

**SORAB S. ENGINEER & CO. (Regd.)**  
**CHARTERED ACCOUNTANTS**

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**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF ARVIND OG NONWOVENS PRIVATE LIMITED**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of Arvind OG Nonwovens Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

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, 2020, the loss and total comprehensive income, changes in equity and its cash flows 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 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 (ICAI) together with the independence 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

**Emphasis of Matter Paragraph**

We draw your attention to note 38 of the financials which explains the uncertainties and management's assessment of the financial impact on the financial statement of the Company due to the lockdown and other restrictions imposed by the Government of India and other conditions related to the COVID-19 pandemic situation, for which a definitive assessment in the subsequent period is highly dependent upon circumstances as they evolve.

Our opinion is not modified in respect of this matter.

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### **Information Other than the Financial Statements and Auditor's 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, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained 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 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, total 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 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 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 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

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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 controls 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 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, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.



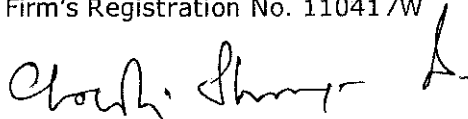
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- d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy 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) The provision of section 197 read with Schedule V of the Act are not applicable to the Company for the year ended March 31, 2020.
  - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company does not have any pending litigation which would affect 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 have been no amounts 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 **Sorab S. Engineer & Co.**

Chartered Accountants

Firm's Registration No. 110417W



**CA. Chokshi Shreyas B.**

Partner

Membership No.100892

UDIN : 20100892AAAANU3343

Ahmedabad

June 5, 2020

## **SORAB S. ENGINEER & CO. (Regd.)**

### **ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Arvind OG Nonwovens Private Limited of even date)

### **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **ARVIND OG NONWOVENS PRIVATE LIMITED** ("the Company") as of March 31, 2020 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 Board of Directors of the Company 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. 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 respective 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 internal financial controls over financial reporting of the Company 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls 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 internal financial controls system over financial reporting of the Company.



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### **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.

### **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.

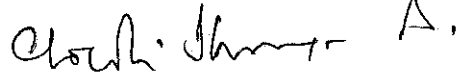
### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, 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 **Sorab S. Engineer & Co.**

Chartered Accountants

Firm's Registration No. 110417W



**CA. Chokshi Shreyas B.**

Partner

Membership No.100892

Ahmedabad

June 5, 2020

## **SORAB S. ENGINEER & CO. (Regd.)**

### **ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT**

**(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Arvind OG Nonwovens Private Limited of even date)**

- i. 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 Company has a program of verification to cover all the items of fixed assets in a phased manner 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.
  - (c) According to the information and explanations given to us, the records examined by us and based on the examination of the conveyance deeds / registered sale deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold and other than self-constructed, are held in the name of the Company as at the balance sheet date.
- ii. As explained to us, physical verification of inventory has been conducted at reasonable intervals by the management and the discrepancies noticed on verification between the physical stocks and the book records were not material having regard to the size of the Company, and the same have been properly dealt with in the books of account.
- iii. According to the information and explanations given to us, the Company has not granted secured / unsecured loans to Companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Consequently, requirements of clause (iii) of paragraph 3 of the order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, the Company has not advanced any loan or given any guarantee or provided any security or made any investment covered under section 185 or section 186 of the Act. Consequently, requirements of clause (iv) of paragraph 3 of the order are not applicable.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73 to 76 or any other relevant provisions of the Act and rules framed thereunder. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vi. To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under section 148 (1) of the Act in respect of the Company's product. Consequently, requirement of clause (vi) of paragraph 3 of the order are not applicable.
- vii. According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Wealth Tax, Custom Duty, Goods and Service Tax, Cess and other material statutory dues applicable to it.



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- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of outstanding statutory dues were in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, no disputed amounts are payable as at March 31, 2020.
- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- ix. To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer. However, the term loans obtained during the year were, prima facie, applied by the Company for the purpose for which they were raised, other than temporary deployment pending application.
- x. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not paid/provided managerial remuneration. Consequently, requirements of clause (xi) of paragraph 3 of the order are not applicable.
- xii. The Company is not a Nidhi Company. Consequently, requirements of clause (xii) of paragraph 3 of the order are not applicable.
- xiii. To the best of our knowledge and belief and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and the details have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- xiv. To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares during the year under review. Consequently, requirements of clause (xiv) of paragraph 3 of the order are not applicable.
- xv. To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- xvi. According to the nature of the business, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **Sorab S. Engineer & Co.**  
Chartered Accountants  
Firm's Registration No. 110417W



**CA. Chokshi Shreyas B.**  
Partner  
Membership No.100892

Ahmedabad  
June 5, 2020



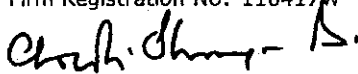
**Arvind OG Nonwovens Private Limited**  
**Balance Sheet as at March 31, 2020**

Amount in Rs.

