	
			(-)	(-)	(-)	(-)	(1,739,796)	(1,739,796)	(1,739,796)	
5	Interest received on intercorporate loan	(d)	-	-	-	1,336,585	-	1,336,585	1,336,585	
			(-)	(-)	(-)	(1,227,176)	(-)	(1,227,176)	(1,227,176)	
6	Interest paid on intercorporate loan	(b)	-	10,398,289	-	-	-	-	10,398,289	
			(-)	(864,043)	(-)	(-)	(-)	(-)	(864,043)	
7	Expenses incurred/payments made by other party on behalf of the Company	(e)	62,526	26,230,933	-	-	-	-	26,293,459	
			(6,450)	(224,110)	(-)	(-)	(-)	(-)	(230,560)	
8	Purchases return charged back	(f)	-	-	-	-	-	-	-	
			(-)	(3,811,998)	(-)	(-)	(-)	(-)	(3,811,998)	
9	Corporate guarantee provided to bank	(g)	-	500,000,000	-	-	-	-	500,000,000	
			(-)	(-)	(-)	(-)	(-)	(-)	-	

- (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 loan accepted from the related party is unsecured and repayable within 10 months from the date of disbursement. The loan carried interest at the rate of 7.25% p.a. Since repaid.
- (c) 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
- (d) 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.
- (e) Expenses incurred/payments made by related parties on behalf of the Company are reimbursable at cost on demand.
- (f) Purchases from the related party made during the earlier year were in the ordinary course of business and the same had been rejected hence the same has been charged back to the party.
- (g) The Holding Company has provided corporate guarantee to Axis Bank Limited as per the terms of sanction of credit facilities, to secure bank guarantee limit of ₹ 50 Crores sanction by the said bank to the Company. The balance of bank guarantees outstanding on 31st March, 2021 was ₹ 150,248,400/- (Previous year : ₹ Nil).

(iii) Balances outstanding

Sr. No.	Nature of transaction	Key Management Personnel		Holding Company	Subsidiary Company	Fellow Subsidiary Company		Total
		Yogendra Thakar	Bharat Forge Limited			Kalyani Rafael Advanced Systems Private Limited	BF Elbit Advanced Systems Private Limited	
		₹	₹	₹	₹	₹	₹	₹
1	Intercorporate Loan receivable (including interest due thereon)	-	-	-	14,455,555	-	14,455,555	
		(-)	(-)	(-)	(13,223,000)	(-)	(13,223,000)	
2	Intercorporate Loan payable	-	-	-	-	-	-	-
		(-)	(150,000,000)	(-)	(-)	(-)	(150,000,000)	
3	Interest accrued but not due on intercorporate loan	-	-	-	-	-	-	-
		(-)	(777,637)	(-)	(-)	(-)	(777,637)	
4	Trade payable	-	30,051,323	-	-	-	30,051,323	
		(-)	(-)	(-)	(-)	(-)	(-)	
5	Trade receivables	-	-	-	-	160,206	160,206	
		(-)	(-)	(-)	(-)	(-)	(-)	
6	Advance given	-	-	-	-	-	-	-
		(-)	(467,322)	(-)	(-)	(-)	(467,322)	
7	Corporate guarantee provided to bank	-	500,000,000	-	-	-	500,000,000	
		(-)	(-)	(-)	(-)	(-)	(-)	

(Figures in bracket indicate previous year)

35 Earnings per share (EPS)

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Numerator for basic and diluted EPS		
Loss for the year attributable to shareholders as at 31 st March	(5,770,653)	(975,770)
I Basic Earning Per Share		
Earnings per equity share [nominal value of share ₹ 10/-]*		
Weighted Average Number of Shares	42,132,630	39,139,602
Basic Earning Per Share (In ₹)	(0.14)	(0.02)
<p>The paid up equity share capital of the Company includes 12,037,892 partly paid up equity shares having face value of ₹ 10/-, ₹ 5/- per share paid up. For the calculation of basic earnings per share these shares are treated as a fraction of an equity share to the extent that those are entitled to participate in dividends during the period relative to a fully paid up equity share.</p>		
II Diluted Earning Per Share		
Earnings per equity share [nominal value of share ₹ 10/-]*		
Weighted Average Number of Shares	48,151,576	42,165,520
a) Diluted Earnings per equity share [nominal value of share ₹ 10/-] - fully paid shares	(0.12)	(0.02)

For the calculation of diluted EPS the partly paid up equity shares to the extent that partly paid shares are not entitled to participate in dividends during the period are treated as the equivalent of warrants or options in the calculation of diluted earnings per share.

36 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%
d) Description of the method used to account for the investments	Cost

37 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.

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 38 and 39 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.

Variable consideration

The Company estimates variable consideration to be included in the transaction price for the sale of goods with escalations.

The Company estimates the variable consideration with respect to above based on an analysis of accumulated historical experience. The Company adjust estimate of revenue at the earlier of when the most likely amount of consideration we expect to receive changes or when the consideration becomes fixed.

Revenue Recognition

The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products/services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.

The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.

The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

Revenue for fixed-price contract is recognised using percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.

38 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 31 st March, 2021 ₹	As at 31 st March, 2020 ₹	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
I) Financial assets				
Investments				
In Units of Mutual Fund	37,107,941	35,833,769	37,107,941	35,833,769
Other current financial assets				
Deposits	173,998	173,998	173,998	173,998
Short Term Loan to related parties:	14,455,555	13,223,000	14,455,555	13,223,000
Total :	51,737,494	49,230,767	51,737,494	49,230,767
II) Financial Liabilities				
Loan from the Holding Company	-	150,000,000	-	150,000,000
Overdraft	9,076,178	-	9,076,178	-
Interest payable on Loans from a Holding Company	-	777,637	-	777,637
Creditors for Capital Expenditure	485,600	-	485,600	-
Total :	9,561,778	150,777,637	9,561,778	150,777,637

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:

39 Fair value hierarchy :

	Date of Valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair value has been disclosed					
Investment in Units of Mutual Fund	3/31/2021	37,107,941	-	-	37,107,941
Deposits	3/31/2021	-	-	173,998	173,998
Short Term Loan to related parties	3/31/2021	-	-	14,455,555	14,455,555
Assets for which fair value has been disclosed					
Investment in Units of Mutual Fund	3/31/2020	35,833,769	-	-	35,833,769
Deposits	3/31/2020	-	-	173,998	173,998
Short Term Loan to related parties	3/31/2020	-	-	13,223,000	13,223,000
Liabilities for which fair value has been disclosed					
Overdraft	3/31/2021	-	-	9,076,178	9,076,178
Interest payable on Loans from a Holding Company	3/31/2021	-	-	-	-
Creditors for Capital Expenditure	3/31/2021	-	-	485,600	485,600
Liabilities for which fair value has been disclosed					
Loan from the Holding Company	3/31/2020	-	-	150,000,000	150,000,000
Interest payable on Loans from a Holding Company	3/31/2020	-	-	777,637	777,637

40 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, 2021 and

31st March, 2020.

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, 2021, 31st March, 2020 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 ₹ 200,014,710/- (for previous year ended 31st March, 2020 - ₹ 200,014,710/-)

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, 2021 and 31st March, 2020 is the carrying amounts as illustrated in Note 12.

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.

	On Demand	Less than 3 months	3 months to 12 months	1 year to 5 years	> 5 years	Total
	₹	₹	₹	₹	₹	₹
Year ended 31st March, 2021						
Overdraft	9,076,178	-	-	-	-	9,076,178
Creditors for capital expenditure	485,600	-	-	-	-	485,600
	9,561,778	-	-	-	-	9,561,778
Year ended 31st March, 2020						
Loan from the Holding Company	150,000,000	-	-	-	-	150,000,000
Interest payable on Loans from a Holding Company	777,637	-	-	-	-	777,637
	150,777,637	-	-	-	-	150,777,637

41 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 :

	As at	As at
	31st March, 2021	31 st March, 2020
	₹	₹
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	585,265	-
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	19,479	11,370
(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	126,257	2,628,804
(iv) The amount of interest due and payable for the year	19,479	11,370
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(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	6,133	-

42 Contingent liabilities not provided for

	As at	As at
	31st March, 2021	31 st March, 2020
	₹	₹
Stamp duty exemption under Package Scheme of Incentive, 2013. (a)	3,317,139	3,317,139

- (a) The Company has availed exemption from stamp duty amounting to ₹ 3,317,139/-, in respect of agreement to lease executed on 17th January, 2018. The said exemption is availed in accordance with the Package Scheme of Incentives, 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 view of the extension of time for completion of construction granted by MIDC as stated in the subsequent paragraph, the Management is confident that the timeline for commencement of commercial activities would also be appropriately extended by the Government of Maharashtra. The management is, therefore, of the considered view that there will not be any cash outflow on account of the above obligation.
- (b) The Company is in the process of setting-up manufacturing facility at Additional Jejuri Industrial Area, MIDC, Jejuri, District Pune. MIDC has approved the building construction plan on 9th March, 2021 and has specified a condition to commence construction within a period of 1 year. While the pandemic COVID-19 has significantly affected the civil construction activities all over the country which may cause delay in completion of construction, the Management is confident that it would be in a position to complete the construction before the extended timeline.

43 Capital commitments :

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities

	As at	As at
	31st March, 2021	31 st March, 2020
	₹	₹
Estimated amount of contracts remaining to be executed on capital contracts and not provided for (net of advances)	58,295,579	6,180,000

44 Lease :**A Company as lessee**

The Company has entered into a lease agreement for plot no. F4 situated at Jejuri MIDC, commencing from 24th April, 2018 upto 31st August 2102. The Company is constructing factory building on the plot. The Company is restricted from assigning and subleasing the leased assets.

i) The carrying amount of right-of-use assets recognised and the movements during the period:

	As at	As at
	31st March, 2021	31 st March, 2020
	₹	₹
Reclassified on account of adoption of Ind AS 116		
Gross Block, At Cost :	75,741,700	75,741,700
Less : Depreciation And Amortization :	(1,738,109)	(838,324)
Carrying value as at the beginning of the year	74,003,591	74,903,376
Additions		-
Depreciation	(897,326)	(899,785)
As at 31 st March, 2021.	73,106,265	74,003,591

ii) The amounts recognised in Statement of profit and loss :

	As at	As at
	31st March, 2021	31 st March, 2020
	₹	₹
Depreciation expense of right-of-use assets	897,326	899,785
	897,326	899,785

iii) The Company has not incurred any cash outflow for leases in current year. The right of use asset has been acquired from the Bharat Forge Limited, the holding Company by making one time payment of ₹ 75,741,700/-. In the absence of material amount of lease liability measured at the present value of the remaining lease payments, no liability has been recognised.**B Company as lessor**

The Company has leased out its plot situated at Survey No. 23/2, PO Gundlapochampally Village and Grampanchayat, Medchal Mandal, Ranga Reddy, Hyderabad, District - Medchal, Telangana along with the factory building constructed on the plot to its associated company under the contract for the period of 36 months commencing from 30th March, 2021. This lease is of the nature of operating lease. The lease contract includes extension and termination options to both the parties. Both the parties reserve the right to terminate the agreement by giving 30 days' written notice.

Future minimum rentals receivable under cancellable operating leases are as follows:

	As at	As at
	31st March, 2021	31 st March, 2020
	₹	₹
Within one year	1,739,796	1,739,796
After one year but not more than five years	3,479,592	-
More than five years	-	-

45 Income Tax :

- a) The major components of income tax expense for the years ended 31st March, 2021 and 31st March, 2020 are

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Current income tax		
Current income tax charge	-	-
Taxes for earlier years	2,332	(392,643)
Deferred tax		
Relating to origination and reversal of temporary differences	85,801	47,838
	88,133	(344,805)

- b) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31st March 2021 and 31st March 2020 :

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Accounting profit/(loss) before tax	(5,682,520)	(1,320,575)
At India's enacted tax rate of 26% (31 st March 2020: 26%)	-	-
Deferred tax savings at India's enacted tax rate of 26% (31 st March 2020: 26%)	(1,477,500)	(343,400)
Deferred tax asset not recognised on the basis of prudence	1,544,431	994,235
Tax effect due to non-taxable income for Indian tax purposes	(475,564)	(1,112,031)
Tax effect of non-deductible expenses	494,434	509,034
Current tax for earlier years	2,332	(392,643)
At effective income tax rate of (0.27%) (31 st March 2020: 26.11%)	88,133	(344,805)
Income tax expense reported in the statement of profit and loss	88,133	(344,805)

- c) Reconciliation of deferred tax liabilities/(Asset) (net)

Opening balance	(85,801)	(133,639)
Tax income/(expense) during the period recognised in profit or loss	85,801	47,838
Closing balance	-	(85,801)

As per our attached report of even date,
For P V Deo & Associates LLP,
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAX5066

Rajinder Singh Bhatia
Director
DIN: 05333963

Vikram Munje
Director
DIN: 02772991

Yogendra Thakar
Chief Financial Officer

Rajesh Khurana
Chief Executive Officer

Place: Pune
Date: May 19, 2021

Ms. Jenny Chhabada
Company Secretary
Membership No. A47582

Place: Pune
Date: May 19, 2021

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Eternus Performance Materials Private Limited

Directors

Mr. Rahul S. Pangre

Mr. Vyankoji A. Shinde

Auditors

Yatiraj Marda

Chartered Accountant

G-2, 2104/8, Triveni Vihar Appt,

Behind LIC Colony,

Ruikar Colony Road,

Kolhapur 416 005

Registered Office

D-71, FIVE STAR M.I.D.C,

Kagal Hatkanangale,

Tal. Hatkanangale,

Kolhapur 416 236

Independent Auditors' Report

To
The Members of,
M/s. Eternus Performance Materials Private Limited

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of **M/s. Eternus Performance Materials Private Limited** ("the Company"), which comprise the balance sheet as at March 31, 2021, and the Statement of Profit and Loss, Statement of Change 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 and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit (or Loss)*and Statement of Change in Equity and cash flows for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with the standards on auditing specified under section 143 (10) of the Companies Act, 2013. 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 code of ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reporting of key audit matters as per SA 701, Key Audit Matters are not applicable to the Company as it is an unlisted company.

Information other than the financial statements and auditors' report thereon

The Company's board of directors is responsible for the preparation of the other information. The other information comprises the information included in the Board's Report including Annexures to Board's Report, Business Responsibility 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 standalone financial statements or our knowledge obtained during the course of our 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.

Management's responsibility for the financial statements

The Company's board of directors are responsible for the matters stated in section 134 (5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The board of directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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, we give in the Annexure "A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

As required by Section 143(3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the aforesaid financial statements comply with the accounting standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014;
- (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the board of directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) Since the Company's turnover as per last audited financial statements is less than Rs.50 Crores and its borrowings from banks and financial institutions at any time during the year is less than Rs.25 Crores, the Company is exempted from getting an audit opinion with respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls vide notification dated June 13, 2017; and
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
 - a. The Company does not have any pending litigations which would impact its financial position;
 - b. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - c. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **V T & ASSOCIATES**

Chartered Accountants

F.R.N. No. 110017S

Yatiraj Marda

Partner

Mem. No. 108945

Place : Kolhapur

Date : 30th June, 2021

Annexure "A" to the Independent Auditor's Report

(Referred to in paragraph 1 under 'Report on other legal and regulatory requirements' section of our report to the members of **M/s. Eternus Performance Materials Private Limited** of even date)

1. In respect of the Company's fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets of the Company were physically verified in full by the management during the year. According to the information and explanations given to us and as examined by us, no material discrepancies were noticed on such verification.
 - (c) The Company has a program of verification to cover all the items of fixed assets in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.

Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
2. The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. According to the information and explanations given to us and as examined by us, no material discrepancies were noticed on such verification.
3. According to information and explanation given to us, the company has not granted any loan, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register required under section 189 of the Companies Act, 2013. Accordingly, paragraph 3 (iii) of the order is not applicable.
4. In our opinion and according to information and explanation given to us, the company has not granted any loans or provided any guarantees or given any security or made any investments to which the provision of section 185 and 186 of the Companies Act, 2013. Accordingly, paragraph 3 (iv) of the order is not applicable.
5. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits and accordingly paragraph 3 (v) of the order is not applicable.
6. The Central Government of India has not prescribed the maintenance of cost records under sub-section (1) of section 148 of the Act for any of the activities of the company and accordingly paragraph 3 (vi) of the order is not applicable.
7. In respect of statutory dues:
 - (a) According to the records, the company is 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. There were no outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they become payable.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, sales- tax, service tax, goods and service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues were in arrears as at March 31, 2021 for a period of more than six months from the date they became payable
 - (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax, sales- tax, service tax, goods and service tax, duty of customs, duty of excise and value added tax which have not been deposited on account of any dispute.

- 8 In our opinion and according to the information and explanations given to us, the company has no outstanding dues to any financial institutions or banks or any government or any debenture holders during the year. Accordingly, paragraph 3 (viii) of the order is not applicable.
9. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and has not taken any term loans during the year. Accordingly, paragraph 3 (ix) of the order is not applicable.
10. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.
11. In our opinion the managerial remuneration for the year ended March 2021, has been paid/provided by the company to their directors in accordance with the provision of section 197 read with Schedule V of the Act..
12. The Company is not a Nidhi Company and accordingly, paragraph 3 (xii) of the order is not applicable to the Company.
13. According to the information and explanations given to us and based on our examination of the records of the company, transactions with the related parties are in compliance with section 177 and 188 of the Act. Where applicable, the details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- 14 According to the information and explanations given to us and based on our examination of the records of the company, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the order is not applicable.
- 15 According to the information and explanations given to us and based on our examination of the records of the company, the company has not entered into non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the order is not applicable.
- 16 According to the information and explanations given to us and based on our examination of the records of the company, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For **V T & ASSOCIATES**
Chartered Accountants
F.R.N. No. 110017S

Yatiraj Marda
Partner
Mem. No. 108945

Place : Kolhapur
Date : 30th June, 2021

Eternus Performance Materials Private Limited

Balance Sheet as at 31st March, 2021

	Note	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
I ASSETS			
1 Non-current Assets			
(a) Property, plant and equipment	3	7,147,706	7,191,615
(b) Right of use asset	4	733,626	642,546
(c) Intangible assets	5	696,879	1,118,926
(d) Capital work-in-progress		5,391,816	-
(e) Financial assets			
(i) Other financial assets	6	124,000	124,000
(f) Other non-current assets	7	100,000	100,000
(g) Income tax assets (net)	8	41,305	37,832
		14,235,332	9,214,919
2 Current Assets			
(a) Inventories	9	2,692,283	2,761,334
(b) Financial Assets			
(i) Trade receivables	10	5,986,915	9,277,183
(ii) Cash and cash equivalents	11	67,748	132,229
(iii) Other financial assets	12	11,140,373	7,214,877
(c) Other Current Assets	13	1,077,657	80,383
		20,964,976	19,466,006
	TOTAL	35,200,308	28,680,925
II EQUITY AND LIABILITIES			
1 Equity			
(a) Equity Share Capital	14	1,632,260	1,632,260
(b) Other Equity		(2,467,362)	2,380,848
		(835,102)	4,013,108
2 Non-current Liabilities			
(a) Financial liabilities			
(i) Long term Borrowings	15	3,222,183	-
(b) Other non-current liabilities	16	2,800,000	-
(c) Deferred tax liabilities (Net)	17	-	160,200
		6,022,183	160,200
3 Current Liabilities			
(a) Financial liabilities			
(i) Short term borrowings	18	15,327,206	11,842,690
(ii) Trade payables			
Dues of micro enterprises and small enterprises	19	-	-
Dues of creditors other than micro enterprises and small enterprises	19	10,498,147	11,883,332
(iii) Other financial liabilities	20	671,429	100,000
(b) Other current liabilities	21	3,516,445	681,595
		30,013,227	24,507,617
	TOTAL	35,200,308	28,680,925

Significant accounting policies and notes forming an integral part of the financial statements 1 to 41

As per my attached report of even date,
For V. T. & Associates
Chartered Accountants
FRN : 110017S