Particulars	Notes	As at March 31, 2020	As at March 31, 2019
<b>ASSETS</b>			
<b>I. Non-current assets</b>			
(a) Property, plant and equipment	5	24,58,67,594	27,59,33,820
(b) Capital work-in-progress	5	-	4,90,000
(c) Intangible assets	6	-	4,36,441
(d) Financial assets			
(i) Loans	7 (b)	261	11,400
(ii) Other financial assets	7 (e)	1,58,60,906	1,53,59,530
(e) Deferred tax assets (net)	26	3,45,35,429	2,49,77,790
<b>Total non-current assets</b>		<b>29,62,64,190</b>	<b>31,72,08,981</b>
<b>II. Current assets</b>			
(a) Inventories	9	5,02,13,488	12,90,74,884
(b) Financial assets			
(i) Trade receivables	7 (a)	8,73,02,427	8,45,22,422
(ii) Cash and cash equivalents	7 (c)	1,42,60,947	1,04,625
(iii) Bank balance other than (ii) above	7 (d)	22,425	21,138
(iv) Others financial assets	7 (e)	1,40,42,989	1,71,83,627
(c) Current tax assets (net)	10	8,45,329	6,97,966
(d) Other current assets	8	93,08,958	3,92,22,991
<b>Total current assets</b>		<b>17,59,96,563</b>	<b>27,08,27,653</b>
<b>Total Assets</b>		<b>47,22,60,753</b>	<b>58,80,36,634</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	11	3,12,79,860	3,12,79,860
Other equity	12	25,85,58,936	24,91,28,981
<b>Total equity</b>		<b>28,98,38,796</b>	<b>28,04,08,841</b>
<b>LIABILITIES</b>			
<b>I. Non-current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	13 (a)	9,67,97,315	11,55,47,315
(b) Long-term provisions	14	11,71,610	11,88,499
(c) Government Grants	15	70,29,790	89,69,040
<b>Total non-current liabilities</b>		<b>10,49,98,715</b>	<b>12,57,04,854</b>
<b>II. Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	13 (a)	-	35,60,005
(ii) Trade payables	13 (b)		
a) Total outstanding dues of micro enterprises and small enterprises		35,100	-
b) Total outstanding dues of creditors other than micro enterprises and small enterprises		4,18,85,366	13,52,66,937
(iii) Other financial liabilities	13 (c)	3,05,22,621	4,05,38,112
(b) Other current liabilities	16	29,57,047	4,71,954
(c) Short-term provisions	14	83,859	1,46,683
(d) Government Grants	15	19,39,249	19,39,248
<b>Total current liabilities</b>		<b>7,74,23,242</b>	<b>18,19,22,939</b>
<b>Total Equity and Liabilities</b>		<b>47,22,60,753</b>	<b>58,80,36,634</b>

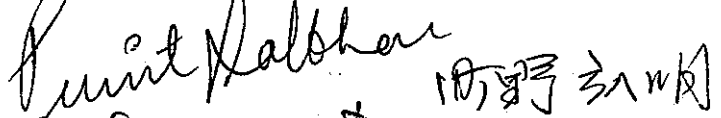
See accompanying notes forming part of the Financial Statements

As per our report of even date  
**For Sorab S. Engineer & Co.**  
Chartered Accountants  
Firm Registration No. 110417W



**CA. Chokshi Shreyas B.**  
Partner  
Membership No. 100892  
Place : Ahmedabad  
Date : June 5, 2020

For and on behalf of the board of directors of  
**Arvind OG Nonwovens Private Limited**



Director **Punit Lalbhai**  
DIN:  
Place : Ahmedabad  
Date : June 5, 2020

Director  
DIN:  
Place : Ahmedabad  
Date : June 5, 2020

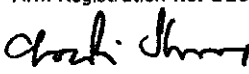
**Arvind OG Nonwovens Private Limited**  
**Statement of Profit and Loss for the year ended March 31, 2020**

Amount in Rs.

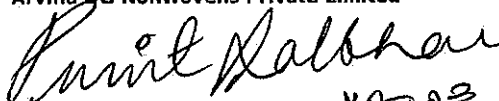
Particulars	Notes	Year ended March 31, 2020	Year ended March 31, 2019
<b>I. Income</b>			
Revenue from operations			
Sale of Products	17	40,89,76,807	56,02,41,359
Sale of Services	17	15,36,095	93,75,557
Operating Income	17	61,54,842	13,69,475
<b>Revenue from operations</b>		<b>41,66,67,744</b>	<b>57,09,86,391</b>
Other income	18	38,16,661	44,60,481
<b>Total income (I)</b>		<b>42,04,84,405</b>	<b>57,54,46,872</b>
<b>II. Expenses</b>			
Cost of trims and accessories consumed	19	29,60,24,049	39,09,81,189
Purchases of stock-in-trade	20	1,59,83,525	5,59,60,449
Changes in inventories of finished goods, work-in-progress and waste	21	1,74,66,167	(37,36,471)
Employee benefits expense	22	2,47,69,050	2,84,64,995
Finance costs	23	1,24,01,799	41,74,413
Depreciation and amortisation expense	24	3,20,52,327	3,33,12,439
Other expenses	25	5,87,34,235	8,51,27,959
<b>Total expenses (II)</b>		<b>45,74,31,152</b>	<b>59,42,84,973</b>
<b>III. Profit/(Loss) before exceptional items and tax (I-II)</b>		<b>(3,69,46,747)</b>	<b>(1,88,38,101)</b>
<b>IV. Exceptional items</b>		-	-
<b>V. Profit/(Loss) before tax (III-IV)</b>		<b>(3,69,46,747)</b>	<b>(1,88,38,101)</b>
<b>VI. Tax expense</b>			
Deferred Tax charge / (credit)	26	(96,14,595)	(48,76,863)
<b>Total tax expense</b>		<b>(96,14,595)</b>	<b>(48,76,863)</b>
<b>VII. Profit/(Loss) for the year (V-VI)</b>		<b>(2,73,32,152)</b>	<b>(1,39,61,238)</b>
<b>VIII. Other comprehensive income</b>			
<b>A. Items that will not be reclassified to profit or loss in subsequent periods:</b>			
Re-measurement gains / (losses) on defined benefit plans	12	2,19,063	(3,71,237)
Income tax effect	26	(56,956)	96,522
<b>Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (A)</b>		<b>1,62,107</b>	<b>(2,74,715)</b>
<b>Total other comprehensive income/(loss) for the year, net of tax (A)</b>		<b>1,62,107</b>	<b>(2,74,715)</b>
<b>IX. Total comprehensive income/(loss) for the year, net of tax (VIII+IX)</b>		<b>(2,71,70,045)</b>	<b>(1,42,35,953)</b>
<b>X. Earning per equity share</b>			
Basic - Rs.	33	(8.74)	(4.46)
Diluted - Rs.	33	(8.74)	(4.46)