Yatiraj Marda
Partner
Membership No. 108945

Place : Kolhapur
Date : 30th June, 2021

On behalf of the Board of Directors,

Rahul S. Pangre
Director
DIN : 05324896

Vyankoji A. Shinde
Director
DIN : 05325712

Place : Kolhapur
Date : 30th June, 2021

Statement of Profit and Loss for the year ended 31st March, 2021

	Note	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹	
I	Revenue from Operations	22	4,903,479	9,086,211
II	Other Income	23	436,005	1,370
III	TOTAL INCOME		5,339,484	9,087,581
IV	EXPENSES			
	Cost of Material Consumed	24	866,153	1,726,976
	Changes in inventories of Finished Goods	25	234,144	(690,908)
	Employee Benefit Expenses	26	5,454,479	4,732,099
	Finance Costs	27	211,297	100,415
	Depreciation & Amortisation Expense	28	821,776	583,978
	Other Expenses	29	2,722,095	3,365,126
	TOTAL EXPENSES		10,309,944	9,817,686
V	Loss before tax		(4,970,460)	(730,105)
VI	Tax (Expense)/Savings			
	Current tax		-	-
	Deferred tax		160,200	137,200
			160,200	137,200
VII	Loss for the Year		(4,810,260)	(592,905)
VII	OTHER COMPREHENSIVE INCOME		-	-
	Total other comprehensive income, net of tax		-	-
VIII	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(4,810,260)	(592,905)
IX	Earnings per share (of ₹ 10/- each):			
	Basic	34	(29.47)	(11.39)
	Diluted	34	(29.47)	(11.39)
	Significant accounting policies and notes forming an integral part of the financial statements	1 to 41		

As per my attached report of even date,
For V. T. & Associates
Chartered Accountants
FRN : 110017S

Yatiraj Marda
Partner
Membership No. 108945

Place : Kolhapur
Date : 30th June, 2021

On behalf of the Board of Directors,

Rahul S. Pangre
Director
DIN : 05324896

Vyankoji A. Shinde
Director
DIN : 05325712

Place : Kolhapur
Date : 30th June, 2021

Eternus Performance Materials Private Limited

Statement of changes in equity for the year ended 31st March, 2021.

a. Equity share capital

	As at 31 st March, 2021		As at 31 st March, 2020	
	Nos.	₹	Nos.	₹
Equity shares of ₹ 10/- each issued, subscribed and fully paid up				
As at the beginning of the year	163,226	1,632,260	80,000	800,000
Equity shares issued during the year	-	-	83,226	832,260
As at the end of the year	163,226	1,632,260	163,226	1,632,260

b. Other equity

	Reserves and surplus		Other comprehensive income		Total other equity
	Securities premium	Retained earnings	Total	Other items	
	₹	₹	₹	₹	
Balance as at 1 st April, 2019	-	60,843	60,843	-	60,843
Changes in other equity for the year ended 31 st March, 2020					
Received for shares issued during the period	2,912,910	-	2,912,910	-	2,912,910
Loss for the year	-	(592,905)	(592,905)	-	(592,905)
Balance as at 31 st March, 2020	2,912,910	(532,062)	2,380,848	-	2,380,848
Changes in other equity for the year ended 31 st March, 2021					
Prior period errors - Bonus paid	-	(37,950)	(37,950)	-	(37,950)
Loss for the period		(4,810,260)	(4,810,260)		(4,810,260)
Balance as at 31 st March, 2021	2,912,910	(5,380,272)	(2,467,362)	-	(2,467,362)

Significant accounting policies and notes forming an integral part of the financial statements

1 to 41

**As per my attached report of even date,
For V. T. & Associates**
Chartered Accountants
FRN : 110017S

Yatiraj Marda
Partner
Membership No. 108945

Place : Kolhapur
Date : 30th June, 2021

On behalf of the Board of Directors,

Rahul S. Pangre
Director
DIN : 05324896

Vyankoji A. Shinde
Director
DIN : 05325712

Place : Kolhapur
Date : 30th June, 2021

Cashflow Statement for the year ended 31st March, 2021

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
I. Cashflow from operating activities		
Loss before tax	(4,970,460)	(730,105)
Add :		
Depreciation	821,776	583,978
Interest on bank borrowings	88,711	76,273
Income tax expenses	122,586	17,252
Prior period errors - Bonus paid	(37,950)	-
	(3,975,337)	(52,602)
Less :		
Interest on income tax	-	(1,370)
Operating loss before working capital changes	(3,975,337)	(53,972)
Movements in working capital :		
Increase/(decrease) in trade payables	(1,385,185)	6,584,421
Increase/(decrease) in other current liabilities	2,834,850	(4,230,990)
Increase/(decrease) in other non current liabilities	2,800,000	-
(Increase)/decrease in trade receivable	3,290,268	(904,151)
(Increase)/decrease in other current assets	(997,274)	88,037
(Increase)/decrease in other current financial assets	(3,925,496)	(5,173,342)
(Increase)/decrease in inventories	69,051	(674,284)
	2,686,214	(4,310,309)
Cash generated from operations	(1,289,123)	(4,364,281)
Direct taxes paid (net of refunds)	(126,059)	(19,154)
Net cashflow used in operating activities	(1,415,182)	(4,383,435)
II. Cashflow from investing activities		
Purchase of property, plant and equipment (including capital work in progress)	(5,739,316)	(357,437)
Purchase of intangible assets	(99,400)	(918,136)
Net cashflow used in investing activities	(5,838,716)	(1,275,573)
III. Cashflow from financing activities		
Proceeds from issue of equity shares	-	3,745,170
Proceeds from/(Repayment of) short term borrowings	3,484,516	1,569,862
Proceeds from/(Repayment of) long term borrowings	3,793,612	-
Interest on bank borrowings	(88,711)	(76,273)
Net cashflow from financing activities	7,189,417	5,238,759
IV. Net increase/(Decrease) in cash and cash equivalents (I+II+III)	(64,481)	(420,249)
V. Cash and cash equivalents at the beginning of the year	132,229	552,478
VI. Cash and cash equivalents at the end of the year	67,748	132,229

Eternus Performance Materials Private Limited

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Components of cash and cash equivalents :		
Balances with banks		
In current accounts	50,484	37,698
Cash on hand	17,264	94,531
	67,748	132,229

Significant accounting policies and notes forming an integral part of the financial statements

1 to 41

**As per my attached report of even date,
For V. T. & Associates**
Chartered Accountants
FRN : 110017S

Yatiraj Marda
Partner
Membership No. 108945

Place : Kolhapur
Date : 30th June, 2021

On behalf of the Board of Directors,

Rahul S. Pangre
Director
DIN : 05324896

Vyankoji A. Shinde
Director
DIN : 05325712

Place : Kolhapur
Date : 30th June, 2021

Notes forming part of the financial statements for the year ended 31st March, 2021.

1 Corporate information :

Eternus Performance Materials Private Limited is a private limited company incorporated on 18th July, 2012. The Company is engaged in the business of manufacturing composite materials. The Company is deemed to be a public limited company within the meaning of section 2(71) of the Companies, Act, 2013.

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.

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. 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.

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

Gains/losses arising out of fluctuations in the exchange rates are dealt with in the statement of profit and loss in the period in which they arise. In respect of assets and liabilities, the overall net loss or gain, if any, on conversion at the exchange rates prevailing on the date of balance sheet is charged to revenue.

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 from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note no. 37.

a) Sale of Goods :

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer.

The control of the goods manufactured in case of export sales is transferred usually on the date of issue of Bill of Lading while in case of domestic sales, the control is transferred usually on delivery of goods.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effect of variable consideration.

b) Sale of Services :

Revenue on time and material contracts are recognized as the related services are performed and revenue from the end of the last invoicing to their reporting date is recognized as unbilled revenue. Revenue from fixed-price, fixed-time frame contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Efforts or costs expended have been used to measure progress towards completion.

c) Contract Assets :

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

d) Trade receivables :

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note no. 2.15.

e) Contract liabilities :

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from

the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

f) 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.

g) 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 favorable 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 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 provision of Schedule II to the Companies Act, 2013 is given below.

Type of Asset	Estimated useful life
i) Factory buildings	30 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 equipment	5 years
v) 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 and any significant part initially recognised is derecognised 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.

2.9 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	3 years

2.10 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 weighted average method.

b) Finished goods :

Finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. The costs are determined using the weighted average method.

2.11 Leases :

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

Company as a Lessee

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

i) Right of use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the Underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement of lease liabilities. The cost of right-of-use assets includes the amount of

lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Type of Asset

- i) Leasehold land 95 Years

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

- ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

Lease liability and Right-of-use asset have been separately presented in the balance sheet and lease payments have been classified as financing cash flows.

- iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognized as expense 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 incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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.

2.12 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, 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 Retirement and other 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 :

No separate provisions of retirement benefits or privilege leave benefits of such employees are recognized in the books of the Company.

2.15 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 116
- 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 115
- 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 through 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 amortised 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.

2.16 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.

2.17 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.

2.18 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 as the Board of Directors that makes strategic decisions.

2.19 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.

2.20 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.

2.21 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.

2.22 Estimation of uncertainties relating to the global health pandemic from COVID-19

The spread of COVID-19 has severely impacted business and there have been severe disruption to regular business operations due to lockdown and other emergency measures. This may impact the Company's operations. As at the date of approval of these financial statements the Company has made assessment of liquidity, recoverable values of its financial and non-financial assets, financial and non-financial liabilities, carrying value of its assets and liabilities including possible obligations arising from any ongoing negotiations with customers, vendors and has concluded that there are no material adjustments required in the financial statements. The management believes that it has assessed and taken all the possible impacts known from these events wherever possible outcome is known. However, the impact assessment of COVID-19 is a continuous process, given the significant estimation and uncertainties associated with its nature, duration and outcome of any negotiations. The impact of global health pandemic might be different from that estimated as at the date of approval of these financial statements. The Company will continue to closely monitor any material changes to future economic conditions and its consequential impact on its financial statements.

3 Property, plant and equipment :

	Leasehold land ₹	Factory building ₹	Computers and printers ₹	Plant and equipment ₹	Furniture and fixtures ₹	Electrical installation ₹	Total ₹
GROSS BLOCK, AT COST :							
As at 1 st April, 2019.	724,461	7,375,318	59,459	513,971	226,494	403,848	9,303,551
Additions	-	-	111,525	66,462	179,450	-	357,437
Disposals	-	-	-	-	-	-	-
Reclassification on account of adoption of IND AS 116	(724,461)	-	-	-	-	-	(724,461)
As at 31 st March, 2020.	-	7,375,318	170,984	580,433	405,944	403,848	8,936,527
Adjustment	-	-	-	(3,157)	3,157	-	-
Additions	-	-	-	347,500	-	-	347,500
Disposals	-	-	-	-	-	-	-
As at 31st March, 2021.	-	7,375,318	170,984	924,776	409,101	403,848	9,284,027
DEPRECIATION AND AMORTIZATION :							
As at 1 st April, 2019.	74,295	995,497	56,486	72,335	79,838	163,402	1,441,853
Disposals	-	-	-	-	-	-	-
Reclassification on account of adoption of IND AS 116	(74,295)	-	-	-	-	-	(74,295)
For the year	-	236,680	31,810	34,799	35,228	38,837	377,354
Upto 31 st March, 2020.	-	1,232,177	88,296	107,134	115,066	202,239	1,744,912
Disposals	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-
For the year	-	236,033	35,709	41,447	39,490	38,730	391,409
As at 31st March, 2021.	-	1,468,210	124,005	148,581	154,556	240,969	2,136,321
NET BLOCK :							
As at 31 st March, 2020.	-	6,143,141	82,688	473,299	290,878	201,609	7,191,615
As at 31st March, 2021.	-	5,907,108	46,979	776,195	254,545	162,879	7,147,706
Capitalisation of borrowing cost :							

The Company capitalises borrowing costs in the capital work-in-progress (CWIP) first. The borrowing costs capitalised during the year ended 31st March, 2021 was ₹ 221,343/- (31st March, 2020 : ₹ Nil/-).

4 Right of used assets :

	Right of use asset	Total
	₹	₹
GROSS BLOCK, AT COST :		
As at 1 st April, 2019.	-	-
Additions	-	-
Disposals	-	-
Reclassification on account of adoption of Ind AS 116	724,461	
As at 31 st March, 2020.	724,461	724,461
Additions	99,400	99,400
Disposals	-	-
As at 31st March, 2021.	823,861	823,861
DEPRECIATION AND AMORTIZATION :		
Upto 1 st April, 2019.	-	-
Disposals	-	-
Reclassification on account of adoption of Ind AS 116	74,295	74,295
For the year	7,620	7,620
Upto 31 st March, 2020.	81,915	81,915
Disposals	-	-
For the year	8,320	8,320
Up to 31st March, 2021.	90,235	90,235
NET BLOCK :		
As at 31 st March, 2020.	642,546	642,546
As at 31st March, 2021.	733,626	733,626

5 Intangible assets :

	Softwares ₹	Total intangible assets ₹
GROSS BLOCK, AT COST :		
As at 1 st April, 2019.	417,000	417,000
Additions	918,136	918,136
Disposals	-	-
Reclassification on account of adoption of Ind AS 116		
As at 31 st March, 2020.	1,335,136	1,335,136
Additions	-	-
Disposals	-	-
As at 31st March, 2021.	1,335,136	1,335,136
DEPRECIATION AND AMORTIZATION :		
Upto 1 st April, 2019.	17,206	17,206
Disposals	-	-
Reclassification on account of adoption of Ind AS 116	-	-
For the year	199,004	199,004
Upto 31 st March, 2020.	216,210	216,210
Disposals	-	-
For the year	422,047	422,047
Up to 31st March, 2021.	638,257	638,257
NET BLOCK :		
As at 31 st March, 2020.	1,118,926	1,118,926
As at 31st March, 2021.	696,879	696,879

6 Other financial assets (Non-current, good) :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Security deposits ^(a)	124,000	124,000
TOTAL :	124,000	124,000

(a) Financial assets carried at amortized cost

7 Other non-current assets (good) :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Capital Advances	100,000	100,000
TOTAL :	100,000	100,000

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8 Income tax assets :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Taxes paid in advance, net of provisions	41,305	37,832
TOTAL :	41,305	37,832

9 Inventories :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
(As taken, valued and certified by the Directors)		
Finished Goods	2,214,178	2,448,322
Raw Material	478,105	313,012
TOTAL :	2,692,283	2,761,334

10 Trade receivables :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
(Unsecured)		
Credit impaired	-	-
Others	5,986,915	9,277,183
(including related party receivables)		
TOTAL :	5,986,915	9,277,183

For terms and conditions relating to related party receivables, refer note no. 33

11 Cash and cash equivalents :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Balances with banks		
In current accounts	50,484	37,698
Cash on hand	17,264	94,531
TOTAL :	67,748	132,229

12 Other financial assets (Current), good :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Government grant receivable	11,140,373	7,214,877
TOTAL :	11,140,373	7,214,877

13 Other current assets, good :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Balances with government authorities		
Customs duty	62,871	-
Goods and services tax	941,220	-
Advances to suppliers	5,266	8,083
Advances to employees	68,300	72,300
TOTAL :	1,077,657	80,383

14 Equity share capital :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Authorised :		
200,000 200,000	Equity shares of ₹ 10/-, each	2,000,000 2,000,000
200,000 200,000		2,000,000 2,000,000
Issued, Subscribed and Paid up :		
163,226 163,226	Equity Shares of ₹ 10/-, each, fully paid up	1,632,260 1,632,260
163,226 163,226		1,632,260 1,632,260

- (a) The Company has only one class of shares referred to as equity shares having a par value of ₹ 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, 2021 and 31st March, 2020 is set out below.

	As at 31 st March, 2021		As at 31 st March, 2020	
	No. of Shares	Amount in ₹	No. of Shares	Amount in ₹
Balance at the beginning of the year	163,226	1,632,260	80,000	800,000
Add: Shares issued during the year	-	-	83,226	832,260
Balance at the close of the year	163,226	1,632,260	163,226	1,632,260

- (d) Details of shareholders holding more than 5% of the aggregate issued and subscribed shares

Name of the shareholders	As at 31 st March, 2021		As at 31 st March, 2020	
	No. of Shares	% age	No. of Shares	% age
Bharat Forge Ltd. §	83,226	51.00	83,226	51.00
Vyankoji Shinde	40,000	24.50	40,000	24.50
Rahul Pangre	40,000	24.50	40,000	24.50

§ The Holding Company

Eternus Performance Materials Private Limited

15 Long-term borrowings :

	As at 31 st March, 2021		As at 31 st March, 2020	
	Current ₹	Non - Current ₹	Current ₹	Non - Current ₹
Secured :				
Term Loans ^(a) :	571,429	3,222,183	-	-
Less : Shown under "Other Financial Liabilities" (Refer Note No. 20)	(571,429)	-	-	-
TOTAL :	-	3,222,183	-	-

(a) Term loan from IDBI Bank Limited : The Term Loan taken from IDBI Bank Limited is secured by exclusive charge by way of equitable mortgage on leasehold land and by the personal guarantees given by the Directors. Rate of Interest applicable is 3.45% over Base Rate (i.e RLLR(Y)), p.a. The loan is repayable in 84 monthly installments.

16 Non-current liabilities :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Deferred government grant	2,800,000	-
TOTAL :	2,800,000	-

17 Deferred tax liabilities (net) :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Deferred tax liabilities :		
Timing differences for Depreciation	623,000	534,200
Less : Deferred tax assets :		
Timing differences for Disallowances and unabsorbed depreciation	623,000	374,000
TOTAL :	-	160,200

18 Short term borrowings :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Secured		
Cash credit ^(a)	-	994,266
Overdraft ^(b)	978,782	-
Unsecured		
Loan from directors and their relatives ^(c)	14,348,424	10,848,424
TOTAL :	15,327,206	11,842,690

For terms and conditions relating to related party receivables, refer note no. 33

- (a) Cash credit from IDBI Bank Limited : The cash credit facility taken from IDBI Bank Limited under the Pradhan Mantri Mudra Yojana, is secured by first and exclusive charge by way of hypothecation of stocks of raw materials, finished goods and book debts. Rate of Interest applicable is 1.10% over Base Rate (i.e RBMLR), p.a. The loan is covered under Credit Guarantee Fund for Micro Units.
- (b) Overdraft from IDBI Bank Limited : The overdraft taken from IDBI Bank Limited is secured by exclusive charge by way of equitable mortgage on leasehold land and by the personal guarantees given by the Directors. Rate of Interest applicable is 3.45% over Base Rate (i.e RLLR(Y)), p.a.
- (c) Loans from directors and their relatives are interest free and repayable on demand.

19 Trade payables :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	10,498,147	11,883,332
TOTAL :	10,498,147	11,883,332

20 Other financial liabilities :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Current maturities of long term loan (Refer note no. 15)	571,429	-
Creditors for capital expenditure	100,000	100,000
TOTAL :	671,429	100,000

21 Other current liabilities :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Statutory liabilities	1,176,454	643,763
Contract liabilities - Advances from customers	2,339,991	37,832
TOTAL :	3,516,445	681,595

Eternus Performance Materials Private Limited

22 Revenue from operations :

	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Sale of products	4,781,441	9,086,211
Other operating revenues	122,038	-
TOTAL :	4,903,479	9,086,211

Disaggregate revenue information :

The table below presents disaggregated revenues from contracts with customers for the year ended 31st March, 2021 and 31st March, 2020 by offerings and contract type.

Revenue by offerings :

Sale of products	4,781,441	9,086,211
TOTAL :	4,781,441	9,086,211

Revenue by geographical segments :

Within India	4,089,520	8,875,362
Outside India	691,921	210,849
TOTAL :	4,781,441	9,086,211

Revenue by contract type :

Fixed price contracts	4,781,441	9,086,211
TOTAL :	4,781,441	9,086,211

23 Other Income :

	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Interest on income tax refund	-	1,370
Sundry balances written back	436,005	-
TOTAL :	436,005	1,370

24 Cost of raw material and components consumed :

	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Inventory at the beginning of the year	313,012	329,636
Add: Purchases	1,031,246	1,710,352
	1,344,258	2,039,988
Less: Inventory at the end of the year (Refer note 9)	(478,105)	(313,012)
Cost of raw material and components consumed :	866,153	1,726,976

25 Changes in inventories :

	For the year ended 31st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Inventories at the beginning of the year		
Finished Goods	2,448,322	1,757,414
	2,448,322	1,757,414
Inventories at the close of the year		
Finished Goods	(2,214,178)	(2,448,322)
	(2,214,178)	(2,448,322)
TOTAL :	234,144	(690,908)

**26 Employee benefit expenses :
(Including Directors' remuneration)**

	For the year ended 31st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Salaries and Wages	5,430,703	4,414,631
Staff welfare expenses	23,776	317,468
TOTAL :	5,454,479	4,732,099

For terms and conditions relating to related party receivables, refer note no. 33

27 Finance costs :

	For the year ended 31st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Interest on bank borrowings	88,711	76,273
Other interest paid	122,586	24,142
TOTAL :	211,297	100,415

28 Depreciation and Amortization :

	For the year ended 31st March, 2021	For the year ended 31 st March, 2020
	₹	₹
On property, plant and equipment	391,409	377,354
On intangible assets	422,047	199,004
On right of use asset	8,320	7,620
TOTAL :	821,776	583,978

29 Other expenses :

	For the year ended 31st March, 2021	For the year ended 31 st March, 2020
	₹	₹
Factory expenses	66,650	106,263
Labour charges	1,053,704	1,991,278
Electricity charges	269,544	247,410
Communication	23,546	22,961
Travelling and conveyance	217,539	290,813
Transport and freight	148,064	118,615
Rates and taxes	85,100	1,200
Repairs and maintenance - others	76,500	41,066
Bank charges	35,116	25,340
Printing and stationery	6,297	9,458
Payment to auditors	100,000	35,400
Testing and certification charges	81,130	150,120
Legal and professional fees	25,000	252,612
Share issue expenses	-	28,900
Bad debts	190,108	-
Sales promotion expenses	46,894	-
Foreign exchange loss	276,281	4,669
Miscellaneous expenses	20,622	39,021
TOTAL :	2,722,095	3,365,126

30 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's activities involve predominantly in manufacturing of composite items, which is considered to be a single business segment since these are subject to similar risks and returns. 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.