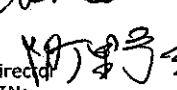
See accompanying notes forming part of the Financial Statements

As per our report of even date  
**For Sorab S. Engineer & Co.**  
Chartered Accountants  
Firm Registration No. 110417W

  
**CA. Chokshi Shreyas B.**  
Partner  
Membership No. 100892  
Place : Ahmedabad  
Date : June 5, 2020

For and on behalf of the board of directors of  
**Arvind OG Nonwovens Private Limited**

  
Director Punit Lalbhai  
DIN: 00000000000000000000  
Place : Ahmedabad  
Date : June 5, 2020

  
Director Punit Lalbhai  
DIN: 00000000000000000000  
Place : Ahmedabad  
Date : June 5, 2020

Arvind OG Nonwovens Private Limited  
Statement of Cash Flows for the year ended March 31, 2020

Particulars	Amount in Rs.	
	Year ended March 31, 2020	Year ended March 31, 2019
<b>A Cash Flow from Operating activities</b>		
Profit/(Loss) before tax	(3,69,46,747)	(1,88,38,101)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation /Amortization	3,20,52,327	3,33,12,439
Interest Income	(13,99,098)	(12,08,197)
Interest and Other Borrowing Cost	1,24,01,799	41,74,413
Provision no longer required	(20,331)	-
Government Grants	(19,39,249)	(19,39,248)
Sundry Credit Balances Appropriated	(1,33,524)	(11,40,141)
Exchange Difference (Gain) / Loss	(2,19,028)	2,74,761
<b>Operating Profit before Working Capital Changes</b>	<b>37,96,149</b>	<b>1,46,35,926</b>
Working Capital Changes:		
Changes in Inventories	7,88,61,396	(4,22,56,599)
Changes in trade payables	(9,31,92,616)	(21,92,307)
Changes in other liabilities	24,85,093	(99,840)
Changes in other financial liabilities	(1,00,15,491)	2,66,979
Changes in provisions	1,39,350	4,90,740
Changes in trade receivables	(27,80,005)	10,23,71,455
Changes in other assets	2,99,14,033	(83,72,780)
Changes in other financial assets	26,42,934	(14,45,488)
<b>Net Changes in Working Capital</b>	<b>80,54,694</b>	<b>4,87,62,160</b>
<b>Cash Generated from Operations</b>	<b>1,18,50,843</b>	<b>6,33,98,086</b>
Direct Taxes paid (Net of Income Tax refund)	(1,47,363)	1,07,109
<b>Net Cash from / (used in) Operating Activities</b>	<b>1,17,03,480</b>	<b>6,35,05,195</b>
<b>B Cash Flow from Investing Activities</b>		
Purchase of Property, Plant & Equipment /Intangible assets	(10,59,660)	(21,78,139)
Changes in other bank balances not considered as cash and cash equivalents	(1,287)	(40,33,841)
Changes in Loans given	11,139	15,436
Interest Income	13,95,426	43,58,267
<b>Net cash flow from/ (used in) Investing Activities</b>	<b>3,45,618</b>	<b>(18,38,277)</b>
<b>C Cash Flow from Financing Activities</b>		
Changes in Share application money	3,66,00,000	-
Changes in long term Borrowings	(1,87,50,000)	(2,85,21,968)
Changes in short term borrowings	(33,40,977)	(2,90,05,652)
Interest and Other Borrowing Cost Paid	(1,24,01,799)	(42,17,047)
<b>Net Cash flow from/ (used in) Financing Activities</b>	<b>21,07,224</b>	<b>(6,17,44,667)</b>
<b>Net Increase/(Decrease) in cash &amp; cash equivalents</b>	<b>1,41,56,322</b>	<b>(77,749)</b>
Cash & Cash equivalent at the beginning of the year	1,04,625	1,82,374
Cash & Cash equivalent at the end of the year	1,42,60,947	1,04,625

Figures in brackets indicate outflows.