31 Capital commitments :

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
For Property, plant and equipment	140,000	-

32 Leases :

Company as a lessee :

The Company has entered into a lease agreement for Plot No. D71, Kagal Hatkanangale Five Star MIDC, Tal. Hatkanangale, Kolhapur, commencing from 17th July, 2009 upto 16th July, 2104. The Company is constructing factory building on the plot. The Company is restricted from assigning and subleasing the leased assets.

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

	Land	
	31st March, 2021	31 st March, 2020
	₹	₹
Opening balance	642,546	-
Reclassification on account of adoption of Ind AS 116	-	650,166
Additions	99,400	-
Depreciation	(8,320)	(7,620)
As at 31 st March, 2021	733,626	642,546

The following are the amounts recognised in profit or loss:

	For the year ended	For the year ended
	31st March, 2021	31 st March, 2020
	₹	₹
Depreciation expense of right-of-use assets	8,320	7,620
Interest expense on lease liabilities	-	-
Expense relating to short-term leases (included in administrative expenses)	-	-
Expense relating to leases of low-value assets (included in administrative expenses)	-	-
Variable lease payments (included in cost of sales)	-	-
Total amount recognised in profit or loss	8,320	7,620

33 Related Party Disclosure :

A. Related Parties and their relationships :

- | | |
|---|---|
| a) Holding company : | Bharat Forge Limited |
| b) Key managerial personnel : | Mr. Vyankoji Shinde, Whole Time Director
Mr. Rahul Pangre, Whole Time Director |
| c) Relatives of key managerial personnel : | Mr. Ajitshingh Shinde
Mrs. Roma Vyankoji Shinde
Mrs. Tina Rahul Pangre |
| d) Enterprises controlled or significantly influenced by key managerial personnel : | Aeternus |

B. Transactions with Related Parties :

Particulars	Terms and Conditions (Refer foot note no.)	Key Managerial Personnel	Relatives of Key Managerial Personnel	Enterprises controlled or significantly influenced by Key Managerial Personnel	Total
		₹	₹	₹	
Remuneration	(a)	3,000,000 (4,800,000)	- -	- -	3,000,000 (4,800,000)
Proceeds of loan taken	(b)	2,150,000 (1,250,000)	- -	- -	2,150,000 (1,250,000)
Repayment of loan taken	(b)	- (175,000)	- -	- -	- (175,000)
Reimbursement of expenses received	(c)	- -	- -	66,800 (26,000)	66,800 (26,000)
Reimbursement of expenses paid	(d)	118,025 (575,369)	- -	- -	118,025 (575,369)
Sale of products	(e)	- -	- -	3,600,201 (6,645,802)	3,600,201 (6,645,802)

(Figures in bracket indicate previous year)

- (a) Remuneration paid to the key managerial personnel as per terms of appointment
- (b) The loans taken from key managerial personnel and their relatives are repayable on demand and carries no interest.
- (c) Expenses incurred by the Company on behalf of the related parties are reimbursable at cost on demand.
- (d) Expenses incurred by the related parties on behalf of the Company are reimbursable at cost on demand.
- (e) The Company has sold products to its related party at arms' length price and on normal credit terms.

C. Balances with related parties:

Particulars	Key Managerial Personnel	Relatives of Key Managerial Personnel	Enterprises controlled or significantly influenced by Key Managerial Personnel	Total
	₹	₹	₹	
Trade receivables	- -	- -	2,302,159 (2,323,672)	2,302,159 (2,323,672)
Loans taken	12,038,424 (8,538,424)	2,310,000 (2,310,000)	- -	14,348,424 (10,848,424)
Amounts payable	6,821,908 (5,765,503)	- -	- -	6,821,908 (5,765,503)

(Figures in bracket indicate previous year)

34 Earning per Share (Face Value of ₹ 10 Each) :

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
Loss for the year after taxation	(4,810,260)	(592,905)
Weighted average number of equity shares, outstanding during the year	163,226	161,634
Basic Earning per Share in ₹	(29.47)	(3.67)
Diluted Earning per Share in ₹	(29.47)	(3.67)

35 Income tax :

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31st March, 2021 and 31st March, 2020:

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
Accounting loss before tax	(4,970,460)	(730,105)
At India's enacted tax rate of 25.168% (31 March 2020 : 22.88%)	-	-
Deferred tax savings on unabsorbed depreciation	160,200	137,200
Income tax expense reported in the statement of profit and loss	160,200	137,200

36 Dues to micro and small enterprises:

As per the Micro, Small and Medium Enterprises Development Act, 2006, the Company is required to identify the Micro, Small and Medium suppliers and pay interest to micro and small enterprises on overdue beyond the specified period irrespective of the terms agreed with the suppliers. For the purpose of identification of such suppliers, the company has sent confirmations to all its suppliers. Based upon the confirmations received as of 30th June, 2020 and the supplier profile available with the Company, the management believes that there are no dues to such suppliers.

37 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 ascertainment by tax authorities in assessments of the Company. The Company will be able to offset tax losses and allowances only to the extent of availability of adequate 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.

Revenue recognition

The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products/services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.

The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of

the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.

The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

Revenue for fixed-price contract is recognised using percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.

38 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 31 st March, 2021 ₹	As at 31 st March, 2020 ₹	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
I) Financial assets				
Others non current financial assets				
Security Deposits	124,000	124,000	124,000	124,000
Other financial assets (Current)				
Government grant receivable	11,140,373	7,214,877	11,140,373	7,214,877
	11,264,373	7,338,877	11,264,373	7,338,877
II) Financial liabilities				
Long term borrowings				
Term loan	3,793,612	-	3,793,612	-
Short term borrowings				
Cash Credit	-	994,266	-	994,266
Overdraft	978,782	-	978,782	-
Demand loans from related parties	14,348,424	10,848,424	14,348,424	10,848,424
Other financial liabilities				
Creditors for capital expenditure	671,429	100,000	671,429	100,000
	19,792,247	11,942,690	19,792,247	11,942,690

The management assessed that cash and cash equivalents, trade receivables, trade payables, cash credit 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.

Eternus Performance Materials Private Limited

39 Fair value hierarchy :

	Date of Valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant un-observable inputs (Level 3)	Total
Assets for which fair value has been disclosed					
Other financial assets (Non-current)					
Security Deposits	31-Mar-21	-	-	124,000	124,000
Other financial assets (Current)					
Government grant receivable	31-Mar-21	-	-	11,140,373	11,140,373
Liabilities for which fair value has been disclosed					
Long term borrowings					
Term loan	31-Mar-21	-	-	3,793,612	3,793,612
Short term borrowings					
Overdraft	31-Mar-21	-	-	978,782	978,782
Demand loans from related parties	31-Mar-21	-	-	14,348,424	14,348,424
Other financial liabilities					
Creditors for capital expenditure	31-Mar-21	-	-	671,429	671,429
Assets for which fair value has been disclosed					
Other financial assets (Non-current)					
Security Deposits	31-Mar-20	-	-	124,000	124,000
Other financial assets (Current)					
Government grant receivable	31-Mar-20	-	-	7,214,877	7,214,877
Liabilities for which fair value has been disclosed					
Short term borrowings					
Cash Credit	31-Mar-20	-	-	994,266	994,266
Demand loans from related parties	31-Mar-20	-	-	10,848,424	10,848,424
Other financial liabilities					
Creditors for capital expenditure	31-Mar-20	-	-	100,000	100,000

40 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, 2021 and 31st March, 2020.

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, 2021 and 31st March, 2020 including the effect of hedge accounting (if any)

i) Interest 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.

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.

Eternus Performance Materials Private Limited

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments

	Less than 3 months ₹	3 months to 12 months ₹	1 year to 5 years ₹	> 5 years ₹	Total ₹
As at 31st March, 2021					
Term loan	142,857	428,571	2,857,143	365,041	3,793,612
Overdraft	-	-	-	-	978,782
Demand loans from related parties	-	-	-	-	14,348,424
Creditors for capital expenditure	-	-	-	-	671,429
	142,857	428,571	2,857,143	365,041	19,792,247
As at 31st March, 2020					
Cash Credit	-	-	-	-	994,266
Demand loans from related parties	-	-	-	-	10,848,424
Creditors for capital expenditure	-	-	-	-	100,000
	-	-	-	-	11,942,690

41 Disclosure pursuant to Ind AS 115 on "Revenue from contracts with customers"

a) Trade receivables and Contract balances :

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognized as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straight line basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time.

Revenue recognition for fixed price contracts is based on percentage of completion method. Invoicing to the clients is based on completion of the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price development contracts is classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

	As at 31 st March 2021 ₹	As at 31 st March 2020 ₹
b) Changes in Contract Assets are as under :		
Balance at the beginning of the year	-	-
Revenue recognised during the year	-	-
Invoices raised during the year	-	-
Balance at the end of the year	-	-

c) Changes in Contract Liabilities are as under :

Balance at the beginning of the year	37,832	3,863,869
Revenue recognised from unearned advance from customers at the beginning of the year	-	(3,863,869)
Increased due to advance received during the year	2,302,159	37,832
Balance at the end of the year	2,339,991	37,832

d) Performance obligations and remaining performance obligations :

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

The Company does not have any performance obligations that are completely or partially unsatisfied as at 31st March, 2021 and 31st March, 2020, other than those meeting the exclusion criteria mentioned above.

Reconciliation for revenue as per Statement of profit & loss and the contracted price arising on account of various adjustments:

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
	₹	₹
Revenue recognised as per Statement of Profit & loss		
Sale of products	4,781,441	9,086,211
Add : Adjustments	-	-
Contract Price TOTAL :	4,781,441	9,086,211

As per my attached report of even date,
For V. T. & Associates
Chartered Accountants
FRN : 110017S

Yatiraj Marda
Partner
Membership No. 108945

Place : Kolhapur
Date : 30th June, 2021

On behalf of the Board of Directors,

Rahul S. Pangre
Director
DIN : 05324896

Vyankoji A. Shinde
Director
DIN : 05325712

Place : Kolhapur
Date : 30th June, 2021

BF Infrastructure Limited

Directors

Mr. Sandeep Kapoor
Mr. Kishore Mukund Saletore
Mrs. Deepti R. Puranik
Mr. M.V. Krishna

Auditors

P V Deo & Associates LLP
Chartered Accountants
604, Jeevan Heights,
Thorat Colony, Erandwana,
Pune 411 004

Registered Office

Pune Cantonment,
Mundhwa,
Pune 411 036

Independent Auditor's Report

To the Members of BF Infrastructure Limited

Report on the Audit of the Standalone Financial Statements

Opinion

I have audited the accompanying standalone financial statements of **BF Infrastructure Limited** ("the Company") which comprises the Balance Sheet as at 31st March, 2021, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Statement of changes in equity and the Statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion and to the best of my information and according to the explanations given to us, the aforesaid standalone financial statements, give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, and its loss including other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

I conducted my audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. My responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of my report. I am independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to my audit of the standalone financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

I have determined that there are not key audit matters to be reported in my report.

Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the Board's Report including Annexures to Board's Report, but does not include the standalone financial statements and my auditor's report thereon. The Board's Report including Annexures to Board's Report is expected to be made available to me after the date of this auditor's report.

My opinion on the standalone financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the standalone financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the Board's Report including Annexures to Board's Report if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and take such actions as are required under the provisions of the Companies Act, 2013.

Responsibility of Management and Those Charged with Governance for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in

India. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for Audit of the Standalone Financial Statements

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, I am also responsible for expressing my opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that

I identify during my audit.

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

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, to the extent applicable.
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 standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.
 - e) On the basis of written representations received from the directors as on 31st March, 2021, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021, 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 standalone financial statements of the Company and the operating effectiveness of such controls, refer to my separate Report in "**Annexure B**".
 - g) The Company has not paid any managerial remuneration during the financial year covered by this report. Accordingly, reporting requirements under section 197(16) of the Act do not apply to the Company.
 - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 standalone financial statements – Refer Note 39 to the standalone 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 & Associates LLP

Chartered Accountant

Membership No. 041609

UDIN : 21041609AAAAEA8904

Place : Pune

Date : 15th May, 2021

“ANNEXURE A” REFERRED TO IN THE INDEPENDENT AUDITOR’S REPORT ON THE STANDALONE FINANCIAL STATEMENTS OF BF INFRASTRUCTURE LIMITED FOR THE YEAR ENDED 31ST MARCH, 2021.

In terms of the information and explanations sought by us and given by the Company and the books and records examined by us 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) The inventory comprising raw material, work in progress and finished goods 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) The Company has granted unsecured loans to two entities covered in the register maintained under section 189 of the Companies Act, 2013.
 - (a) The terms and conditions of the grant of the said loan were not found prima facie prejudicial to the Company’s interest.
 - (b) The said loan is repayable on demand and hence no schedule of repayment of principal has been stipulated. No principal repayments had fallen due during the period covered by this report. The said loans are interest free.
 - (c) The said loans have not been overdue for repayment.
- (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, there under.
- (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 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 us 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, 2021 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 ₹	Period	Forum where dispute is pending
The West Bengal Value Added Tax Act, 2003	Penalty	554,450	F.Y.2011-12	The West Bengal Taxation Tribunal
The West Bengal Value Added Tax Act, 2003	Value Added Tax	46,621	F.Y.2012-13	The West Bengal Sales Tax Appellate and Revisional Board

- (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 us, 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 Standalone 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 us 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 & Associates LLP

Chartered Accountant

Membership No. 041609

UDIN : 21041609AAAAEA8904

Place : Pune

Date : 15th May, 2021

“Annexure B” REFERRED TO IN THE INDEPENDENT AUDITOR’S REPORT ON THE STANDALONE FINANCIAL STATEMENTS OF BF INFRASTRUCTURE LIMITED FOR THE YEAR ENDED 31ST MARCH, 2021.

I have audited the internal financial controls over financial reporting of **BF Infrastructure Limited** (“the Company”) as of 31st March, 2021 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 judgement, including the assessment of the risks of material misstatement of the standalone 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 standalone 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 standalone 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 Standalone 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 standalone financial statements and such internal financial controls were operating effectively as at 31st March, 2021, 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 & Associates LLP

Chartered Accountant

Membership No. 041609

UDIN : 21041609AAAAEA8904

Place : Pune

Date : 15th May, 2021

Standalone Balance Sheet as at 31st March, 2021

	Note No.	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
I ASSETS			
1 Non-current Assets			
(a) Property, plant and equipment	3	140,525	10,129
(b) Right-of-use asset	4	-	103,001
(c) Goodwill	5	51,897,025	51,897,025
(d) Other intangible assets	5	4,194,975	12,480,526
(e) Financial assets			
(i) Investments	6	49,000	49,000
(ii) Other non-current financial assets	7	41,780,884	1,791,468
(f) Income tax assets (net)	8	5,103,479	11,150,750
(g) Other non-current assets	9	10,873,946	24,236,713
(h) Deferred tax asset (net)	10	-	-
		114,039,834	101,718,612
2 Current Assets			
(a) Inventories	11	33,108,989	3,046,265
(b) Financial assets			
(i) Trade receivables	12	28,652,487	-
(ii) Cash and cash equivalents	13	43,974,544	4,853,028
(iii) Other bank balances	13	18,818,278	36,647,039
(iv) Loans	14	188,836,615	163,652,875
(v) Other current financial assets	15	723,000	24,000
(c) Other current assets	16	2,302,790	16,356,194
		316,416,703	224,579,401
	TOTAL	430,456,537	326,298,013
II EQUITY AND LIABILITIES			
1 Equity			
(a) Equity share capital	17	2,239,668,000	2,195,237,900
(b) Other equity	18	(1,947,683,074)	(1,903,418,723)
		291,984,926	291,819,177
2 Non-current Liabilities			
(a) Financial liabilities			
(i) Borrowings	19	40,000,000	-
(ii) Lease liabilities	20	-	25,908
(b) Non-current provisions	21	623,272	735,539
(c) Other non-current liabilities	22	90,500	-
		40,713,772	761,447
3 Current Liabilities			
(a) Financial Liabilities			
(i) Trade payables			
Dues to micro enterprises and small enterprises	23	129,800	-
Dues to other than micro enterprises and small enterprises	23	56,577,174	16,241,904
(ii) Lease liabilities	24	-	83,478
(iii) Other current financial liabilities	25	651,723	12,378,025
(b) Current provisions	26	4,940,079	4,450,097
(c) Other current liabilities	27	35,459,063	563,885
		97,757,839	33,717,389
	TOTAL	430,456,537	326,298,013
Significant Accounting Policies and Notes forming an integral part of the Financial Statements	1-51		

As per my attached report of even date,
On behalf of the Board of Directors,
P V Deo & Associates LLP
 Chartered Accountant
 Membership No.: 041609
 UDIN : 21041609AAAAEA8904

Kishore Saletore
 Director
 DIN : 01705850

Sandeep Kapoor
 Director
 DIN : 01235153

Sneha Modi
 Company Secretary

Rohit Gogia
 Manager

Vineet Vashisht
 Chief Financial Officer

 Place : Pune
 Date : 15th May, 2021

 Place : Pune
 Date : 15th May, 2021

Standalone Statement of Profit and Loss for the year ended 31st March, 2021

	Note No.	For the year ended 31 st March, 2021 ₹	For the year ended 31 st March, 2020 ₹
I Income			
Revenue from Operations	28	39,256,858	3,204,000
Other income	29	2,596,543	8,828,488
Total income		41,853,401	12,032,488
II Expenses			
Cost of raw materials and components consumed	30	33,238,159	417,229
Changes in inventories of work in progress and finished goods	31	(25,335,361)	(2,914,000)
Employee benefit expenses	32	25,502,339	15,846,110
Finance costs	33	1,240,281	350,773
Depreciation & amortisation expense	34	8,452,423	4,513,910
Other expenses	35	43,570,690	86,898,088
Total expenses		86,668,531	105,112,110
III Loss before tax		(44,815,130)	(93,079,622)
IV Tax Expense			
Current tax		-	(19,542)
Deferred tax		-	(682,614)
		-	(702,156)
V Loss for the year		(44,815,130)	(93,781,778)
VI Other Comprehensive Income			
<u>Items that will not be reclassified subsequently to profit/loss</u>			
Remeasurement of the net defined benefit liability/asset		550,779	(31,826)
Total other comprehensive income, net of tax		550,779	(31,826)
VII Total Comprehensive Income for the year		(44,264,351)	(93,813,604)
VIII Earnings per share (of ₹ 10/- each):			
Basic		(0.20)	(0.50)
Diluted		(0.20)	(0.50)
Significant Accounting Policies and Notes forming an integral part of the Financial Statements	1-51		

As per my attached report of even date,

On behalf of the Board of Directors,

P V Deo & Associates LLP
Chartered Accountant
Membership No.: 041609
UDIN : 21041609AAAAEA8904

Kishore Saletore
Director
DIN : 01705850

Sandeep Kapoor
Director
DIN : 01235153

Sneha Modi
Company Secretary

Rohit Gogia
Manager

Vineet Vashisht
Chief Financial Officer

Place : Pune
Date : 15th May, 2021

Place : Pune
Date : 15th May, 2021

Statement for changes in equity for the year ended 31st March, 2021
a. Equity share capital

	As at 31 st March, 2021		As at 31 st March, 2020	
	Nos	₹	Nos	₹
Equity shares of B 10/- each issued, subscribed and fully paid up				
As at the beginning of the year	219,523,790	2,195,237,900	124,983,340	1,249,833,400
Equity share capital issued during the year	4,443,010	44,430,100	94,540,450	945,404,500
As at the end of the year	223,966,800	2,239,668,000	219,523,790	2,195,237,900

b. Other equity

	Retained earnings	Other Comprehensive Income Other Items	Total Other Equity
	₹	₹	₹
Balance as at 1 st April, 2019	(1,809,866,994)	261,875	(1,809,605,119)
Changes in other equity for the year ended 31 st March, 2020	-	-	-
Loss for the period	(93,781,778)	-	(93,781,778)
Other Comprehensive Income	-	(31,826)	(31,826)
Balance as at 31 st March 2020	(1,903,648,772)	230,049	(1,903,418,723)
Changes in other equity for the year ended 31 st March, 2021	-	-	-
Loss for the period	(44,815,130)	-	(44,815,130)
Other Comprehensive Income	-	550,779	550,779
Balance as at 31 st March 2021	(1,948,463,902)	780,828	(1,947,683,074)

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 & Associates LLP
Chartered Accountant
Membership No.: 041609
UDIN : 21041609AAAAEA8904

Place : Pune
Date : 15th May, 2021

On behalf of the Board of Directors,

Kishore Saletore
Director
DIN : 01705850

Sneha Modi
Company Secretary

Place : Pune
Date : 15th May, 2021

Sandeep Kapoor
Director
DIN : 01235153

Rohit Gogia
Manager

Vineet Vashisht
Chief Financial Officer

Standalone Cash Flow Statement for the year ended 31st March, 2021

	Note No.	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
A. Cash flow from operating activities :			
Loss for the year		(44,815,130)	(93,781,778)
Adjusted for :			
Tax expense		-	702,156
Depreciation		8,452,423	4,513,910
Interest Paid		1,240,281	350,773
Loss on Sale/Disposal of Fixed Assets		-	155,722
Loss on Investment		-	35,000
Interest Received		(2,565,754)	(4,081,944)
Other Comprehensive Income			
Remeasurement of the net defined benefit liability/asset		550,779	(31,826)
		7,677,729	1,643,791
Operating Profit before working capital changes :		(37,137,401)	(92,137,987)
Changes in :			
Trade and other receivables		(57,181,780)	28,132,630
Liabilities and provisions		64,102,161	(13,701,751)
		6,920,381	14,430,879
Cash generation from operations :		(30,217,020)	(77,707,108)
Direct taxes (paid)/refund received (net)		7,426,656	(412,210)
Net Cash (used in)/from operating activities :		(22,790,364)	(78,119,318)
B. Cash flow from investing activities :			
Purchase of Property, Plant and Equipment		(249,199)	(68,750,407)
Sale of Property, Plant and Equipment (Net of Advances)		-	3,814
Investment in fixed deposits		(66,086,236)	-
Withdrawal from fixed deposits		43,925,581	22,976,952
Interest received		1,186,369	3,481,241
Net cash (used in)/from investing activities :		(21,223,485)	(42,288,400)
C. Cash flow from financing activities :			
Issue of Equity Share capital		44,430,100	119,971,000
Proceeds from/(Repayment of) long term borrowings		40,000,000	-
Lease liability Principal Payment		(54,454)	(76,019)
Lease liability Interest Payment		(6,996)	(19,981)
Interest paid		(1,233,285)	(330,792)
Net cash (used in)/from financing activities :		83,135,365	119,544,208
Net changes in cash and cash equivalents (A+B+C) :		39,121,516	(863,510)

BF Infrastructure Limited

	Note No.	Year ended 3 ^{1st} March, 2021 ₹	Year ended 31 st March, 2020 ₹
Cash and Cash Equivalents, at the beginning :		4,853,028	5,716,538
Add : Net changes in cash and cash equivalents, as above		39,121,516	(863,510)
Cash and Cash Equivalents, at the close :		43,974,544	4,853,028
Cash and Cash Equivalents :			
Cash and Bank Balances:		43,974,544	4,853,028
		43,974,544	4,853,028

Significant Accounting Policies and Notes forming an integral part of the Financial Statements

1-51

As per my attached report of even date,

On behalf of the Board of Directors,

P V Deo & Associates LLP
Chartered Accountant
Membership No.: 041609
UDIN : 21041609AAAAEA8904

Kishore Saletore
Director
DIN : 01705850

Sandeep Kapoor
Director
DIN : 01235153

Sneha Modi
Company Secretary

Rohit Gogia
Manager

Vineet Vashisht
Chief Financial Officer

Place : Pune
Date : 15th May, 2021

Place : Pune
Date : 15th May, 2021

Notes forming part of the standalone financial statements for the year ended 31st March, 2021

1. Corporate information:

BF Infrastructure Limited is a public limited company incorporated on 5th July, 2010. The Company is engaged in the business of scientific, technical and other research and development, particularly in the field of advanced defense, aerospace and other strategic areas and also in the business of Engineering, Procurement and Construction (EPC) contractors and infrastructure projects.

The Company is a wholly owned subsidiary of Bharat Forge Limited.

Operating Cycle of the Company is considered to be of 12 months.

Advanced defense, aerospace and other and Engineering, Procurement and Construction (EPC) contractors and infrastructure projects.

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.

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 period ending 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 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.

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 from contracts with customers :

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note no. 50.

- a) Sale of Goods :

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer.

The control of the goods manufactured in case of export sales is transferred usually on the date of issue of Bill of Lading while in case of domestic sales, the control is transferred usually on delivery of goods.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effect of variable consideration.

b) Sale of Services :

Revenue on time and material contracts are recognized as the related services are performed and control of the services are transferred to the customer and revenue from the end of the last invoicing to their reporting date is recognized as unbilled revenue. Revenue from fixed-price, fixed-time frame contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Efforts or costs expended have been used to measure progress towards completion.

c) Contract assets :

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

d) Trade receivables :

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note no. 2.17.

e) Contract liabilities :

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

f) 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.

g) 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 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.

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 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 Property, Plant and Equipment 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) Plant and Machinery	15 years
ii) Computer and Data Processing Equipment	
(a) Servers and networks	6 years
(b) Other end user devices	3 years
iii) Furnitures and Fixtures	10 years
iv) Office Equipment	5 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 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 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	3 years
ii) Customer Contracts	18 months approx.
iii) Technical Knowhow	34 months approx.

2.9 Leases :

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

Company as a lessee

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

i) Right of use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the Underlying asset is available for use). Right-of-use assets are measured

at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Type of Asset	Estimated useful life
i) Building	amortised over the period of lease deed executed

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

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

Lease liability and Right-of-use asset have been separately presented in the balance sheet and lease payments have been classified as financing cash flows.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognized as expense 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 incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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.

2.10 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 weighted average method.

b) Work-in-progress and Finished Goods :

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 weighted average method.

2.11 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.

2.12 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.

2.13 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 31st March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.14 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.

2.15 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.

2.16 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 115 (Previous Year : 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 through 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 Estimation of uncertainties relating to the global health pandemic from COVID-19 :

The spread of COVID-19 has severely impacted business and there have been severe disruption to regular business operations due to lockdown and other emergency measures. This may impact the Company's operations. As at the date of approval of these financial statements the Company has made assessment of liquidity, recoverable values of its financial and non-financial assets, financial and non-financial liabilities, carrying value of its assets and liabilities including possible obligations arising from any ongoing negotiations with customers, vendors and has concluded that there are no material adjustments required in the financial statements. The management believes that

it has assessed and taken all the possible impacts known from these events wherever possible outcome is known. However, the impact assessment of COVID-19 is a continuous process, given the significant estimation and uncertainties associated with its nature, duration and outcome of any negotiations. The impact of global health pandemic might be different from that estimated as at the date of approval of these financial statements. The Company will continue to closely monitor any material changes to future economic conditions and its consequential impact on its financial statements.

3 Property, plant and equipment :

	Plant & Machinery ₹	Furniture and Fixtures ₹	Office Equipment ₹	Computers ₹	Total ₹
GROSS BLOCK, AT COST :					
As at 1 st April, 2019.	-	529,377	1,614,388	99,102	2,242,867
Additions	-	-	-	-	-
Disposals	-	(529,377)	(1,509,927)	-	(2,039,304)
As at 31 st March, 2020.	-	-	104,461	99,102	203,563
Additions	85,200	-	13,999	40,000	139,199
Disposals	-	-	-	-	-
As at 31st March, 2021.	85,200	-	118,460	139,102	342,762
DEPRECIATION AND AMORTIZATION :					
Upto 1 st April, 2019.	-	447,448	1,541,166	94,196	2,082,810
Disposals	-	(447,448)	(1,441,928)	-	(1,889,376)
For the year	-	-	-	-	-
Upto 31 st March, 2020.	-	-	99,238	94,196	193,434
Disposals	-	-	-	-	-
For the year	2,879	-	828	5,096	8,803
Upto 31st March, 2021.	2,879	-	100,066	99,292	202,237
NET BLOCK :					
As at 31 st March, 2020.	-	-	5,223	4,906	10,129
As at 31st March, 2021.	82,321	-	18,394	39,810	140,525

4 Right of use Assets :

	For Building	Total
	₹	₹
GROSS BLOCK, AT COST :	-	-
Additions	185,405	185,405
Disposals	-	-
Adjustments	-	-
As at 31 st March, 2020.	185,405	185,405
Additions	-	-
Disposals	(185,405)	(185,405)
Adjustments	-	-
As at 31st March, 2021.	-	-
DEPRECIATION AND AMORTIZATION :		
Disposals	-	-
For the year	82,404	82,404
Upto 31 st March, 2020.	82,404	82,404
Disposals	(130,473)	(130,473)
For the year	48,069	48,069
Upto 31st March, 2021.	-	-
NET BLOCK :		
As at 31 st March, 2020.	103,001	103,001
As at 31st March, 2021.	-	-

5 Intangible Assets and Goodwill :

	Goodwill	Software	Customer Contracts	Technical Know-How	Total
	₹	₹	₹	₹	₹
GROSS BLOCK, AT COST :					
As at 1 st April, 2019.	-	2,700,936	-	-	2,700,936
Additions	-	372,382	-	-	372,382
Business combination (Refer note 51)	51,897,025		7,835,000	8,646,000	68,378,025
Disposals	-	(591,578)	-	-	(591,578)
As at 31 st March, 2020.	51,897,025	2,481,740	7,835,000	8,646,000	70,859,765
Additions	-	110,000	-	-	110,000
Disposals	-	-	-	-	-
As at 31st March, 2021.	51,897,025	2,591,740	7,835,000	8,646,000	70,969,765
DEPRECIATION AND AMORTIZATION					
Upto 1 st April, 2019.	-	2,632,678	-	-	2,632,678
Disposals	-	(581,970)	-	-	(581,970)
For the year	-	117,937	2,687,094	1,626,475	4,431,506
Upto 31 st March, 2020.	-	2,168,645	2,687,094	1,626,475	6,482,214
Disposals	-	-	-	-	-
For the year	-	123,100	5,147,906	3,124,545	8,395,551
Upto 31st March, 2021.	-	2,291,745	7,835,000	4,751,020	14,877,765
NET BLOCK :					
As at 31 st March, 2020.	51,897,025	313,095	5,147,906	7,019,525	64,377,551
As at 31st March, 2021.	51,897,025	299,995	-	3,894,980	56,092,000

Goodwill and CGU's impairment testing :

The Company has identified its Defense Business as the Cash Generating Unit (CGU), to which goodwill has been allocated. The goodwill generated through business combination has been entirely allocated to CGU 'Defense Business'. The carrying amount of goodwill as at March 31, 2021 is Rs 51,897,025/- (March 31, 2020 : Rs 51,897,025/-) net of impairment, if any.

The Company tests whether goodwill has suffered any impairment on an annual basis as at 31st March. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The Company considers the discounted cash flows, among other factors, when reviewing for indicators of impairment. The calculations use pre-tax cash flow projections based on financial budgets/forecasts approved by the management.

Key assumption used are mentioned below.

	31st March, 2021
Weighted Average Cost of Capital % (WACC) before tax (discount rate)	24.52%
Terminal growth rate	5%

The management has performed sensitivity analysis around the base assumptions and have concluded that no reasonable changes in key assumptions would cause the recoverable amount of the CGU to be less than the carrying value.

Based on the above assessment, there has been no impairment of goodwill.

6 Investments :

		As at 31 st March, 2021	As at 31 st March, 2020
		₹	₹
Non-Current			
Equity Instruments, Unquoted :			
(At Cost)			
Investments in Associates :			
4,900	(4,900)	Equity shares having Face value of ₹ 10/- each, fully paid up, of Ferrovia Transrail Solutions Private Limited	49,000
-	(3,500)	Equity shares having Face value of ₹ 10/- each, fully paid up, of Hospet Bellary Highways Private Limited	35,000
		Less: Written Off	(35,000)
		-	-
TOTAL :		49,000	49,000

7 Other non-current financial assets (Good):

		As at 31 st March, 2021	As at 31 st March, 2020
		₹	₹
Deposits with banks with original maturity of more than twelve months ^{(a)(b)}		41,780,884	1,791,468
TOTAL :		41,780,884	1,791,468.00
(a) Includes deposits held as security for various government authorities		-	1,033,196
(b) Includes deposits held as margin against bank guarantees		35,618,139	-

8 Income tax assets (net) :

		As at 31 st March, 2021	As at 31 st March, 2020
		₹	₹
Tax paid in advance (net)		5,103,479	11,150,750
TOTAL :		5,103,479	11,150,750

9 Other non-current assets :

		As at 31 st March, 2021	As at 31 st March, 2020
		₹	₹
Prepaid Expenses		613,196	-
Balances with government authorities		10,260,750	24,236,713
TOTAL :		10,873,946	24,236,713

10 Deferred Tax Asset (net) :

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Deferred Tax Assets		
Timing differences for		
Depreciation	-	-
Disallowances	-	2,228,700
Less : Deferred Tax Liabilities		
Timing differences for		
Depreciation	-	2,228,700
Disallowances	-	-
TOTAL :	-	-

11 Inventories :

(As taken, valued and certified by the Directors)

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Raw materials and components	4,859,628	132,265
Work-in-progress	27,649,361	2,314,000
Finished goods	600,000	600,000
TOTAL :	33,108,989	3,046,265

12 Trade Receivables :

	As at 31st March, 2021	As at 31 st March, 2020
	₹	₹
Considered Good - Unsecured	28,652,487	-
Credit Impaired	-	-
Less : Allowances for credit losses	-	-
TOTAL :	28,652,487	-

13 Cash and bank balances

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Cash and cash equivalents		
Balances with banks		
In current accounts	42,427,797	2,109,666
Deposits with original maturity of less than three months	1,529,798	2,717,236
Cash on hand	16,949	26,126
SUB TOTAL :	43,974,544	4,853,028
Other bank balances		
Deposits with original maturity of less than twelve months	18,818,278	36,647,039
SUB TOTAL :	18,818,278	36,647,039
TOTAL :	62,792,822	41,500,067
(a) Includes deposits held as security for various government authorities	1,155,882	48,801
(b) Includes deposits held as margin against bank guarantees	4,162,396	-

14 Loans (Current, Good):

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Loans to related parties		
Others		
Good	188,836,615	163,652,875
Doubtful	24,679,824	10,949,660
Less : Allowances for credit losses	(24,679,824)	(10,949,660)
TOTAL :	188,836,615	163,652,875

For terms and conditions relating to related party receivable refer Note No. 38

15 Other current financial assets (Good):

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Security deposits	723,000	24,000
TOTAL :	723,000	24,000

16 Other current assets :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Advances to suppliers	1,287,071	151,872
Prepaid Expenses	939,000	404,548
Other advances recoverable in cash or in kind or for value to be received	76,719	15,799,774
TOTAL :	2,302,790	16,356,194

17 Equity Share Capital :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Authorised :		
237,600,000 (237,600,000) Equity Shares of ₹ 10/-, each	2,376,000,000	2,376,000,000
	2,376,000,000	2,376,000,000
Issued, Subscribed and Paid up :		
223,966,800 (219,523,790) Equity Shares of ₹ 10/-, each, fully paid up	2,239,668,000	2,195,237,900
	2,239,668,000	2,195,237,900

- (a) The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian rupees.
- (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, 2021 is set out below.

Equity Shares :

	As at 31 st March, 2021		As at 31 st March, 2020	
	No. of Shares	Amount in ₹	No. of Shares	Amount in ₹
Balance at the beginning of the year	219,523,790	2,195,237,900	124,983,340	1,249,833,400
Add: Shares issued during the year [#]	4,443,010	44,430,100	94,540,450	945,404,500
Balance at the close of the year	223,966,800	2,239,668,000	219,523,790	2,195,237,900

[#] Out of above 21,814,050 shares issued upon conversion of 21,814,050 6% Non cumulative Compulsorily Convertible Preference shares of ₹ 10/- each, at par.

(d) Details of shareholders holding more than 5% of the aggregate issued and subscribed shares

Equity Shares :

	As at 31 st March, 2021		As at 31 st March, 2020	
	No. of Shares	% age	No. of Shares	% age
Bharat Forge Ltd.‡	223,966,800	100.00	219,523,778	100.00

‡ The Holding Company. (Including shares held through nominees)

18 Other Equity :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Surplus/(deficit) in the Statement of Profit and Loss		
As per last account	(1,903,418,723)	(1,809,605,119)
Add :		
Loss for the year	(44,815,130)	(93,781,778)
Items of OCI		
Re-measurement gains/(losses) on defined benefit obligations	550,779	(31,826)
Closing balance	(1,947,683,074)	(1,903,418,723)

19 Borrowings (Non-current) :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Unsecured		
Intercorporate loan from the Holding Company ^(a)	40,000,000	-
TOTAL :	40,000,000	-

(a) Intercorporate loan from the Holding Company :

Intercorporate loan from the Holding Company carries interest @ 9% p.a. Interest shall accrue and be payable on quarterly basis. The said loan is repayable after 2 years from the date of disbursement of loan.

20 Lease liabilities (Non-current) :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Lease liabilities	-	25,908
TOTAL :	-	25,908

21 Non-current provisions :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Provision for employee benefits :		
Gratuity	-	-
Compensated absences	623,272	735,539
TOTAL :	623,272	735,539

22 Other non-current liabilities :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Contract Liabilities		
Deferred Revenue ^(a)	90,500	-
TOTAL :	90,500	-

(a) Company provides warranty to the customers as per the contract. The warranty is accounted for as a separate performance obligation and a portion of the transaction price is allocated. The performance obligation for the warranty service is satisfied based on time elapsed.

23 Trade payables :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Dues to micro enterprises and small enterprises	129,800	-
Dues to other than micro enterprises and small enterprises	56,577,174	16,241,904
TOTAL :	56,706,974	16,241,904

24 Lease liabilities (Current) :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Lease liabilities	-	83,478
TOTAL :	-	83,478

25 Other current financial liabilities :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Amount payable for purchase of business	378,025	12,378,025
Interest accrued and due on borrowings	273,698	-
TOTAL :	651,723	12,378,025

26 Current provisions :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Provision for employee benefits :		
Gratuity	730,753	577,124
Compensated absences	61,275	47,212
Other provisions :		
Liquidated damages ^{(a),(b)}	4,148,051	3,825,761
TOTAL :	4,940,079	4,450,097

- (a) In pursuance of Ind AS-37 'Provisions, contingent liabilities and contingent assets', the details of the provisions are as under:

Provision for liquidated damages represents the expected claims not in the nature of variable consideration 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.

Opening Balance	3,825,761	-
Arising during the year	679,140	3,825,761
Utilised during the year	(331,511)	-
Provision Written Back	(25,339)	-
Closing balance	<u>4,148,051</u>	<u>3,825,761</u>

- (b) Provision for liquidated damages represents the expected claims not in the nature of variable consideration 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.

27 Other current liabilities :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Contract liabilities		
Advances from customers ^{(a),(b)}	31,717,042	-
Deferred revenue ^(c)	774,500	-
Statutory liabilities	2,967,521	563,885
TOTAL :	35,459,063	563,885

- (a) Includes of advance from related parties (Refer note 38).
- (b) The contract liabilities primarily relate to the advance consideration received on contracts entered with customers for which performance obligations are yet to be performed, therefore, revenue will be recognized when the goods are passed on to the customers.
- (c) Company provides warranty to the customers as per the contract. The warranty is accounted for as a separate performance obligation and a portion of the transaction price is allocated. The performance obligation for the warranty service is satisfied based on time elapsed.