Particulars	Amount in Rs.	
	Year ended March 31, 2020	Year ended March 31, 2019
<b>Cash and cash equivalents comprise of:</b>		
Cash on Hand	50,000	75,000
Balances with Banks	1,42,10,947	29,625
<b>Cash and cash equivalents as per Balance Sheet (Note 7c)</b>	<b>1,42,60,947</b>	<b>1,04,625</b>
Less: Book Overdraft	-	-
<b>Cash and cash equivalents</b>	<b>1,42,60,947</b>	<b>1,04,625</b>

Disclosure under Para 44A as set out in Ind AS 7 on cash flow statements under Companies (Indian Accounting Standards) Rules, 2015 (as amended)

Particulars of liabilities arising from financing activity	Note No.	As at April 1, 2019	Net cash flows	Non Cash Changes		As at March 31, 2020
				Effect of change in Foreign Currency Rates	Other Changes	
<b>Borrowings:</b>						
Long term borrowings	13 (a)	15,45,25,351	(1,87,50,000)	-	-	12,62,22,020
Short term borrowings	13 (a)	35,60,005	(33,40,977)	-	-	-
<b>Total</b>		<b>15,80,85,356</b>	<b>(2,20,90,977)</b>	<b>-</b>	<b>-</b>	<b>12,62,22,020</b>

Arvind OG Nonwovens Private Limited  
Statement of Cash Flows for the year ended March 31, 2020

Particulars of liabilities arising from financing activity	Note No.	As at April 1, 2018	Net cash flows	Non Cash Changes		As at March 31, 2019
				Effect of change in Foreign Currency Rates	Other Changes	
<b>Borrowings:</b>						
Long term borrowings	13 (a)	18,30,47,319	(2,85,21,968)	-	-	15,45,25,351
Short term borrowings	13 (a)	3,22,90,896	(2,90,05,652)	-	-	35,60,005
<b>Total</b>		<b>21,53,38,215</b>	<b>(5,75,27,620)</b>	-	-	<b>15,80,85,356</b>

Notes:

1) The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) statement of cash flows.

As per our report of even date  
For Sorab S. Engineer & Co.  
Chartered Accountants  
Firm Registration No. 110417W

*Chokshi Shreyas B.*

CA. Chokshi Shreyas B.  
Partner  
Membership No. 100892  
Place : Ahmedabad  
Date : June 5, 2020

For and on behalf of the board of directors of  
Arvind OG Nonwovens Private Limited

*Punit Lalbhai* + *18/05/2020*

Director Punit Lalbhai  
DIN:  
Place: Ahmedabad  
Date: June 5, 2020

Director  
DIN:  
Place : Ahmedabad  
Date : June 5, 2020

Arvind OG Nonwovens Private Limited  
Statement of Changes in Equity

A. Equity share capital

Balance	Amount in Rs. Note 11
As at April 1, 2018	3,12,79,860
Add : Issue of Equity Share capital	-
As at March 31, 2019	3,12,79,860
Add : Issue of Equity Share capital	-
As at March 31, 2020	3,12,79,860

B. Other equity

Particulars	Share Application Money Pending Allotment Note 12	Attributable to equity holders Reserves and Surplus		Amount in Rs. Total equity
		Securities premium Note 12	Retained Earnings Note 12	
Balance as at April 1, 2018	-	28,02,58,740	(1,68,93,806)	26,33,64,934
Profit/(Loss) for the year	-	-	(1,39,61,238)	(1,39,61,238)
Other comprehensive income for the year	-	-	(2,74,715)	(2,74,715)
Total Comprehensive Income for the year	-	28,02,58,740	(3,11,29,759)	24,91,28,981
<b>Balance as at March 31, 2019</b>	-	<b>28,02,58,740</b>	<b>(3,11,29,759)</b>	<b>24,91,28,981</b>
Balance as at April 1, 2019	-	28,02,58,740	(3,11,29,759)	24,91,28,981
Addition during year	3,66,00,000	-	-	3,66,00,000
Profit/(Loss) for the period	-	-	(2,73,32,152)	(2,73,32,152)
Other comprehensive income for the year	-	-	1,62,107	1,62,107
Total Comprehensive Income for the year	3,66,00,000	28,02,58,740	(5,82,99,804)	25,85,58,936
<b>Balance as at March 31, 2020</b>	<b>3,66,00,000</b>	<b>28,02,58,740</b>	<b>(5,82,99,804)</b>	<b>25,85,58,936</b>

As per our report of even date  
For Sorab S. Engineer & Co.  
Chartered Accountants  
Firm Registration No. 110417W

*Chokhi Shreyas B.*

CA. Chokshi Shreyas B.  
Partner  
Membership No. 100892  
Place : Ahmedabad  
Date : June 5, 2020

For and on behalf of the board of directors of  
Arvind OG Nonwovens Private Limited