28 Revenue from operations :

	For the year ended 31st March, 2021	For the year ended 31st March, 2020
	₹	₹
Sale of products	36,439,591	-
Sale of services	2,817,267	3,204,000
TOTAL :	39,256,858	3,204,000

Disaggregate revenue information :

The table below presents disaggregated revenues from contracts with customers by geographical segments and contract type.

Revenue by geographical segments :

Within India	39,256,858	3,204,000
Outside India	-	-
TOTAL :	39,256,858	3,204,000

Revenue by contract type :

Fixed price contracts	39,256,858	3,204,000
Time and material contracts	-	-
TOTAL :	39,256,858	3,204,000

29 Other income :

	For the year ended 31st March, 2021	For the year ended 31st March, 2020
	₹	₹
Interest Income		
On bank deposits	1,186,369	3,481,241
On income tax refund	1,379,385	600,703
Liabilities/provisions no longer required written back	25,339	4,641,843
Miscellaneous Income	5,450	104,701
TOTAL :	2,596,543	8,828,488

30 Cost of raw material and components consumed :

	For the year ended 31st March, 2021	For the year ended 31st March, 2020
	₹	₹
Inventory at the beginning of the year	132,265	-
Add: Purchases	37,965,522	549,494
	38,097,787	549,494
Less: Inventory at the end of the year	(4,859,628)	(132,265)
Cost of raw material and components consumed	33,238,159	417,229

31 Changes in Inventories of Work in Progress and Finished Goods

	For the year ended 31st March, 2021 ₹	For the year ended 31st March, 2020 ₹
Inventories at the beginning of the year		
Work-in-progress	2,314,000	-
Finished Goods	600,000	-
	<u>2,914,000</u>	<u>-</u>
Inventories at the close of the year		
Work-in-progress	27,649,361	2,314,000
Finished Goods	600,000	600,000
	<u>28,249,361</u>	<u>2,914,000</u>
TOTAL :	<u>(25,335,361)</u>	<u>(2,914,000)</u>

32 Employee benefit expenses :

	For the year ended 31st March, 2021 ₹	For the year ended 31st March, 2020 ₹
Salaries and Wages	24,179,220	15,100,765
Contributions to		
- Provident fund	929,100	621,267
- Gratuity	365,302	19,914
Staff welfare expenses	28,717	104,164
TOTAL :	<u>25,502,339</u>	<u>15,846,110</u>

33 Finance costs :

	For the year ended 31st March, 2021 ₹	For the year ended 31st March, 2020 ₹
Interest on Intercorporate Loan	295,890	-
Other Interest*	944,391	350,773
TOTAL :	<u>1,240,281</u>	<u>350,773</u>

* Other Interest includes interest on statutory liabilities, unwinding of discount on financial liabilities, etc.

34 Depreciation and Amortisation :

	For the year ended 31st March, 2021 ₹	For the year ended 31st March, 2020 ₹
Property, plant and equipment	8,803	-
Right of use Assets	48,069	82,404
Intangible Assets	8,395,551	4,431,506
TOTAL :	<u>8,452,423</u>	<u>4,513,910</u>

35 Other expenses :

	For the year ended 31st March, 2021	For the year ended 31st March, 2020
	₹	₹
Labour and Processing Charges	831,670	30,960
Repairs and Maintenance - Others	81,789	63,729
Insurance	540,032	109,752
Rates and Taxes	200,758	1,391,063
Liquidated damages (Refer note no. 26)	679,140	3,825,761
Rent Expenses	715,500	-
Printing and Stationery	36,184	144,664
Travelling and Conveyance	817,081	2,164,870
Legal and Professional Fees	4,091,961	8,337,053
Technical Consultancy	484,908	47,992
Payment to Auditors (Refer note no. 42)	295,047	275,000
Share Issue Expenses	52,801	9,460,434
Foreign Exchange Fluctuation (Loss)	18,064	-
Loss on Sale/Disposal of Fixed Assets	-	155,722
Loss on Investment	-	35,000
Miscellaneous Expenses [#]	2,540,170	414,379
Amounts Written Off	3,907	49,492,049
Provision for oil block activity	18,451,514	-
Allowances for credit losses	13,730,164	10,949,660
TOTAL :	43,570,690	86,898,088

[#] Miscellaneous Expenses includes general office expenses, communication, bank charges etc.

36 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 ₹ 929,100/- (Previous Year: ₹ 621,267/-) 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 day's salary (last drawn) for each completed year of service as per the provisions of the Payment of Gratuity Act, 1972. The Plan is funded 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 31st March, 2021	Year ended 31 st March, 2020
Mortality table	IALM 2012-14 Ult	IALM 2012-14 Ult
Discount rate	7.00%	6.80%
Expected rate of return on plan assets	6.80%	7.80%
Salary Growth Rate	6.00%	6.00%
Expected average remaining working lives (in years)	20.94	20.85
Withdrawal rate	1.00%	1.00%

Changes in the present value of the defined benefit obligation recognised in balance sheet are as follows:

	Year ended 31 st March, 2021	Year ended 31st March, 2020
	₹	₹
Present value of obligation as at the beginning of the year	2,461,289	367,847
Transfer In/(Out)#	-	1,943,009
Interest expense	160,458	103,175
Current service cost	328,656	54,694
Benefits (paid)	(203,212)	(33,193)
Remeasurements on obligation [Actuarial (Gain)/Loss]	(312,867)	25,757
Present value of obligation as at the end of the year	2,434,324	2,461,289

19 Employees are transferred from KPIT to BF Infrastructure Limited

Changes in the fair value of plan assets recognised in the balance sheet are as follows:

	Year ended 31 st March, 2021	Year ended 31st March, 2020
	₹	₹
Fair value of plan assets at the beginning of the year	1,884,165	1,784,977
Adjustment to fund	(100,000)	-
Interest Income	139,061	137,955
Contributions	557	546
Mortality Charges and Taxes	(777)	-
Benefits paid	(203,212)	(33,193)
Return on plan assets, excluding amount recognized in Interest Income - Gain/(Loss)	(16,223)	(6,120)
Fair value of plan assets at the end of the year	1,703,571	1,884,165
Actual return on plan assets	122,838	131,835

Net Interest (Income/Expense)

	Year ended 31 st March, 2021	Year ended 31st March, 2020
	₹	₹
Interest (Income)/Expense – Obligation	160,458	103,175
Interest (Income)/Expense – Plan assets	(139,061)	(137,955)
Net Interest (Income)/Expense for the period	21,397	(34,780)

Remeasurement for the period [Actuarial (Gain)/loss]

	Year ended 31 st March, 2021	Year ended 31st March, 2020
	₹	₹
Experience (Gain)/Loss on plan liabilities	(273,204)	(37,634)
Demographic (Gain)/Loss on plan liabilities	-	(182,285)
Financial (Gain)/Loss on plan liabilities	(39,563)	245,676
Experience (Gain)/Loss on plan assets	16,223	814
Financial (Gain)/Loss on plan assets	-	5,306

Amount recognised in Statement of Other comprehensive Income (OCI)

	Year ended 31 st March, 2021	Year ended 31st March, 2020
	₹	₹
Opening amount recognised in OCI outside profit and loss account	(273,108)	(304,985)
Remeasurement for the period-Obligation (Gain)/Loss	(312,867)	25,757
Remeasurement for the period-Plan assets (Gain)/Loss	16,223	6,120
Total Remeasurement cost/(credit) for the period recognised in OCI	(296,644)	31,877
Closing amount recognised in OCI outside profit and loss account	(569,752)	(273,108)

The amounts to be recognised in the Balance Sheet

	Year ended 31 st March, 2021	Year ended 31st March, 2020
	₹	₹
Present value of obligation as at the end of the period	2,434,324	2,461,289
Fair value of plan assets as at the end of the period	1,703,571	1,884,165
Net Asset/(liability) to be recognised in balance sheet	(730,753)	(577,124)

Expense recognised in the statement of profit and loss

	Year ended 31 st March, 2021	Year ended 31st March, 2020
	₹	₹
Current service cost	328,656	54,694
Net Interest (Income)/Expense	21,397	(34,780)
Transfer In/(Out)	-	1,943,009
Net periodic benefit cost recognised in the statement of profit and loss	350,053	1,962,923

Reconciliation of Net Asset/(Liability) recognised:

	Year ended 31 st March, 2021	Year ended 31st March, 2020
	₹	₹
Net asset/(liability) recognised at the beginning of the period	(577,124)	1,417,130
Company contributions	557	546
Expense recognised at the end of period	(350,053)	(1,962,923)
Amount recognised outside profit & loss for the period	296,644	(31,877)
Mortality Charges and Taxes	(777)	-
Adjustment to Fund	(100,000)	-
Net asset/(liability) recognised at the end of the period	(730,753)	(577,124)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Year ended 31 st March, 2021	Year ended 31st March, 2020
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 31st March, 2021	Year ended 31st March, 2020
	₹	₹
Increase in discount rate by 100 basis points	2,254,482	2,215,613
Decrease in discount rate by 100 basis points	2,645,995	2,756,185

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 31st March, 2021	Year ended 31st March, 2020
	₹	₹
Increase in salary growth rate by 100 basis points	2,622,842	2,729,828
Decrease in salary growth rate by 100 basis points	2,271,153	2,232,834

Impact of change in withdrawal rate when base assumption is decreased/increased by 100 basis point

Withdrawal rate	Present value of obligation	
	Year ended 31st March, 2021	Year ended 31st March, 2020
	₹	₹
Increase in withdrawal rate by 100 basis points	2,449,606	2,480,111
Decrease in withdrawal rate by 100 basis points	2,416,831	2,439,593

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	31 st March, 2021	31 st March, 2020
	₹	₹
Within the next 12 months (next annual reporting period)	-	-

(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.

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Present Value of Obligation	684,547	782,751
Fair Value of Plan Assets	-	-
Net asset/(liability) recognized in the Balance Sheet	684,547	782,751

37 Segment Reporting :

In accordance with paragraph 4 of Ind AS 108 "Operating segments", the Company has disclosed segment information only on the basis of the consolidated financial statements.

38 Related Party Disclosure :

A. Related Parties and their relationships :

- a) Holding Company :
 - i) Bharat Forge Limited

- b) Subsidiary :
 - i) BFIL- CEC JV

- c) Associate Companies :
 - i) Ferrovia Transrail Solutions Private Limited
 - ii) Hospet Bellary Highways Private Limited (Since struck off)

- d) Key Managerial Personnel :
 - i) Mr. Kishore Mukund Saletore (Director)
 - ii) Mr. Sandeep Kapoor (Director)
 - iii) Mr. Rohit Gogia (Manager)
 - iv) Ms. Sneha Modi (Company Secretary)
 - v) Mr. Vinit Vashisht
(Chief Financial Officer Appointed w.e.f 19th Sep, 2020)
 - vi) Mr. Mohit Kapoor (Chief Financial Officer till 18th Sep, 2020)

B. Transactions with Related Parties :

	Terms and Conditions (Refer foot note no.)	Key Managerial Personnel	Holding Company	Subsidiary	Associate Company	Total
		₹	₹	₹	₹	₹
Remuneration	(a)	3,798,638	-	-	-	3,798,638
		(3,367,765)	-	-	-	(3,367,765)
Reimbursement of expenses Received	(b)	-	92,727	-	-	92,727
		-	-	-	(135,548)	(135,548)
Reimbursement of expenses Paid	(c)	-	3,388,276	-	-	3,388,276
		-	-	-	-	-
Advance Given	(d)	-	-	142,100	39,218,385	39,360,485
		-	-	(328,450)	(10,730,506)	(11,058,956)
Receipt of Advance given	(e)	-	-	7,547	3,339,790	3,347,337
		-	-	-	-	-
Advance received	(f)	-	2,270,089	-	-	2,270,089
		-	-	-	-	-
Repayment of Advance taken	(g)	-	-	-	-	-
		-	(607,293,000)	-	-	(607,293,000)
Advance written off	(h)	-	-	-	-	-
		-	-	(2,967,932)	(46,500,000)	(49,467,932)
Services Rendered	(i)	-	-	-	2,458,267	2,458,267
		-	-	-	(3,204,000)	(3,204,000)
Intercompany Loan taken	(j)	-	40,000,000	-	-	40,000,000
		-	-	-	-	-
Interest on intercompany loan	(j)	-	273,698	-	-	273,698
		-	-	-	-	-
Investments written off	(k)	-	-	-	-	-
		-	-	-	(35,000)	(35,000)
Conversion of Preference Shares	(l)	-	-	-	-	-
		-	(218,140,500)	-	-	(218,140,500)
Issue of Share Capital	(m)	-	44,430,100	-	-	44,430,100
		-	(945,404,500)	-	-	(945,404,500)

(Figures in bracket indicate previous year)

- (a) Remuneration paid to the Key Managerial Personnel as per terms of appointment.
- (b) Expenses incurred by the Company on behalf of the related parties are reimbursable at cost on demand.
- (c) Expenses incurred by the related parties on behalf of the Company are reimbursable at cost on demand.
- (d) The Company has given advance in the ordinary course of business.
- (e) Receipt of advance given in the ordinary course of business.
- (f) The Company has received advance from the Holding Company for supply of product as per terms of the contract.
- (g) Appropriated against equity share application and allotment money during the financial year ended 31st March, 2021
- (h) The Company has written off advances given to related parties which were found to be irrecoverable.
- (i) Provision of service 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.
- (j) Refer note no. 19 for the details of loan taken from the related party.
- (k) The investment in associate company has been written off as a result of voluntary liquidation of the associate company.
- (l) 6% Non cummulative Compulsorily Convertible Preference Shares converted on 7th September, 2019 as per terms of issue.
- (m) Equity shares have been allotted at par by the Company to the Holding Company.

C. Balance with Related Parties:

	Key Managerial Personnel	Holding Company	Subsidiary	Associate Company	Total
	₹	₹	₹	₹	₹
Intercorporate loan	-	40,000,000	-	-	40,000,000
	-	-	-	-	-
Interest on intercorporate loan payable	-	273,698	-	-	273,698
	-	-	-	-	-
Advance Payable	-	2,270,089	-	-	2,270,089
	-	-	-	-	-
Advance Receivable	-	-	11,687,113	201,829,326	213,516,439
	-	-	(11,552,560)	(163,049,975)	(174,602,535)

(Figures in bracket indicate previous year)

39 Contingent Liabilities not provided for in respect of :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
a) Claims against the Company not acknowledged as debts		
Sales Tax Demand ⁽ⁱ⁾	601,071	601,071
Claims Under Legal Cases ⁽ⁱⁱ⁾	770,000,000	770,000,000
b) Contingent consideration payable for acquisition of business ⁽ⁱⁱⁱ⁾	60,000,000	60,000,000
TOTAL :	830,601,071	830,601,071

- (i) The Company is contesting the demands and the management, including its tax/legal advisors, believe that its position will likely be upheld in the appellate process. No tax expense has been accrued in the financial statements for the tax demand raised.
- (ii) The amount of claim is the Arbitral award passed by the Arbitrator against the Company on 10th May, 2019 in the matter of arbitration proceedings concerning termination of Share Purchase Agreement dated 18th December, 2010 by the Company, directing the Company to pay Rs 77 crores to the Claimant. In the opinion of the directors, the said award is biased and perverse. The Company has filed an appeal against the said Award before the Delhi High Court. Based on the legal advice obtained by the Company, the directors are of the view that the Company stands a good chance to win the appeal and hence no provision has been considered in this financial statements.
- (iii) Refer Note No. 51

40 Leases :**Company as lessee :**

The Company has lease contracts for building used in its operations. Lease of building have lease term of three years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further mentioned below:

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

	Buildings Year ended 31st March, 2021	Buildings Year ended 31st March, 2020
	₹	₹
As at 1 st April, 2020	103,001	-
Additions	-	185,405
Disposal	(54,932)	-
Depreciation	(48,069)	(82,404)
As at 31 st March, 2021	-	103,001

Below are the carrying amounts of lease liabilities and the movements during the year :

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
As at 1 st April, 2020	109,386	-
Additions	-	185,405
Cancellation of lease	(60,382)	-
Accretion of interest	6,996	19,981
Payments	(56,000)	(96,000)
As at 31 st March, 2021	-	109,386
Current	-	83,478
Non - Current	-	25,908

The following are the amounts recognised in the statement of profit and loss:

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
Depreciation expense of right-of-use assets	48,069	82,404
Interest expense on lease liabilities	6,996	19,981
Total amount recognised in profit or loss	55,065	102,385

The Company had total cash outflows for leases of ₹ 56,000/- (31st March, 2020: ₹ 96,000/-).

41 Unhedged foreign currency exposure :

	As at 31 st March, 2021 Foreign Currency	As at 31 st March, 2021 ₹	As at 31 st March, 2020 Foreign Currency	As at 31 st March, 2020 ₹
1 Assets :				
Advance to Trade Creditors	USD 15,900	1,168,650	USD 2,015	145,817
Cash in hand	BDT 3,400	2,936	BDT 3,400	3,010
		1,171,586		148,827

42 Payments to Auditors (Exclusive of GST, wherever applicable) :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
a) As auditor	275,000	275,000
b) Reimbursement of expenses	20,047	-
TOTAL :	295,047	275,000

43 Earning per Share (Face Value of a 10 Each) :

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Profit/(Loss) for the year after taxation	(44,815,130)	(93,781,778)
Weighted Average Number of Equity Shares, outstanding during the period	221,137,365	188,454,544
Basic Earning per Share in rupees	(0.20)	(0.50)
Diluted Earning per Share in rupees	(0.20)	(0.50)

44 Income and deferred taxes :

- a) The major components of income tax expense for the years ended 31st March, 2021 and 31st March, 2020 are

	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
Current income tax		
Current income tax charge	-	-
Taxes for earlier years	-	19,542
TOTAL :	-	19,542

- b) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31st March 2021 and 31st March 2020:

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
Accounting profit before tax	(44,815,130)	(93,079,622)
Applicable income tax rate of 26% (March 31, 2020: 22.88%)	-	-
Tax allowances	-	19,542
Exceptional items	-	-
Other disallowances	-	-
Derecognition of deferred tax asset	-	682,614
At the effective income tax rate	-	702,156
Income tax expense reported in the statement of profit and loss	-	702,156

- c) Reconciliation of deferred tax asset (net)

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
Opening balance	-	682,614
Tax income/(expense) during the period recognised in profit or loss	-	(682,614)
Closing balance	-	-

- d) The Company has not recognized deferred tax asset in respect of timing differences on account of business loss aggregating to ₹ 348,077,000/- (Previous Year: ₹ 319,790,000/-) and on account of other disallowances including unabsorbed depreciation aggregating to ₹ 19,450,000/- (Previous Year: ₹ 7,738,000/-) under the Income Tax Act, 1961 on the considerations of prudence.

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Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 :

	Year ended 31st March, 2021	Year ended 31 st March, 2020
	₹	₹
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	129,800	-
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(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	-	-
(iv) The amount of interest due and payable for the year	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(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	-	-

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 ascertainment by tax authorities in assessments of the Company. The Company will be able to offset tax losses and allowances only to the extent of availability of adequate 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.

Revenue recognition

The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products/services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.

The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.

The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

Revenue for fixed-price contract is recognised using percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.

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 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹	Year ended 31 st March, 2021 ₹	Year ended 31 st March, 2020 ₹
I) Financial assets				
Current				
Loans	188,836,615	163,652,875	188,836,615	163,652,875
Other receivables	723,000	24,000	723,000	24,000
	189,559,615	163,676,875	189,559,615	163,676,875
II) Financial liabilities				
Borrowings: Non current				
Intercorporate loan from the Holding Company	40,000,000	-	40,000,000	-
Non-current Liabilities				
Lease liabilities	-	25,908	-	25,908
Current Liabilities				
Lease Liability	-	83,478	-	83,478
Other				
Amount payable for purchase of business	378,025	12,378,025	378,025	12,378,025
Interest accrued but not due on borrowings	273,698	-	273,698	-
	40,651,723	12,487,411	40,651,723	12,487,411

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.

48 Fair value hierarchy :

	Date of Valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
		₹	₹	₹	₹
Assets for which fair value has been disclosed					
Loans	3/31/2021	-	-	188,836,615	188,836,615
Other receivables	3/31/2021	-	-	723,000	723,000
Liabilities for which fair value has been disclosed					
Intercorporate loan from the Holding Company - Non Current	3/31/2021	-	-	40,000,000	40,000,000
Lease liabilities - Non Current	3/31/2021	-	-	-	-
Lease liabilities - Current	3/31/2021	-	-	-	-
Interest accrued but not due on borrowings	3/31/2021	-	-	273,698	273,698
Amount payable for purchase of business	3/31/2021	-	-	378,025	378,025
Assets for which fair value has been disclosed					
Loans	3/31/2020	-	-	163,652,875	163,652,875
Other receivables	3/31/2020	-	-	24,000	24,000
Liabilities for which fair value has been disclosed					
Intercorporate loan from the Holding Company - Non Current	3/31/2020	-	-	-	-
Lease liabilities - Non Current	3/31/2020	-	-	25,908	25,908
Lease liabilities - Current	3/31/2020	-	-	83,478	83,478
Amount payable for purchase of business	3/31/2020	-	-	12,378,025	12,378,025

49 Financial risk management disclosure :

The Company's principal financial liabilities, other than derivatives, comprise short term borrowings, 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 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, 2021 and 31st March, 2020.

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, 2021 and 31st March, 2020 including the effect of hedge accounting (if any)

i) Equity price risk

The Company's investment in equity instruments comprise mainly of investments in Associates 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 ₹ 49,000/- (for previous year ended 31st March, 2020 - ₹ 49,000/-)

ii) Interest 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.

iii) 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.

iv) 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	Effect on equity pre-tax
		₹	₹
31 st March, 2021	5.00%	58,433	58,433
	-5.00%	(58,433)	(58,433)
31 st March, 2020	5.00%	7,594	7,594
	-5.00%	(7,594)	(7,594)

	Change in Bangladesh Taka Rate	Effect on profit before tax	Effect on equity pre-tax
		₹	₹
31 st March, 2021	5.00%	73	73
	-5.00%	(221)	(221)
31 st March, 2020	5.00%	151	151
	-5.00%	(151)	(151)

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 :

	Less than 1 year	1 year to 5 years	> 5 years	Total
	₹	₹	₹	₹
As at 31st March, 2021				
Intercompany loan from the Holding Company	-	40,000,000	-	40,000,000
Lease Liability	-	-	-	-
Trade and other payables	56,706,974	-	-	56,706,974
Other financial liabilities	651,723	-	-	651,723
As at 31st March, 2020				
Intercompany loan from the Holding Company	-	-	-	-
Lease Liability	83,478	25,908	-	109,386
Trade and other payables	16,241,904	-	-	16,241,904
Other financial liabilities	12,378,025	-	-	12,378,025

50 Disclosure pursuant to Ind AS 115 on “Revenue from contracts with customers”

a) Trade receivables and Contract balances :

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognized as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straight line basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time.

Revenue recognition for fixed price contracts is based on percentage of completion method. Invoicing to the clients is based on completion of the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price development contracts is classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

During the year ended 31st March, 2021 Rs. NIL (Previous Year : Rs. NIL) of unbilled revenue pertaining to fixed price development contracts has been reclassified to Trade receivables upon billing to customers on completion of contracts.

b) **Changes in Contract Assets are as under :**

	As at 31st March 2021	As at 31 st March 2020
	₹	₹
Balance at the beginning of the year	-	-
Revenue recognised during the year	-	-
Invoices raised during the year	-	-
Balance at the end of the year	-	-

c) **Changes in Contract Liabilities are as under :**

	As at 31st March 2021	As at 31 st March 2020
	₹	₹
Balance at the beginning of the year	-	-
Revenue recognised from unearned revenue and advance from customers at the beginning of the year	-	-
Increased due to invoicing during the year excluding the amounts recognised as revenue during the year and advance from customers	32,491,542	-
Decreased due to adjustment against revenue out of advance received during the year	-	-
Balance at the end of the year	32,491,542	-

d) Performance obligations and remaining performance obligations :

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

The aggregate value of performance obligations that are completely or partially unsatisfied as at 31st March, 2021, other than those meeting the exclusion criteria mentioned above, is Rs 865,000/- (Previous year Rs NIL). Out of this, the Company expects to recognize revenue of Rs 774,500/- (Previous year Rs NIL) within the next one year and the remaining thereafter. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

Reconciliation for revenue as per Statement of profit & loss and the contracted price arising on account of various adjustments:

	As at 31 st March 2021 ₹	Year ended 31 st March, 2020 ₹
Revenue recognised as per Statement of Profit & loss		
Sale of products	36,439,591	-
Sale of services	2,817,267	3,204,000
	39,256,858	3,204,000
Add : Adjustments		
Deferred revenue	865,000	-
Contract Price	40,121,858	3,204,000

51 Business combinations :
Acquisition of business from M/s KPIT Technologies Limited & Impact Automotive Solutions Limited (during the year ended March 31, 2020)

The Company entered into a Business Transfer Agreement with KPIT Technologies Limited and Impact Automotive Solutions Limited on 4th September, 2019. As per the said agreement the Company acquired the business of designing and developing for Governmental Authorities, products to be used in the defense sector including development of components (electronic subsystems) for anti-tank guided missiles which include gimbal control unit, flight control unit, actuator control unit, laser seeker electronics, warhead control unit and power management unit for unmanned aerial vehicles, from KPIT Technologies Limited and Impact Automotive Solutions Limited. The effective date for the transfer of the said business is agreed to be 24th September, 2019. As part of the Business Transfer Agreement (BTA) the sellers transferred running business and assumed assets and intangibles including the customer list.

The Consideration paid towards acquisition of "Control units" business as at the date of acquisition were:

	24th Sept, 2019
	₹
Assets	
Intangibles assets	16,481,000
	16,481,000
Liabilities	
	-
	-
Total identifiable net assets at fair value	16,481,000
Goodwill arising on acquisition	51,897,025
Purchase consideration transferred	68,378,025

The fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on an assumed discount rate of 15.50%

As a part of the Business Transfer Agreement (BTA) the sellers have transferred running business and assumed assets and intangibles including the customer list. The consideration agreed is Rs 68.3 million. Additional consideration in the nature of contingent consideration was payable as under.

	Amount ₹	Amount ₹
A. Additional consideration payable upon the declaration of financial results for the period of 12 months ending 30th June, 2020, Subject to (i) The achievement of minimum revenue of R 120 million with breakeven EBITDA from the transferred business and (ii) There being no breach of provisions of the agreement by the sellers	20,000,000	
Less : Contingent Consideration no longer payable in view of non compliance of the conditions attached	20,000,000	
B. Additional consideration to be paid on a sliding scale earned-out basis as set out in Schedule C forming part of the BTA, Based on achievement of cumulative values of revenue and EBITDA for a period of 3 years from the effective date. Maximum additional consideration of		60,000,000
Total Contingent Consideration Payable		60,000,000

Since the contingent consideration is neither crystallized nor quantifiable, the same has not been recognized as a liability.

Management has assessed the conditions associated with the payment of contingent consideration. Since the conditions w.r.t. the revenue and profit milestones has not been met the Group is not obliged to pay any additional sum on account of this business combination. Management believes that the likelihood of any outflow in the future is remote accordingly the same has not been accounted in the books.

From the date of acquisition, this Business Unit has contributed "NIL" revenue and has incurred loss before tax of Rs.19.55 million. Considering overall size of the operations for the year the information w.r.t. revenue and Profit from the beginning of the year is insignificant and hence not disclosed separately.

BF Infrastructure Limited

Analysis of cash flows on acquisition

	Amount ₹
Purchase Consideration Paid	68,378,025
Less: Net Cash acquired in business Combination	-
Net Cash Outflow on acquisition	<u>68,378,025</u>

As per my attached report of even date,

On behalf of the Board of Directors,

P V Deo & Associates LLP
Chartered Accountant
Membership No.: 041609
UDIN : 21041609AAAAEA8904

Kishore Saletore
Director
DIN : 01705850

Sandeep Kapoor
Director
DIN : 01235153

Sneha Modi
Company Secretary

Rohit Gogia
Manager

Vineet Vashisht
Chief Financial Officer

Place : Pune
Date : 15th May, 2021

Place : Pune
Date : 15th May, 2021

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Kalyani Centre for Precision Technology Limited

Directors

Mr. Kedar Dixit

Mr. Nitin Mahajan

Mr. Sadashiv Patil

Auditors

P V Deo & Associates LLP

Chartered Accountants

604, Jeevan Heights,

Thorat Colony, Erandwana,

Pune 411 004

Registered Office

C/o Bharat Forge Ltd.

Pune Cantonment,

Mundhwa,

Pune 411 036

Independent Auditor's Report

To the Members of Kalyani Centre For Precision Technology Limited

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of **Kalyani Centre For Precision Technology Limited** ("the Company") which comprise the Balance Sheet as at 31st March, 2021, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Statement of changes in equity and the Statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements, give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, and its loss including other comprehensive income, the changes in equity and its cash flows for the period ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those 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 Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and We have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

There are no key audit matters to be reported in our report.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the Board's Report including Annexures to Board's Report, but does not include the financial statements and our auditor's report thereon. The Board's Report including Annexures to Board's Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and We will 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 identified above when it becomes available 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.

When We read the Board's Report including Annexures to Board's Report if we conclude that there is a material misstatement therein, We are required to communicate the matter to those charged with governance and take such actions as are required under the provisions of the Companies Act, 2013.

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. 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.

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

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

Auditor's Responsibilities for Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If We conclude that a material uncertainty exists, We are required to draw attention in our auditor's report to the related disclosures in the 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.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical

requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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, We give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
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 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 appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.
 - e) On the basis of written representations received from the directors as on 31st March, 2021, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021, 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 our separate Report in "**Annexure B**".
 - g) The Company has not paid any managerial remuneration during the financial year covered by this report. Accordingly, reporting requirements under section 197(16) of the Act do not apply to the Company.
 - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 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.

For P V Deo & Associates LLP

Chartered Accountants
FRN : W100637

Sunit S. Shaha

Partner
Membership No. 142953
UDIN: 21142953AAAAAM3374

Place : Pune
Date : 18th May, 2021

“Annexure A” Referred to in the Independent Auditor’s Report on the Financial Statements of Kalyani Centre for Precision Technology Limited for the Period Ended 31st March, 2021.

In terms of the information and explanations sought by us and given by the Company and the books and records examined by us in the course of audit and to the best of our knowledge and belief, We state that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company does not own any immovable properties.
- (ii) The inventory comprising stock of Stores, spares, loose tools, scrap and work in progress was physically verified at reasonable intervals during the year by the management. No material discrepancies were noticed on such physical verification.
- (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, there under.
- (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 regular in depositing undisputed statutory dues including provident fund, employees’ state insurance, income-tax, duty of customs, duty of excise, goods and service tax, cess and any other statutory dues to the appropriate authorities. According to the information and explanations given to me, no undisputed amounts payable in respect of provident fund, employees’ state insurance, income-tax, duty of customs, duty of excise, goods and service tax, cess and any other statutory dues were outstanding as at 31st March, 2021 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, goods and service 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 period. 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, We 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 period.
- (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 our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the 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. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us and based on our 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.

For P V Deo & Associates LLP

Chartered Accountants
FRN : W100637

Sunit S. Shaha

Partner
Membership No. 142953
UDIN: 21142953AAAAAM3374

Place : Pune

Date : 18th May, 2021

“Annexure B” Referred to in the Independent Auditor’s Report on the Financial Statements of Kalyani Centre for Precision Technology Limited for the Year Ended 31st March, 2021.

We have audited the internal financial controls over financial reporting of **Kalyani Centre For Precision Technology Limited** (“the Company”) as of 31st March, 2021 in conjunction with our 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

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 were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system 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 our 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, 2021, 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.

For P V Deo & Associates LLP

Chartered Accountants
FRN : W100637

Sunit S. Shaha

Partner
Membership No. 142953
UDIN: 21142953AAAAAM3374

Place : Pune

Date : 18th May, 2021

Kalyani Centre for Precision Technology Limited

Balance Sheet as at 31st March, 2021

	Notes	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
I ASSETS			
1 Non-current assets			
(a) Property, Plant and Equipment	3	261,407,603	-
(b) Right-of-use assets	4	147,762,822	164,650,002
(c) Capital Work in progress		186,873,554	75,448,334
(d) Financial assets			
(i) Other non-current financial assets	5	14,090,200	-
(e) Other non-current assets	6	5,920,598	51,125,480
(f) Income tax assets (net)	7	1,661,623	-
(g) Deferred tax Asset (net)	8	4,382,000	-
		622,098,400	291,223,816
2 Current assets			
(a) Inventories	9	30,809,149	-
(b) Financial assets			
(i) Trade receivables	10	49,826,444	-
(ii) Cash and cash equivalents	11	33,017,402	51,604,183
(iii) Other current financial assets	12	768,430	-
(c) Other current assets	13	85,123,691	7,379,019
		199,545,116	58,983,201
	TOTAL :	821,643,516	350,207,017
II EQUITY AND LIABILITIES			
1 Equity			
(a) Equity share capital	14	690,883,300	200,100,000
(b) Other equity	15	(20,339,805)	(12,686,799)
		670,543,495	187,413,201
2 Non Current liabilities			
(a) Financial liabilities			
(i) Lease liabilities	16	98,505,286	106,923,787
		98,505,286	106,923,787
3 Current liabilities			
(a) Financial Liabilities			
(i) Trade payables			
Dues to micro enterprises and small enterprises	17	190,554	-
Dues to other than micro enterprises and small enterprises	17	33,250,264	8,409,857
(ii) Lease liabilities	18	8,418,501	7,696,515
(iii) Other current financial liabilities	19	10,188,265	39,107,703
(b) Other current liabilities	20	547,151	655,954
		52,594,735	55,870,028
	TOTAL :	821,643,516	350,207,017

Significant accounting policies and notes forming an integral part of the financial statements 1 to 40

As per my attached report of even date,

For P V Deo & Associates LLP,
FRN : W100637

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAM3374

Place : Pune
Date : 18th May, 2021

On behalf of the Board of Directors,

Kedar Dixit
Director
DIN: 07055747

Sameer Paranjape
Chief Financial Officer

Place : Pune
Date : 18th May, 2021

Nitin Mahajan
Director and CEO
DIN: 08649472

Nikita Naik
Company Secretary
Membership No. A61125

Statement of Profit and Loss for the year ended 31st March, 2021

	Notes	Year ended 31 st March, 2021 ₹	Period ended 31 st March, 2020 ₹
I Income			
Revenue from Operations	21	68,636,785	-
Other income	22	1,325,951	-
Total income		69,962,736	-
II Expenses			
Changes in inventories of work in progress and scrap	23	(2,627,241)	-
Employee benefit expenses	24	552,396	-
Finance costs	25	10,026,159	2,606,305
Depreciation & amortisation expense	26	20,692,234	4,221,795
Other expenses	27	53,053,194	5,858,699
Total expenses		81,696,742	12,686,799
III Loss before tax		(11,734,006)	(12,686,799)
IV Tax expenses/(income)			
Current tax		301,000	-
Deferred tax		(4,382,000)	-
		(4,081,000)	-
V Loss for the year		(7,653,006)	(12,686,799)
VI Other comprehensive income		-	-
Total other comprehensive income, net of tax		-	-
VII Total Comprehensive Income for the year		(7,653,006)	(12,686,799)
VIII Earnings per share (of ₹ 10/- each):			
(a) Basic (In ₹)	32	(0.18)	(5.16)
(b) Diluted (In ₹)	32	(0.18)	(5.16)
Significant accounting policies and notes forming an integral part of the financial statements	1 to 40		

As per my attached report of even date,
For P V Deo & Associates LLP,
FRN : W100637

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAM3374

Place : Pune
Date : 18th May, 2021

On behalf of the Board of Directors,

Kedar Dixit
Director
DIN: 07055747

Sameer Paranjape
Chief Financial Officer

Place : Pune
Date : 18th May, 2021

Nitin Mahajan
Director and CEO
DIN: 08649472

Nikita Naik
Company Secretary
Membership No. A61125

Kalyani Centre for Precision Technology Limited

Statement of changes in equity for the year ended 31st March, 2021

a Equity share capital

	As at 31 st March, 2021		As at 31 st March, 2020	
	Nos.	₹	Nos.	₹
As at beginning of the year	20,010,000	200,100,000	-	-
Equity share capital issued during the year	49,078,330	490,783,300	20,010,000	200,100,000
As at end of the year	69,088,330	690,883,300	20,010,000	200,100,000

b Other equity

	Retained Earnings	Total Other Equity
	₹	₹
Changes in other equity for the period ended 31 st March, 2020	-	-
Loss for the period	(12,686,799)	(12,686,799)
Balance as at 31 st March, 2020.	(12,686,799)	(12,686,799)
Changes in other equity for the year ended 31 st March, 2021		
Loss for the year	(7,653,006)	(7,653,006)
Balance as at 31 st March, 2021.	(20,339,805)	(20,339,805)

Significant accounting policies and notes forming an integral part of the financial statements

1 to 40

As per my attached report of even date,

For P V Deo & Associates LLP,
FRN : W100637

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAM3374

Place : Pune
Date : 18th May, 2021

On behalf of the Board of Directors,

Kedar Dixit
Director
DIN: 07055747

Sameer Paranjape
Chief Financial Officer

Place : Pune
Date : 18th May, 2021

Nitin Mahajan
Director and CEO
DIN: 08649472

Nikita Naik
Company Secretary
Membership No. A61125

Cash Flow Statement for the year ended 31st March, 2021

	Year ended 31 st March, 2021	Period ended 31 st March, 2020
	₹	₹
(A) Cash flow from operating activities		
Loss before tax	(11,734,006)	(12,686,799)
Adjusted for :		
Depreciation and amortization expenses	20,692,234	4,221,795
Interest paid on lease liabilities	10,003,485	2,606,305
Operating profit (loss) before working capital changes :	18,961,713	(5,858,699)
Movements in working capital :		
(Increase)/decrease in other non-current assets	45,204,882	(51,125,480)
(Increase)/decrease in inventory	(30,809,149)	-
(Increase)/decrease in trade receivables	(49,826,444)	-
(Increase)/decrease in other financial assets	(768,430)	-
(Increase)/decrease in other current assets	(77,744,672)	(7,379,019)
Increase/(decrease) in trade payables	25,030,961	8,409,857
Increase/(decrease) in other current financial liabilities	(28,919,438)	39,107,703
Increase/(decrease) in other current liabilities	(108,803)	655,954
Cash generation from operations :	(98,979,380)	(16,189,684)
Direct taxes paid (net of refunds)	(1,962,623)	-
Net Cash (used in)/from operating activities :	(A) (100,942,003)	(16,189,684)
(B) Cash flows from investing activities		
Purchase of property, plant and equipment	(376,637,878)	(75,448,334)
(Investment in)/maturity proceeds of fixed deposits	(14,090,200)	-
Net cash (used in)/from investing activities :	(B) (390,728,078)	(75,448,334)
(C) Cash flows from financing activities		
Preceeds from issue of equity shares	490,783,300	200,100,000
Payment of consideration for Right-of-Use	-	(48,000,000)
Payment of sub-lease expenses	-	(4,432,800)
Payment of principal lease liabilities	(7,696,515)	(1,818,695)
Interest Paid	(10,003,485)	(2,606,305)
Cash (used in)/from financing activities :	(C) 473,083,300	143,242,200
(D) Net changes in cash and cash equivalents (A+B+C) :	(18,586,781)	51,604,183
(E) Cash and cash equivalents at the beginning of the year	51,604,183	-
(F) Cash and cash equivalents at the end of the year	33,017,402	51,604,183

Kalyani Centre for Precision Technology Limited

Components of cash and cash equivalents as at	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Balances with banks in current accounts	33,017,402	51,604,183
TOTAL :	33,017,402	51,604,183

Significant accounting policies and notes forming an integral part of the financial statements 1 to 40

As per my attached report of even date,
For P V Deo & Associates LLP,
FRN : W100637

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAM3374

Place : Pune
Date : 18th May, 2021

On behalf of the Board of Directors,

Kedar Dixit
Director
DIN: 07055747

Sameer Paranjape
Chief Financial Officer

Place : Pune
Date : 18th May, 2021

Nitin Mahajan
Director and CEO
DIN: 08649472

Nikita Naik
Company Secretary
Membership No. A61125

Notes forming part of the financial statements for the year ended 31st March, 2021

1 Corporate information:

Kalyani Centre For Precision Technology Limited ("the Company") is a public limited company incorporated on 25th December, 2019 under the provisions of Companies Act, 2013. The Company is engaged in the business of manufacturing of machined components.

The Company is a wholly owned subsidiary of Bharat Forge Limited.

Operating Cycle of the Company is considered to be of 12 months.

2 Significant accounting policies:

2.1 Basis of accounting and preparation of financial statements:

The 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).

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. 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.

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

Gains/losses arising out of fluctuations in the exchange rates are dealt with in the statement of profit and loss in the period in which they arise. In respect of assets and liabilities, the overall net loss or gain, if any, on conversion at the exchange rates prevailing on the date of balance sheet is charged to revenue.