(x) *Punit Lalbhai*

Director Punit Lalbhai  
DIN:  
Place : Ahmedabad  
Date : June 5, 2020

*[Signature]*

Director  
DIN:  
Place : Ahmedabad  
Date : June 5, 2020

Arvind OG Nonwovens Private Limited  
Notes to the Financial Statements

Note 5 : Property, plant and equipment

Particulars	Amount in Rs.								
	Freehold land	Buildings	Plant & machinery	Furniture & fixture	Vehicles	Office equipment	Computers, Servers and Network	Total	CWIP
<b>Gross Carrying Value</b>									
As at April 1, 2018	4,59,29,754	7,52,66,163	28,93,80,500	68,51,217	-	18,18,809	7,78,233	42,80,24,676	-
Additions	-	16,88,139	-	-	-	-	-	16,88,139	4,90,000
Deductions	-	-	-	-	-	-	-	-	-
<b>As at March 31, 2019</b>	<b>4,59,29,754</b>	<b>7,69,54,302</b>	<b>28,93,80,500</b>	<b>68,51,217</b>	<b>-</b>	<b>18,18,809</b>	<b>7,78,233</b>	<b>42,17,12,815</b>	<b>4,90,000</b>
Additions	-	-	4,90,000	-	10,59,660	-	-	15,49,660	-
Deductions	-	-	-	-	-	-	-	-	4,90,000
<b>As at March 31, 2020</b>	<b>4,59,29,754</b>	<b>7,69,54,302</b>	<b>28,98,70,500</b>	<b>68,51,217</b>	<b>10,59,660</b>	<b>18,18,809</b>	<b>7,78,233</b>	<b>42,32,62,475</b>	<b>-</b>
<b>Depreciation and Impairment</b>									
As at April 1, 2018	-	1,17,04,923	10,02,49,882	7,87,165	-	10,37,210	4,33,137	11,42,12,317	-
Depreciation for the year	-	32,32,450	2,72,44,989	6,37,177	-	3,45,020	1,07,042	3,15,66,678	-
Deductions	-	-	-	-	-	-	-	-	-
<b>As at March 31, 2019</b>	<b>-</b>	<b>1,49,37,373</b>	<b>12,74,94,871</b>	<b>14,24,342</b>	<b>-</b>	<b>13,82,230</b>	<b>5,40,179</b>	<b>14,57,78,995</b>	<b>-</b>
Depreciation for the year	-	32,59,181	2,72,52,444	6,37,175	41,945	3,08,099	1,07,042	3,16,15,886	-
Deductions	-	-	-	-	-	-	-	-	-
<b>As at March 31, 2020</b>	<b>-</b>	<b>1,81,96,554</b>	<b>15,47,57,315</b>	<b>20,61,517</b>	<b>41,945</b>	<b>16,90,329</b>	<b>6,47,221</b>	<b>17,73,94,881</b>	<b>-</b>
<b>Net Carrying Value</b>									
As at March 31, 2020	4,59,29,754	5,87,57,748	13,51,13,185	47,89,700	10,17,715	1,28,480	1,31,012	24,58,67,594	-
As at March 31, 2019	4,59,29,754	6,20,16,929	16,18,85,629	54,26,875	-	4,36,579	2,38,054	27,59,33,820	4,90,000

Note:  
For properties pledged as security, refer Note 13 (a)

**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 6 : Intangible assets**

<b>Particulars</b>	<b>Amount in Rs.</b>	
	<b>Patent &amp; Technical knowhow</b>	<b>Total Intangible Assets</b>
<b>Gross Carrying Value</b>		
<b>As at April 1, 2018</b>	<b>87,28,806</b>	<b>87,28,806</b>
Additions	-	-
Deductions	-	-
<b>As at March 31, 2019</b>	<b>87,28,806</b>	<b>87,28,806</b>
Additions	-	-
Deductions	-	-
<b>As at March 31, 2020</b>	<b>87,28,806</b>	<b>87,28,806</b>
<b>Amortisation and Impairment</b>		
<b>As at April 1, 2018</b>	<b>65,46,604</b>	<b>65,46,604</b>
Amortisation for the Year	17,45,761	17,45,761
Deductions	-	-
<b>As at March 31, 2019</b>	<b>82,92,365</b>	<b>82,92,365</b>
Amortisation for the period	4,36,441	4,36,441
Deductions	-	-
<b>As at March 31, 2020</b>	<b>87,28,806</b>	<b>87,28,806</b>
<b>Net Carrying Value</b>		
<b>As at March 31, 2020</b>	-	-
<b>As at March 31, 2019</b>	<b>4,36,441</b>	<b>4,36,441</b>

**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 7 : Financial assets**

**7 (a) Trade receivables - Current**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good	8,73,02,427	8,45,22,422
<b>Total Trade receivables</b>	<b>8,73,02,427</b>	<b>8,45,22,422</b>

1. No trade receivables are due from directors or other officers of the Company either severally or jointly with any person nor any trade receivables are due from firms or private companies respectively in which any director is a director, a partner or a member.

2. Trade receivables are given as security for borrowings as disclosed under Note 13

3. Trade receivables are non-interest bearing and are generally on terms of 0 to 90 days.

**Allowance for doubtful debts**

Allowance for doubtful debts based on the lifetime expected credit loss model Rs. Nil (Previous Year Rs. Nil).

**7 (b) Loans**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
(Unsecured, considered good unless otherwise stated)		
<b>Non-current</b>		
Loans to employees	261	11,400
	<b>261</b>	<b>11,400</b>
<b>Current</b>		
	-	-
<b>Total Loans</b>	<b>261</b>	<b>11,400</b>

No loans are due from directors or promoters of the Company either severally or jointly with any person.

**7 (c) Cash and cash equivalent**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
Cash on hand	50,000	75,000
Balance with Bank		
Current accounts and debit balance in cash credit accounts	1,42,10,947	29,625
<b>Total cash and cash equivalents</b>	<b>1,42,60,947</b>	<b>1,04,625</b>

**7 (d) Other bank balance**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
Deposits with original maturity of more than three months but less than 12 months	22,425	21,138
<b>Total other bank balances</b>	<b>22,425</b>	<b>21,138</b>

**7 (e) Other financial assets**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
(Unsecured, considered good unless otherwise stated)		
<b>Non-current</b>		
Security deposits	27,20,554	27,20,554
Bank deposits with maturity of more than 12 months	1,31,40,352	1,26,38,976
	<b>1,58,60,906</b>	<b>1,53,59,530</b>
<b>Current</b>		
Income receivable	1,39,28,239	1,70,72,549
Accrued Interest	1,14,750	1,11,078
	<b>1,40,42,989</b>	<b>1,71,83,627</b>
<b>Total other financial assets</b>	<b>2,99,03,895</b>	<b>3,25,43,157</b>

Other current financial assets are given as security for borrowings as disclosed under Note 13

*mlb*



**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**7 (f) : Financial Assets by category**

Particulars	Amount in Rs.		
	FVTPL	FVOCI	Amortised Cost
<b>March 31, 2020</b>			
Trade Receivables	-	-	8,73,02,427
Loans	-	-	261
Cash & Bank balance	-	-	1,42,83,372
Other financial assets	-	-	2,99,03,895
<b>Total Financial Assets</b>	<b>-</b>	<b>-</b>	<b>13,14,89,955</b>
<b>March 31, 2019</b>			
Trade Receivables	-	-	8,45,22,422
Loans	-	-	11,400
Cash & Bank balance	-	-	1,25,763
Other financial assets	-	-	3,25,43,157
<b>Total Financial Assets</b>	<b>-</b>	<b>-</b>	<b>11,72,02,742</b>

For Financial Instruments risk management objectives and policies, refer Note 36

Fair value disclosure for financial assets and liabilities are in Note 34 and fair value hierarchy disclosures are in Note 35

**Note 8 : Other current / non-current assets**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
(Unsecured, considered good unless otherwise stated)		
<b>Non-current</b>	-	-
<b>Current</b>		
Advance to suppliers		
To Others	7,82,147	32,97,413
To Employees	50,000	95,000
	<b>8,32,147</b>	<b>33,92,413</b>
Balance with Government Authorities (Refer Note 1 below)	81,60,844	3,30,86,570
Export incentive receivable	3,15,967	13,12,936
Prepaid expenses	-	14,31,072
	<b>93,08,958</b>	<b>3,92,22,991</b>
<b>Total</b>	<b>93,08,958</b>	<b>3,92,22,991</b>

1. Balance with Government Authorities mainly consist of input credit availed

2. Other current assets are given as security for borrowings as disclosed under Note 13

**Note 9 : Inventories (At lower of cost and net realisable value)**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
Raw materials		
Raw materials and components	2,40,12,048	8,36,47,521
Fuel	6,44,255	5,38,422
Work-in-progress	53,13,772	68,19,503
Finished goods	1,36,06,535	2,93,96,171
Stores and spares	66,12,478	84,78,067
Waste	24,400	1,95,200
<b>Total</b>	<b>5,02,13,488</b>	<b>12,90,74,884</b>

Note : Inventory write downs are accounted, considering the nature of inventory, ageing and net realisable value for Rs. 8,21,229/- (March 31, 2019 Rs. Nil). The changes in write downs are recognised as an expense in the Statement of Profit and Loss.

Inventories are hypothecated as security for borrowings as disclosed under Note 13

**Note 10 : Current Tax Assets (Net)**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
<b>Current Tax Assets (Net)</b>		
Tax Paid in Advance (Net of Provision)	8,45,329	6,97,966
<b>Total</b>	<b>8,45,329</b>	<b>6,97,966</b>

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**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 11 : Equity share capital**

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	Amount in Rs.	No. of shares	Amount in Rs.
<b>Authorised share capital</b>				
Equity shares of Rs.10 each (March 31, 2019: Rs. 10 each)	50,00,000	5,00,00,000	50,00,000	5,00,00,000
<b>Issued and subscribed share capital</b>				
Equity shares of Rs.10 each (March 31, 2019: Rs. 10 each)	31,27,986	3,12,79,860	31,27,986	3,12,79,860
<b>Subscribed and fully paid up</b>				
Equity shares of Rs.10 each (March 31, 2019: Rs. 10 each)	31,27,986	3,12,79,860	31,27,986	3,12,79,860
<b>Total</b>	<b>31,27,986</b>	<b>3,12,79,860</b>	<b>31,27,986</b>	<b>3,12,79,860</b>

**11.1. Reconciliation of shares outstanding at the beginning and at the end of the Reporting period**

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	Amount in Rs.	No. of shares	Amount in Rs.
<b>At the beginning of the period</b>	31,27,986	3,12,79,860	31,27,986	3,12,79,860
Add: Issue of Share Capital	-	-	-	-
<b>Outstanding at the end of the period</b>	<b>31,27,986</b>	<b>3,12,79,860</b>	<b>31,27,986</b>	<b>3,12,79,860</b>

**11.2. Terms/Rights attached to the equity shares**

The Company has one class of shares referred to as equity shares having a par value of Rs.10 each. Each shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**11.3. Shares Held by Holding Company**