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 from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

- a) Sale of Goods :

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer.

The control of the goods manufactured in case of export sales is transferred usually on the date of issue of Bill of Lading while in case of domestic sales, the control is transferred usually on delivery of goods.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effect of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer, if any.

- b) Sale of Services :

Revenue from sale of services is in nature of job work on customer product which normally takes 1 – 4 days for completion and accordingly revenue is recognised when products are sent to customer on which job work is completed. The normal credit period is 60 days.

- c) Contract assets :

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

- d) Trade receivables :

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note no. 2.14.

- e) Contract liabilities :

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or

services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

f) 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.

g) 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 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.

2.7 Property, plant and equipment:

Property, plant and equipment, capital work in progress 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 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.

Depreciation for Property, plant and equipment is computed on straight line method based on useful lives, determined based on internal technical evaluation as follows :

Type of Asset	Useful lives estimated by the management
i) Plant and Machinery	10 years
ii) Plant and Machinery - Computer	3 years
iii) Furniture and Fixtures	10 years
iv) Office Equipments	5 years
v) Power line	7 years

The Company, based on technical assessment made by a technical expert and management estimate, depreciates certain items of building, plant and equipment over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

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

Company as a lessee

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

i) Right of use assets

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

Type of Asset

- | | |
|----------------------|----------|
| i) Land and Building | 10 Years |
|----------------------|----------|

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

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes

to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease liability and Right-of-use asset have been separately presented in the balance sheet and lease payments have been classified as financing cash flows.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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:

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 weighted average method.

b) Work-in-progress :

Work-in-progress 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 weighted average method.

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 31st March 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, 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.

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 116 (Previous year 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 115
- 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/losses 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 through 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 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.

2.19 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 Estimation of uncertainties relating to the global health pandemic from COVID-19:

The spread of COVID-19 has severely impacted business and there have been severe disruption to regular business operations due to lockdown and other emergency measures. This may impact the Company's operations. As at the date of approval of these financial statements the Company has made assessment of liquidity, recoverable values of its financial and non-financial assets, financial and non-financial liabilities, carrying value of its assets and liabilities including possible obligations arising from any ongoing negotiations with customers, vendors and has concluded that there are no material adjustments required in the financial statements. The management believes that it has assessed and taken all the possible impacts known from these events wherever possible outcome is known. However, the impact assessment of COVID-19 is a continuous process, given the significant estimation and uncertainties associated with its nature, duration and outcome of any negotiations. The impact of global health pandemic might be different from that estimated as at the date of approval of these financial statements. The Company will continue to closely monitor any material changes to future economic conditions and its consequential impact on its financial statements.

3 Property, Plant and Equipment :

	Plant and Machinery ₹	Furniture and Fixtures ₹	Office Equipment ₹	Power line ₹	Total ₹
Gross block, at cost :					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at 31 st March, 2020.	-	-	-	-	-
Additions	253,195,565	1,204,300	812,792	10,000,000	265,212,657
Disposals	-	-	-	-	-
As at 31st March, 2021.	253,195,565	1,204,300	812,792	10,000,000	265,212,657
Depreciation :					
Disposals	-	-	-	-	-
For the period	-	-	-	-	-
Upto 31 st March, 2020.	-	-	-	-	-
Disposals	-	-	-	-	-
For the period	(3,321,898)	(4,075)	(5,500)	(473,581)	(3,805,054)
Upto 31st March, 2021.	(3,321,898)	(4,075)	(5,500)	(473,581)	(3,805,054)
Net Block :					
As at 31 st March, 2020.	-	-	-	-	-
As at 31st March, 2021.	249,873,667	1,200,225	807,292	9,526,419	261,407,603

4 Right-of-use assets :

	Land and Building ₹	Total ₹
Gross block, at cost :		
Additions	168,871,797	168,871,797
Disposals	-	-
As at 31 st March, 2020.	168,871,797	168,871,797
Additions	-	-
Disposals	-	-
As at 31st March, 2021.	168,871,797	168,871,797
Depreciation and amortization :		
Disposals	-	-
For the period	4,221,795	4,221,795
Upto 31 st March, 2020.	4,221,795	4,221,795
Disposals	-	-
For the period	16,887,180	16,887,180
Upto 31st March, 2021.	21,108,975	21,108,975
Net Block :		
As at 31 st March, 2020.	164,650,002	164,650,002
As at 31st March, 2021.	147,762,822	147,762,822

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5 Other non-current financial assets (Good):

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Deposits with banks with original maturity of more than twelve months ^(a)	14,090,200	-
Total :	14,090,200	-
a) Includes deposits held as margin against bank guarantees	14,090,200	-

6 Other non-current assets :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Capital advances	5,896,083	51,125,480
Prepaid expenses	24,515	-
Total :	5,920,598	51,125,480

7 Income tax assets (net) :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Tax paid in advance (net)	1,661,623	-
Total :	1,661,623	-

8 Deferred Tax Asset (net) :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Deferred Tax Assets		
Timing differences for		
Depreciation	-	-
Disallowances	4,506,000	-
Less : Deferred Tax Liabilities		
Timing differences for		
Depreciation	124,000	-
Disallowances	-	-
Total :	4,382,000	-

9 Inventories :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Work-in-progress	2,511,489	-
Stores, spares and loose tools	28,181,908	-
Scrap	115,752	-
Total :	30,809,149	-

10 Trade Receivables :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Considered Good - Unsecured	49,826,444	-
Credit Impaired	-	-
Less : Allowances for credit losses	-	-
Total :	49,826,444	-

Includes receivables from related parties (Refer note 29)

11 Cash and Bank Balances :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Cash and cash equivalent		
Balances with banks		
In current account	1,017,402	51,604,183
Deposits with original maturity of less than three months	32,000,000	-
Total :	33,017,402	51,604,183

12 Other current financial assets (Good):

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Security Deposit	75,000	-
Interest accrued on fixed deposits	404,667	-
Recoverable from the Holding Company	288,763	-
Total :	768,430	-

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13 Other current assets :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Balances with government authorities	84,237,948	7,259,546
Prepaid expenses	742,715	119,473
Advances to suppliers	143,027	-
Total :	85,123,691	7,379,019

14 Equity share capital :

	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Authorised		
75,000,000 (45,000,000) Equity shares of ₹ 10/- each	750,000,000	450,000,000
Issued		
69,088,330 (20,010,000) Equity shares of ₹ 10/- each	690,883,300	200,100,000
Subscribed and fully paid-up		
69,088,330 (20,010,000) Equity shares of ₹ 10/- each	690,883,300	200,100,000
Total issued, subscribed and fully paid-up share capital :	690,883,300	200,100,000

(a) Terms/rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian rupees. 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.

(b) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	As at 31 st March, 2021		As at 31 st March, 2020	
	Nos.	₹	Nos.	₹
Balance at the beginning of the year	20,010,000	200,100,000	-	-
Add :Shares Issued during the year	49,078,330	490,783,300	20,010,000	200,100,000
Outstanding at the end of the year	69,088,330	690,883,300	20,010,000	200,100,000

(c) Details of shares held by the Holding Company

Name of Shareholder	As at 31 st March, 2021		As at 31 st March, 2020	
	Nos.	₹	Nos.	₹
Equity shares of ₹ 10 each fully paid				
Bharat Forge Limited [#]	69,088,330	690,883,300	20,010,000	200,100,000
	69,088,330	690,883,300	20,010,000	200,100,000

including the shares held through nominees

(d) Details of shareholders holding more than 5% shares in the Company

Name of Shareholder	As at 31 st March, 2021		As at 31 st March, 2020	
	Nos.	% of Holding	Nos.	% of Holding
Equity shares of ₹ 10 each fully paid				
Bharat Forge Limited, the Holding Company [#]	69,088,330	100	20,010,000	100
	69,088,330	100	20,010,000	100

including the shares held through nominees

15 Other equity :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Deficit in the Statement of Profit and Loss		
Balance as per the last financial statements	(12,686,799)	-
Loss for the period	(7,653,006)	(12,686,799)
	(20,339,805)	(12,686,799)
Less : Appropriations	-	-
Closing balance	(20,339,805)	(12,686,799)

16 Lease liabilities (Non-current) :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Lease liabilities	98,505,286	106,923,787
(Refer note no. 30)		
Total :	98,505,286	106,923,787

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17 Trade payables :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Dues to micro enterprises and small enterprises	190,554	-
Dues to other than micro enterprises and small enterprises	33,250,264	8,409,857
Total :	33,440,818	8,409,857

Includes payable to related parties (Refer note 29)

18 Lease liabilities (Current) :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Lease liabilities (Refer note no. 30)	8,418,501	7,696,515
Total :	8,418,501	7,696,515

19 Other current financial liabilities :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Payable for capital goods Includes payable to related parties (Refer note 29)	10,145,306	39,107,703
Security deposit	31,100	-
Other	11,859	-
Total :	10,188,265	39,107,703

20 Other current liabilities :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Statutory liabilities	547,151	655,954
Total :	547,151	655,954

21 Revenue from operations :

	Year ended 31 st March, 2021 ₹	Period ended 31 st March, 2020 ₹
Sale of services		
Jobwork	66,907,660	-
Other operating revenue		
Sale of manufacturing scrap	1,729,125	-
Total :	68,636,785	-

Disaggregate revenue information :

The table below presents disaggregated revenues from contracts with customers by geographical segments and contract type.

Revenue by geographical segments :

Within India	68,636,785	-
Outside India	-	-
Total :	68,636,785	-

Revenue by contract type :

Fixed price contracts	68,636,785	-
Time and material contracts	-	-
Total :	68,636,785	-

22 Other Income :

	Year ended 31 st March, 2021 ₹	Period ended 31 st March, 2020 ₹
Interest income On Bank deposit	501,862	-
Exchange difference (net)	493,637	-
Miscellaneous income	330,452	-
Total :	1,325,951	-

23 Changes in inventories of work in progress and scrap :

	Year ended 31 st March, 2021	Period ended 31 st March, 2020
	₹	₹
Inventories at the beginning of the year		
Work-in-progress	-	-
Scrap	-	-
	<u>-</u>	<u>-</u>
Inventories at the close of the year		
Work-in-progress	2,511,489	-
Scrap	115,752	-
	<u>2,627,241</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Total :	<u>(2,627,241)</u>	<u>-</u>

24 Employee benefit expenses :

	Year ended 31 st March, 2021	Period ended 31 st March, 2020
	₹	₹
Salaries and Wages	485,234	-
Contributions to		-
- Provident fund	21,142	-
- Other fund/scheme	46,020	-
	<u>552,396</u>	<u>-</u>
Total :	<u>552,396</u>	<u>-</u>

25 Finance costs :

	Year ended 31 st March, 2021	Period ended 31 st March, 2020
	₹	₹
Interest on lease liabilities(Refer note no. 30)	10,003,485	2,606,305
Other interest	22,674	-
	<u>10,026,159</u>	<u>2,606,305</u>
Total :	<u>10,026,159</u>	<u>2,606,305</u>

26 Depreciation & amortisation expense :

	Year ended 31 st March, 2021	Period ended 31 st March, 2020
	₹	₹
Depreciation on property, plant and equipment	3,805,054	-
Depreciation on right-of-use assets	16,887,180	4,221,795
	<u>20,692,234</u>	<u>4,221,795</u>
Total :	<u>20,692,234</u>	<u>4,221,795</u>

27 Other expenses :

	Year ended 31 st March, 2021 ₹	Period ended 31 st March, 2020 ₹
Consumption of stores, spares and tools	13,413,432	-
Labour and processing charges	10,194,564	-
Power and fuel	9,221,616	56,870
Repairs and maintenance		
- Building	53,808	-
- Plant and machinery	1,234,576	-
- Other	290,500	-
Rent	24,000	6,000
Rates and taxes	70,770	92,067
Insurance	181,475	40,001
Legal and professional fees	303,538	242,000
Packing material	3,683,238	-
Freight and forwarding charges	2,314,726	-
Security expenses	4,453,174	522,723
Share issue expenses	3,110,178	4,623,800
Travelling and conveyance	1,071,367	-
Payment to Auditors (Refer note no.31)	415,000	75,000
Miscellaneous expenses [#]	3,017,230	200,238
Total :	53,053,194	5,858,699

Miscellaneous expenses includes, travelling expenses, printing, stationery, postage, telephone, etc.

28 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 engaged in the business of manufacturing of machined components; which in the context of Indian Accounting Standard 108 'Segment Information' represent 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.

29 Related party disclosures

(i) Names of the related parties and related party relationship

- a. Holding Company : Bharat Forge Limited
- b. Key Managerial Personnel : i) Mr. Kedar Prakash Dixit (Director)
 ii) Mr. Sadashiv Bapusaheb Patil (Director)
 iii) Mr. Nitin Achyut Mahajan (Director & Chief Executive Officer)[@]
 iv) Mr. Sameer Paranjape (Chief Financial Officer)[@]
 v) Ms. Nikita Laxman Naik (Company Secretary)[@]

[@] On deputation from Bharat Forge Limited, the Holding Company

(ii) Related parties with whom transactions have taken place during the period

Nature of transaction	Note	Holding Company ₹	Total ₹
Issue of Shares	(a)	490,783,300 (200,100,000)	490,783,300 (200,100,000)
Sale of services (net of GST)	(b)	118,742,648 (-)	118,742,648 (-)
Rent Paid	(c)	24,000 (6,000)	24,000 (6,000)
Reimbursement of expenses paid	(d)	3,390,704 (9,597,560)	3,390,704 (9,597,560)
Purchase of property, plant and equipment (net of GST)	(e)	193,471,867 (11,470,475)	193,471,867 (11,470,475)
Purchase of other material (net of GST)	(f)	8,242,813 (-)	8,242,813 (-)

(Figures in bracket indicate previous year)

- (a) Equity shares have been allotted by the Company at par to the Holding Company in accordance with the provisions of section 23 read with section 62 of the Companies Act, 2013.
- (b) Sale of services 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.
- (c) Rent paid to related party is in the ordinary course of business.
- (d) Expenses incurred by related parties on behalf of the Company are reimbursable at cost on demand.
- (e) The Company has purchased property, plant and equipment from the related party at an arm's length price.
- (f) The Company has purchased spares, tools etc. from the related party at an arm's length price.

(iii) Balances outstanding

Nature	Holding Company ₹	Total ₹
Trade payable	144,271 (583,832)	144,271 (583,832)
Payables for capital goods	543,243 (13,535,161)	543,243 (13,535,161)
Trade Receivables	46,776,809 (-)	46,776,809 (-)
Other Receivables	288,763 (-)	- (-)

(Figures in bracket indicate previous year)

30 Leases :**Company as lessee**

The Company has lease contracts for land and building used in its operations. Lease of land and building have lease term of ten years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further mentioned below:

Below are the carrying amounts of right-of-use assets recognised and the movements during the period :

	Year ended 31 st March, 2021 ₹	Period ended 31 st March, 2020 ₹
Balance at the beginning of the year	164,650,002	-
Additions during the period	-	168,871,797
Depreciation	(16,887,180)	(4,221,795)
Balance at the end of the year	147,762,822	164,650,002

Below are the carrying amounts of lease liabilities and the movements during the period :

	Year ended 31 st March, 2021 ₹	Period ended 31 st March, 2020 ₹
Balance at the beginning of the year	114,620,302	-
Additions during the period	-	116,438,997
Accretion of interest	10,003,485	2,606,305
Rent payments	(17,700,000)	(4,425,000)
Balance at the end of the year	106,923,787	114,620,302
Current	8,418,501	7,696,515
Non - Current	98,505,286	106,923,787

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The following are the amounts recognised in profit or loss:

	Year ended 31 st March, 2021	Period ended 31 st March, 2020
	₹	₹
Depreciation expense of right-of-use assets	16,887,180	4,221,795
Interest expense on lease liabilities	10,003,485	2,606,305
Expense relating to leases of low-value assets	24,000	6,000
Total amount recognised in profit or loss	26,914,665	6,834,100

The Company had total cash outflows for leases of ₹ 17,700,000/- (31st March, 2020: ₹ 52,425,000/-).

31 Payments to Auditors (Exclusive of GST, wherever applicable) :

	Year ended 31 st March, 2021	Period ended 31 st March, 2020
	₹	₹
As auditor	300,000	75,000
As tax auditor	100,000	-
Other	15,000	-
	415,000	75,000

32 Earnings per share (EPS) :

	Year ended 31 st March, 2021	Period ended 31 st March, 2020
	₹	₹
Numerator for basic and diluted EPS		
Loss for the period attributable to shareholders as at 31 st March	(7,653,006)	(12,686,799)
Weighted average number of equity shares in calculating basic EPS	42,078,622	2,458,980
EPS - Basic (in ₹)	(0.18)	(5.16)
EPS - Diluted - (in ₹)	(0.18)	(5.16)

33 Commitments :

	As at 31 st March, 2021	As at 31 st March, 2020
	₹	₹
Estimated amount of contracts remaining to be executed on capital account and not provided for	65,274,121	129,421,330
For commitments relating to lease agreements, Please refer note 30		
	65,274,121	129,421,330

34 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 :

Particulars	As at 31 st March, 2021 ₹	As at 31 st March, 2020 ₹
Principal amount remaining unpaid to any supplier as at the end of the accounting year	190,554	-
Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	12,316	-
The amount of interest paid to the supplier beyond the appointed day	-	-
The amounts of the payment made to the supplier beyond the appointed day	2,089,650	-
The amount of interest due and payable for the year	12,316	-
The amount of interest accrued and remaining unpaid at the end of the accounting year	11,859	-
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	-	-

Dues to Micro and Small Enterprises have been identified by the Company from available information and relied upon by the Auditors.

35 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 ascertainment by tax authorities in assessments of the Company. The Company will be able to offset tax losses and allowances only to the extent of availability of adequate 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. See Note 36 and 37 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.

Revenue recognition

The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products/services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.

The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.

The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

Revenue for fixed-price contract is recognised using percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.

36 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	Carrying value	Fair value
	As at	As at	As at	As at
	31st March, 21	31st March, 21	31 st March, 20	31 st March, 20
	₹	₹	₹	₹
Financial assets				
Other non current financial asset				
Fixed deposit with bank	14,090,200	14,090,200	-	-
Other current financial assets				
Deposit	75,000	75,000	-	-
Interest accrued on fixed deposits	404,667	404,667	-	-
Receivable from holding company	288,763	288,763	-	-
Total :	14,858,630	14,858,630	-	-
Financial liabilities				
Lease liability (Non-current)	98,505,286	98,505,286	106,923,787	106,923,787
Lease liability (Current)	8,418,501	8,418,501	7,696,515	7,696,515
Other financial liabilities				
Creditors for capital expenditure	10,145,306	10,145,306	39,107,703	39,107,703
Security Deposit	31,100	31,100	-	-
Other	11,859	11,859	-	-
Total :	117,112,052	117,112,052	153,728,005	153,728,005

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.

37 Fair value hierarchy :

	Date of Valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	₹	₹	₹	₹	₹
Assets for which fair value has been disclosed					
Fixed deposit with bank - non current	3/31/2021	-	-	14,090,200	14,090,200
Security Deposits	3/31/2021	-	-	75,000	75,000
Interest receivable	3/31/2021	-	-	404,667	404,667
Receivable from holding company	3/31/2021	-	-	288,763	288,763
Liabilities for which fair value has been disclosed					
Creditors for capital expenditure	3/31/2021	-	-	10,145,306	10,145,306
Security deposit	3/31/2021	-	-	31,100	31,100
Other	3/31/2021	-	-	11,859	11,859
Lease liability (Non-current)	3/31/2021	-	-	98,505,286	98,505,286
Lease liability (Current)	3/31/2021	-	-	8,418,501	8,418,501
Assets for which fair value has been disclosed					
Fixed deposit with bank - non current	3/31/2020	-	-	-	-
Security Deposits	3/31/2020	-	-	-	-
Interest receivable	3/31/2020	-	-	-	-
Receivable from holding company	3/31/2020	-	-	-	-
Liabilities for which fair value has been disclosed					
Creditors for capital expenditure	3/31/2020	-	-	39,107,703	39,107,703
Security deposit	3/31/2020	-	-	-	-
Other	3/31/2020	-	-	-	-
Lease liability (Non-current)	3/31/2020	-	-	106,923,787	106,923,787
Lease liability (Current)	3/31/2020	-	-	7,696,515	7,696,515

38 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 deposits, trade and other receivables and 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, 2021 and 31st March, 2020.

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, 2021 and 31st March, 2020 including the effect of hedge accounting(if any).

i) Interest 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.

ii) Foreign Currency Sensitivity :

The Company does not have exposure to foreign currency changes as at the end of the financial year.