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	Amount in Rs.	No. of shares	Amount in Rs.
Holding Company - Arvind Limited	23,14,710	2,31,47,100	23,14,710	2,31,47,100

**11.4. Number of Shares held by each shareholder holding more than 5% Shares in the company**

Name of the Shareholder	As at March 31, 2020		As at March 31, 2019	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Holding Company - Arvind Limited	23,14,710	74.00%	23,14,710	74.00%
OG Corporation - Japan	8,13,276	26.00%	8,13,276	26.00%

**11.5 Objective, policy and procedure of capital management, refer Note 37**

Arvind OG Nonwovens Private Limited  
Notes to the Financial Statements

Note 12 : Other Equity

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
<b>Note 12.1 Reserves &amp; Surplus</b>		
<b>Share Application money pending allotment</b>		
Balance as per last financial statements	-	-
Addition during the year	3,66,00,000	-
Balance at the end of the year	<u>3,66,00,000</u>	<u>-</u>
<b>Securities Premium Account</b>		
Balance as per last financial statements	28,02,58,740	28,02,58,740
<b>Surplus in statement of profit and loss</b>		
Balance as per last financial statements	(3,11,29,759)	(1,68,93,806)
Add: Profit / (Loss) for the year	(2,73,32,152)	(1,39,61,238)
Add / (Less): OCI for the year	1,62,107	(2,74,715)
Balance at the end of the year	<u>(5,82,99,804)</u>	<u>(3,11,29,759)</u>
<b>Total reserves &amp; surplus</b>	<u>25,85,58,936</u>	<u>24,91,28,981</u>
<b>Total Other Equity</b>	<u>25,85,58,936</u>	<u>24,91,28,981</u>

The description of the nature and purpose of each reserve within equity is as follows :

a **Securities Premium Account**

Securities premium is created due to premium on issue of shares. These reserve is utilised in accordance with the provisions of the Companies, Act.

Note 13 : Financial liabilities

13 (a) Long-term Borrowings

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
<b>Long-term Borrowings (Refer Note (a) and (b) below)</b>		
<b>Non-current portion</b>		
<b>Secured (at amortised cost)</b>		
Term loan from Banks	9,67,97,315	11,55,47,315
	<u>9,67,97,315</u>	<u>11,55,47,315</u>
<b>Current maturities (Refer Note 13c)</b>		
<b>Secured (at amortised cost)</b>		
Term loan from Banks	2,94,24,705	3,89,78,036
	<u>2,94,24,705</u>	<u>3,89,78,036</u>
<b>Total long-term borrowings</b>	<u>12,62,22,020</u>	<u>15,45,25,351</u>
<b>Short-term Borrowings (Refer Note (c) and (d) below)</b>		
<b>Secured</b>		
Working Capital Loans repayable on demand from Banks	-	35,60,005
<b>Total short-term borrowings</b>	<u>-</u>	<u>35,60,005</u>
<b>Total borrowings</b>	<u>12,62,22,020</u>	<u>15,80,85,356</u>

a **Nature of security:**

**Term loan of Rs. 12,62,22,020/-**

Term Loan from Banks are secured by:

- First charge on the entire fixed assets (movable and immovable) and on land and building.
- Second charge over entire stock of raw materials, stock in process, finished goods, stores and spares, goods in transit, receivables and other current assets of the company

b **Rate of Interest and Terms of Repayment**

Particulars	Amount (Rs.)	Range of Interest (%)	Terms of Repayment from Balance sheet date
<b>From Banks</b>			
Term Loan	12,62,22,020	12.00%	Repayable in 43 quarterly instalments starting from June 2015.

c **Nature of Security**

**Cash Credit and Other Facilities from Banks**

**Secured by**

- First charge over entire stock of raw materials, stock in process, finished goods, stores and spares, goods in transit, receivables and other current assets of the company.
- Second charge on the entire fixed assets (movable and immovable) and on land and building.

d **Rate of Interest**

- Working Capital Loans from banks carry interest rates at rate of 10.00% per annum.

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**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**13 (b) Trade payables**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
<b>Current</b>		
<b>Other Trade Payables (Refer Note below)</b>		
-Total outstanding dues of micro enterprises and small enterprises	35,100	-
-Total outstanding dues other than micro enterprises and small enterprises	4,18,85,366	13,52,66,937
<b>Total</b>	<b>4,19,20,466</b>	<b>13,52,66,937</b>

- b Based on the information available, the disclosures as required under section 22 of the Micro, Small and Medium Enterprise Small Enterprise Development (MSMED) Act, 2006 are presented as follows :

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
(a) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year:		
i) Principal	35,100	-
ii) Interest	-	-
(b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;		
(c) the amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	-	-
(d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
(e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	-	-

**13 (c) Other financial liabilities**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
<b>Current</b>		
Current maturity of long term borrowings (Refer Note 13a)	2,94,24,705	3,89,78,036
Payable to employees	10,97,916	15,60,076
<b>Total</b>	<b>3,05,22,621</b>	<b>4,05,38,112</b>

**13(d) : Financial Liabilities by category**

Particulars	Amount in Rs.	
	FVOCI	Amortised Cost
<b>March 31, 2020</b>		
Borrowings	-	9,67,97,315
Current maturity of long term borrowings	-	2,94,24,705
Trade payables	-	4,19,20,466
Payable to employees	-	10,97,916
<b>Total Financial liabilities</b>	<b>-</b>	<b>16,92,40,402</b>
<b>March 31, 2019</b>		
Borrowings	-	11,91,07,320
Current maturity of long term borrowings	-	3,89,78,036
Trade payables	-	13,52,66,937
Payable to employees	-	15,60,076
<b>Total Financial liabilities</b>	<b>-</b>	<b>29,49,12,369</b>