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 (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

i) Trade Receivables :

Customer credit risk is managed by the Company's established policy, procedures and

control relating to customer credit risk management. Further, currently Company's customers mainly includes its, Holding Company. Outstanding customer receivables are regularly monitored and reconciled. An impairment analysis is performed at each reporting date on an individual basis for major customers. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low.

ii) 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.

	Less than 1 year	1 year to 5 years	More than 5 years	Total
	₹	₹	₹	₹
As at 31st March, 2021				
Creditors for capital expenditure	10,145,306	-	-	10,145,306
Other amounts payable	31,100	-	-	31,100
Lease liability (Non-current)	-	42,347,343	56,157,943	98,505,286
Lease liability (Current)	8,418,501	-	-	8,418,501
	18,594,907	42,347,343	56,157,943	117,100,193
As at 31st March, 2020				
Creditors for capital expenditure	39,107,703	-	-	39,107,703
Lease liability (Non-current)	-	38,715,557	68,208,230	106,923,787
Lease liability (Current)	7,696,515	-	-	7,696,515
	46,804,218	38,715,557	68,208,230	153,728,005

39 Disclosure pursuant to Ind AS 115 on "Revenue from contracts with customers"**a) Trade receivables and Contract balances :**

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognized as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straight line basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time.

Revenue recognition for fixed price contracts is based on percentage of completion method. Invoicing to the clients is based on completion of the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price development contracts is classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

During the year ended 31st March, 2021 Rs. NIL (Previous Year : Rs. NIL) of unbilled revenue pertaining to fixed price development contracts has been reclassified to Trade receivables upon billing to customers on completion of contracts.

b)	As at 31 st March 2021	As at 31 st March 2020
	₹	₹
Changes in Contract Assets are as under :		
Balance at the beginning of the year	-	-
Revenue recognised during the year	-	-
Invoices raised during the year	-	-
Balance at the end of the year	-	-

c)	As at 31 st March 2021	As at 31 st March 2020
	₹	₹
Changes in Contract Liabilities are as under :		
Balance at the beginning of the year	-	-
Revenue recognised from unearned revenue/advance from customers at the beginning of the year	-	-
Increased due to invoicing during the year excluding the amounts recognised as revenue during the year	-	-
Decreased due to adjustment against revenue out of advance received during the year	-	-
Balance at the end of the year	-	-

d) Performance obligations and remaining performance obligations :

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

Reconciliation for revenue as per Statement of profit & loss and the contracted price arising on account of various adjustments:

	Year ended 31 st March 2021	Period ended 31 st March 2020
	₹	₹
Revenue recognised as per Statement of Profit & loss		
Sale of services	66,907,660	-
Other operating revenue	1,729,125	-
	68,636,785	-
Add/Less: Adjustments	-	-
Contract Price	68,636,785	-

40 Income and deferred taxes :

a) The major components of income tax expense for the year ended 31st March 2021 and 31st March 2020 are :

Statement of profit and loss :

	As at 31 st March 2021	As at 31 st March 2020
	₹	₹
Current income tax		
Current income tax charge	301,000	-
Deferred tax		
Relating to origination and reversal of temporary differences	(4,382,000)	-
Income tax expense reported in the statement of profit and loss	(4,081,000)	-

b) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31st March 2021 and 31st March 2020 are :

	31 st March 2021	31 st March 2020
	₹	₹
Accounting loss before tax	(11,734,006)	(12,686,799)
At India's enacted tax rate of 25.17% (31 st March 2020 : 17.16%)	-	-
Deferred tax savings on current year accounting loss	(2,953,000)	(2,177,055)
Tax effect of non-deductible expenses	2,236,000	1,525,847
Tax effect due to change in tax rate	-	-
Deferred tax not recognised on prudence basis	-	651,208
Deferred tax savings in respect of tax disallowances of earlier year	(3,364,000)	-
At the effective income tax rate	(4,081,000)	-
Income tax expense reported in the statement of profit and loss	(4,081,000)	-

c) Reconciliation of deferred tax (liabilities)/Asset (net)

	As at 31st March 2021	As at 31st March 2020
	₹	₹
Opening balance	-	-
Tax income/(expense) during the period recognised in profit or loss	4,382,000	-
Closing balance	4,382,000	-

As per my attached report of even date,

For P V Deo & Associates LLP,
FRN : W100637

Sunit S. Shaha

Partner
Membership No. 142953
UDIN : 21142953AAAAAM3374

Place : Pune
Date : 18th May, 2021

On behalf of the Board of Directors,

Kedar Dixit

Director
DIN: 07055747

Sameer Paranjape
Chief Financial Officer

Place : Pune
Date : 18th May, 2021

Nitin Mahajan

Director and CEO
DIN: 08649472

Nikita Naik
Company Secretary
Membership No. A61125

Kalyani Powertrain Private Limited

Directors

Mr. Kishore Mukund Saletore

Mr. Sanjeev Ramachandra Kulkarni

Mr. Ravindra Bhaskarrao Nagarkar

Auditors

P V Deo & Associates LLP

Chartered Accountants

604, Jeevan Heights,

Thorat Colony, Erandwana,

Pune 411 004

Registered Office

Survey No 49,

Industry House,

Opp Kalyani Steels Ltd,

Mundhwa, Pune 411 036

Independent Auditor's Report

To the Members of Kalyani Powertrain Private Limited

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of **Kalyani Powertrain Private Limited** ("the Company") which comprises the Balance Sheet as at 31st March, 2021, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Statement of changes in equity and the Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements, give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, and its loss including other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those 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 Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

We have determined that there are not key audit matters to be reported in our report.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the Board's Report including Annexures to Board's Report, but does not include the financial statements and our auditor's report thereon. The Board's Report including Annexures to Board's Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

When we read the Board's Report including Annexures to Board's Report if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take such actions as are required under the provisions of the Companies Act, 2013.

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. 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.

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

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

Auditor's Responsibilities for Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced.

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

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

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, we give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
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 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 appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.
 - e) On the basis of written representations received from the directors as on 31st March, 2021, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021, 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 our separate Report in "**Annexure B**".
 - g) The Company has not paid any managerial remuneration during the financial year covered by this report. Accordingly, reporting requirements under section 197(16) of the Act do not apply to the Company.
 - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 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.

For P V Deo & Associates LLP

Chartered Accountants
FRN : W100637

Sunit S. Shaha

Partner
Membership No. 142953
UDIN : 21142953AAAAAK6743

Place : Pune
Date : 17th May, 2021

“ANNEXURE A” REFERRED TO IN THE INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS OF KALYANI POWERTRAIN PRIVATE LIMITED FOR THE YEAR ENDED 31ST MARCH, 2021.

In terms of the information and explanations sought by us and given by the Company and the books and records examined by us in the course of audit and to the best of our knowledge and belief, we state that:

- (i) The Company did not own any fixed assets during the period ended 31st March, 2021. Accordingly paragraph 3(i) of the Order is not applicable.
- (ii) The Company did not carry any inventory during the period ended 31st March, 2021. Accordingly, paragraph 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 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, there under.
- (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 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 us 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 us, 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, 2021 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.
- (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, we 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 our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the 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 us and based on our 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.

For P V Deo & Associates LLP

Chartered Accountants

FRN : W100637

Sunit S. Shaha

Partner

Membership No. 142953

UDIN : 21142953AAAAAK6743

Place : Pune

Date : 17th May, 2021

“Annexure B” REFERRED TO IN THE INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS OF KALYANI POWERTRAIN PRIVATE LIMITED FOR THE YEAR ENDED 31ST MARCH, 2021.

We have audited the internal financial controls over financial reporting of **Kalyani Powertrain Private Limited** (“the Company”) as of 31st March, 2021 in conjunction with our 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

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 were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system 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 our 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, 2021, 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.

For P V Deo & Associates LLP

Chartered Accountants
FRN : W100637

Sunit S. Shaha

Partner
Membership No. 142953
UDIN : 21142953AAAAAK6743

Place : Pune
Date : 17th May, 2021

Kalyani Powertrain Private Limited

Balance sheet as at 31st March, 2021

	Notes	As at 31 st March, 2021 ₹
I. ASSETS		
1 Current assets		
a) Financial assets		
i) Cash and Bank Balances	3	10,000
		<u>10,000</u>
	TOTAL :	<u>10,000</u>
II. EQUITY AND LIABILITIES		
1 Equity		
a) Equity share capital	4	10,000
b) Other equity	5	(4,951,760)
		<u>(4,941,760)</u>
2 Current liabilities		
a) Financial Liabilities		
i) Trade payables	6	-
Total outstanding dues of micro enterprises and small enterprises		-
Total outstanding dues of creditors other than micro enterprises and small enterprises		4,951,760
		<u>4,951,760</u>
	TOTAL :	<u>10,000</u>
Significant accounting policies and notes forming an integral part of the financial statements 1 to 17		

As per our attached report of even date,
For P V Deo & Associates LLP,
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAK6743

Ravindra Nagarkar
Director
DIN: 03483435

Sanjeev Kulkarni
Director
DIN: 09120484

Place : Pune
Date : 17th May, 2021

Place : Pune
Date : 17th May, 2021

Statement of profit and loss for the period ended 31st March, 2021

	Notes	Period ended 31 st March, 2021 ₹
I. Total Revenue		-
II. Expenses		
b) Other expenses	7	4,951,760
Total expenses		4,951,760
III. Loss before tax		(4,951,760)
IV. Tax expenses		-
V. Loss for the period		(4,951,760)
VI. Other comprehensive income		-
VII. Total Comprehensive Income for the period (V+VI)		(4,951,760)
VIII. Earnings per equity share for continuing operations [nominal value of share ₹ 10/-]		
a) Basic (In ₹)	11	(4,951.76)
b) Diluted (In ₹)	11	(4,951.76)
Significant accounting policies and notes forming an integral part of the financial statements	1 to 17	

**As per our attached report of even date,
For P V Deo & Associates LLP,**
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FRN : W100637

On behalf of the Board of Directors,

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Director
DIN: 03483435

Sanjeev Kulkarni
Director
DIN: 09120484

Place : Pune
Date : 17th May, 2021

Place : Pune
Date : 17th May, 2021

Kalyani Powertrain Private Limited

Statement of changes in equity for the period ended 31st March, 2021

a Equity share capital

	As at 31 st March, 2021	
	Nos.	₹
Issued during the period	1,000	10,000
As at end of the period	<u>1,000</u>	<u>10,000</u>

b Other equity

	Retained Earnings
	₹
Loss for the period	(4,951,760)
Balance as at 31 st March, 2021.	<u>(4,951,760)</u>
c Total equity (a+b)	<u>(4,941,760)</u>

Significant accounting policies and notes forming an integral part of the financial statements

1 to 17

As per our attached report of even date,
For P V Deo & Associates LLP,
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

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Partner
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Ravindra Nagarkar
Director
DIN: 03483435

Sanjeev Kulkarni
Director
DIN: 09120484

Place : Pune
Date : 17th May, 2021

Place : Pune
Date : 17th May, 2021

Cash Flow Statement for the period ended 31st March, 2021

	Period ended 31 st March, 2021
	₹
(A) Cash flow from operating activities	
Loss before tax	(4,951,760)
Operating loss before working capital changes	(4,951,760)
Movements in working capital :	
Increase/(decrease) in trade payables	4,951,760
	4,951,760
Cash generated from operations	-
Direct taxes paid (net of refunds)	-
Net cash flows from operating activities	(A) -
(B) Cash flows from investing activities	
Net cash flows used in investing activities	(B) -
(C) Cash flows from financing activities	
Proceeds from issue of equity shares	10,000
Net cash flows from/(used in) financing activities	(C) 10,000
(D) Net increase in cash and cash equivalents (A+B+C)	10,000
(E) Cash and cash equivalents at the beginning of the year	-
(F) Cash and cash equivalents at the end of the year	10,000
Components of cash and cash equivalents as at	As at 31st March, 2021
	₹
Balances with banks in current accounts	10,000
TOTAL :	10,000

Significant accounting policies and notes forming an integral part of the financial statements

1 to 17

**As per our attached report of even date,
For P V Deo & Associates LLP,**
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
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Ravindra Nagarkar
Director
DIN: 03483435

Sanjeev Kulkarni
Director
DIN: 09120484

Place : Pune
Date : 17th May, 2021

Place : Pune
Date : 17th May, 2021

Notes forming part of the financial statements for the period ended 31st March, 2021

1 Corporate information:

Kalyani Powertrain Private Limited ("the Company") was incorporated on 26th September, 2020 as a private limited company under the provisions of the Companies Act, 2013. The Company is a wholly owned subsidiary of Bharat Forge Limited.

During the period covered by these financial statements, the Company was engaged in the business set up activities. The Company is incorporated with the object of development, manufacturing and assembly of Electric Powertrain Transmission Systems for automotive sector.

These financial statements have been prepared for the period from the date of incorporation, i.e. 26th September, 2020 to 31st March, 2021. This being the first year, the question of providing previous year's figures does not arise.

2 Significant accounting policies:

2.1 Basis of accounting and preparation of financial statements:

The 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).

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. 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.

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

Gains/losses arising out of fluctuations in the exchange rates are dealt with in the statement of profit and loss in the period in which they arise. In respect of assets and liabilities, the overall net loss or gain, if any, on conversion at the exchange rates prevailing on the date of balance sheet is charged to revenue.

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 from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

- a) 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.

- b) 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 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.

2.7 Property, plant and equipment :

Property, plant and equipment, capital work in progress 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 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.

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

Company as a lessee

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

i) Right of use assets

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

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

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments

made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease liability and Right-of-use asset have been separately presented in the balance sheet and lease payments have been classified as financing cash flows.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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 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 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.12 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.

2.13 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 116 (Previous year 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 115
- 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/losses 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 through 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	Revised	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.

Original	Revised	Accounting Treatment
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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 Estimation of uncertainties relating to the global health pandemic from COVID-19 :

The spread of COVID-19 has severely impacted business and there have been severe disruption to regular business operations due to lockdown and other emergency measures. This may impact the Company's operations. As at the date of approval of these financial statements the Company has made assessment of liquidity, recoverable values of its financial and non-financial assets, financial and non-financial liabilities, carrying value of its assets and liabilities including possible obligations arising from any ongoing negotiations with customers, vendors and has concluded that there are no material adjustments required in the financial statements. The management believes that it has assessed and taken all the possible impacts known from these events wherever possible outcome is known. However, the impact assessment of COVID-19 is a continuous process, given the significant estimation and uncertainties associated with its nature, duration and outcome of any negotiations. The impact of global health pandemic might be different from that estimated as at the date of approval of these financial statements. The Company will continue to closely monitor any material changes to future economic conditions and its consequential impact on its financial statements.

As at
31st March, 2021
₹

3 Cash and Bank Balances**Cash and cash equivalents**

Balances with banks

In current accounts

10,000**Total : 10,000**

4 Equity share capital

		As at 31 st March, 2021
		₹
Authorised		
50,000,000	Equity shares of ₹ 10/- each	500,000,000
Issued		
1,000	Equity shares of ₹ 10/- each	10,000
Subscribed and fully paid-up		
1,000	Equity shares of ₹ 10/- each	10,000
Total issued, subscribed and fully paid-up share capital :		10,000

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	As at 31 st March, 2021	
	Nos.	₹
Shares Issued during the period	1,000	10,000
Shares bought back during the period	-	-
Outstanding at the end of the period	1,000	10,000

(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 ₹ 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 shares held by the Holding Company

Name of Shareholder	As at 31 st March, 2021	
	Nos.	₹
Equity shares of ₹ 10 each fully paid		
Bharat Forge Limited [#]	1,000	10,000
	1,000	10,000

[#] including the shares held through nominees

(d) Details of shareholders holding more than 5% shares in the Company

Name of Shareholder	As at 31 st March, 2021	
	Nos.	% of Holding
Equity shares of ₹ 10 each fully paid		
Bharat Forge Limited, the Holding Company [#]	1,000	100
	1,000	100

[#] including the shares held through nominees

5 Other equity

	As at 31 st March, 2021
	₹
Retained earnings	
Loss for the period	(4,951,760)
Less : Appropriations	-
Closing balance	<u>(4,951,760)</u>

6 Trade payables :

	As at 31 st March, 2021
	₹
Total outstanding dues of micro enterprises and small enterprises	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	4,951,760
Total :	<u>4,951,760</u>

7 Other expenses

	Period ended 31 st March, 2021
	₹
Rates and taxes	5,200
Legal and professional fees	6,400
Preliminary Expenses	26,160
Share issue expenses	4,879,000
Payment to Auditors (Refer note no.10)	35,000
Total :	<u>4,951,760</u>

8 Segment reporting :

During the period covered by these financial statements, the Company was engaged in the business set up activities. All activities of the Company revolve around this single business segment. As such, there are no separate reportable segments, as per the Ind AS – 108 on 'Operating Segments'.

9 Related party disclosures

(i) Names of the related parties and related party relationship

- | | | |
|----|--|--|
| a. | Person having significant influence | Deeksha Kalyani (upto 16 th March, 2021) |
| b. | Enterprises having significant influence | Novel Engineering and Technology Consultants LLP (upto 16 th March, 2021) |
| c. | Holding Company | Bharat Forge Limited (w.e.f. 16 th March, 2021) |

(ii) Related parties with whom transactions have taken place during the period

Nature of transaction	(Refer foot note no.)	Person having significant influence	Enterprises having significant influence	Holding Company	Total
		Deeksha Kalyani	Novel Engg. and Tech Consultants LLP	Bharat Forge Limited	
		₹	₹	₹	₹
Issue of Share	(a)	5,000	5,000	-	10,000
Reimbursement of expenses paid	(b)	-	-	4,879,000	4,879,000

(a) Equity shares have been issued to subscribers of Memorandum of Association.

(b) Expenses incurred by related parties on behalf of the Company are reimbursable at cost on demand.

(iii) Balances outstanding

Nature of transaction	Holding Company	Total
	Bharat Forge Limited	
	₹	₹
Trade payable	4,879,000	4,879,000

10 Payments to Auditors (Excluding GST, wherever applicable) :

	Period ended 31 st March, 2021
	₹
As auditor	35,000
Reimbursement of expenses	-
	35,000

11 Earnings per share (EPS) :

	Period ended 31 st March, 2021
	₹
Numerator for basic and diluted EPS	
Loss for the period attributable to shareholders as at 31 st March 2021	(4,951,760)
Weighted average number of equity shares in calculating basic EPS	1,000
EPS - Basic (in ₹)	(4,951.76)
EPS - Diluted - (in ₹)	(4,951.76)

12 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 ascertainment by tax authorities in assessments of the Company. The Company will be able to offset tax losses and allowances only to the extent of availability of adequate 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. See Note 13 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.

13 Fair Values :

The management assessed that loans, trade payables, other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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.

14 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, 2021.

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, 2021 including the effect of hedge accounting(if any).

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.

15 Disclosure pursuant to Ind AS 115 on "Revenue from contracts with customers"

The Company has not earned any revenue from contracts with customers during the period covered by the financial statements.

16 Income and deferred taxes :

- a) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31st March 2021

	As at 31st March 2021
	₹
Accounting loss before tax	(4,951,760)
At India's enacted tax rate of 17.16%	-
Deferred tax savings on current year accounting loss	(849,722)
Tax effect of non-deductible expenses	847,920
Deferred tax savings not recognised on prudence basis	1,802
At the effective income tax rate	-
Income tax expense reported in the statement of profit and loss	-

b) **Deferred Tax :**

The Company has not recognized deferred tax asset in respect of timing differences on account of business loss aggregating to ₹ NIL and on account of other disallowances aggregating to ₹ 10,500 under the Income Tax Act, 1961 on the considerations of prudence.

17 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 :

As per the Micro, Small and Medium Enterprises Development Act, 2006, the Company is required to identify the Micro, Small and Medium suppliers and pay interest to micro and small enterprises on overdue beyond the specified period irrespective of the terms agreed with the suppliers. For the purpose of identification of such suppliers, the Company has sent confirmations to all its suppliers. Based upon the confirmations received as of 31st March, 2021 and the supplier profile available with the Company, the management believes that there are no dues to such suppliers.

**As per our attached report of even date,
For P V Deo & Associates LLP,**
Chartered Accountants
FRN : W100637

On behalf of the Board of Directors,

Sunit S. Shaha
Partner
Membership No. 142953
UDIN : 21142953AAAAAK6743

Ravindra Nagarkar
Director
DIN: 03483435

Sanjeev Kulkarni
Director
DIN: 09120484

Place : Pune
Date : 17th May, 2021

Place : Pune
Date : 17th May, 2021

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