For Financial Instruments risk management objectives and policies, refer Note 36  
Fair value disclosure for financial assets and liabilities are in Note 34 and fair value hierarchy disclosures are in Note 35

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**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 14: Provisions**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
<b>Long-term</b>		
<b>Provision for employee benefits (Refer Note 31)</b>		
Provision for leave encashment	4,99,212	4,62,803
Provision for Gratuity	6,72,398	7,25,696
	<b>11,71,610</b>	<b>11,88,499</b>
<b>Short-term</b>		
<b>Provision for employee benefits (Refer Note 31)</b>		
Provision for leave encashment	46,368	42,281
Provision for Gratuity	37,491	26,041
	<b>83,859</b>	<b>68,322</b>
Provision for Loss on Derivatives	-	78,361
<b>Total</b>	<b>12,55,469</b>	<b>12,56,821</b>

**Note 15: Government Grants**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
<b>Current</b>		
Deferred income	19,39,249	19,39,248
<b>Non-Current</b>		
Deferred income	70,29,790	89,69,040
<b>Total</b>	<b>89,69,039</b>	<b>1,09,08,288</b>

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants as at March 31, 2020.

Government grant	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
As at April 1	1,09,08,288	1,28,47,536
Received during the year	-	-
Released to statement of profit and loss (Note 18)	19,39,249	19,39,248
<b>As at March 31</b>	<b>89,69,039</b>	<b>1,09,08,288</b>

**Note 16 : Other current liabilities**

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
<b>Current</b>		
Statutory dues including provident fund and tax deducted at source	2,43,073	4,63,530
Other liabilities	6,843	8,424
Advances from customer	27,07,131	-
<b>Total</b>	<b>29,57,047</b>	<b>4,71,954</b>

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**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 17 : Revenue from operations**

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
Sale of products	40,89,76,807	56,02,41,359
Sale of services	15,36,095	93,75,557
Operating income		
Export incentives	29,13,154	20,16,688
Waste sale	2,53,113	2,94,202
Exchange difference (Net)	(10,82,797)	(9,41,415)
Other operating income	40,71,372	-
	61,54,842	13,69,475
<b>Total</b>	<b>41,66,67,744</b>	<b>57,09,86,391</b>

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
<b>I. Disaggregation of revenue</b>		
<b>A. Revenue based on Geography</b>		
i. Domestic	26,46,22,921	38,92,70,056
ii. Export	15,20,44,823	18,17,16,335
	41,66,67,744	57,09,86,391
<b>B. Revenue based on Business Segment</b>		
Nonwoven Product	41,66,67,744	57,09,86,391

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
<b>II. Reconciliation of Revenue from Operation with Contract Price</b>		
Contract Price	41,96,26,922	57,60,21,580
Less:		
Schemes and Discounts	2,58,391	3,08,504
Sales Return	27,00,787	47,26,685
<b>Total Revenue from Operations</b>	<b>41,66,67,744</b>	<b>57,09,86,391</b>

**Note 18 : Other income**

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
Interest income		
- Fixed Deposits	11,19,088	9,87,083
- Others	2,80,010	2,21,114
Government grants	19,39,249	19,39,248
Scrap income	1,05,431	1,72,895
Sundry Credit Balances Appropriated	1,33,524	11,40,141
Provision no longer required	20,331	-
Exchange difference (net)	2,19,028	-
<b>Total</b>	<b>38,16,661</b>	<b>44,60,481</b>

**Note 19 : Cost of trims and accessories consumed**

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
Stock at the beginning of the year	8,36,47,521	5,14,44,024
Add : Purchases	23,63,88,576	42,31,84,686
	32,00,36,097	47,46,28,710
Less : Inventory at the end of the year	2,40,12,048	8,36,47,521
<b>Total</b>	<b>29,60,24,049</b>	<b>39,09,81,189</b>

Arvind OG Nonwovens Private Limited  
Notes to the Financial Statements  
Note 20 : Purchases of stock-in-trade

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
Yarn	67,395	41,03,386
Fabric	96,92,190	2,03,45,761
Fibre	62,23,940	3,15,11,302
<b>Total</b>	<b>1,59,83,525</b>	<b>5,59,60,449</b>

Note 21 : Changes in inventories of finished goods, work-in-progress and waste

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
<b>Stock at the end of the year</b>		
Finished goods	1,36,06,535	2,93,96,171
Work-in-Progress	53,13,772	68,19,503
Waste	24,400	1,95,200
<b>Stock at the beginning of the year</b>		
Finished goods	2,93,96,171	48,51,506
Work-in-Progress	68,19,503	2,78,22,897
Waste	1,95,200	-
<b>Total</b>	<b>1,74,66,167</b>	<b>(37,36,471)</b>

Note 22 : Employee benefits expense

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
Salaries, wages, bonus, commission, etc. (Refer Note 31)	2,35,74,565	2,73,47,723
Contribution to provident and other funds (Refer Note 31)	8,36,845	7,91,046
Welfare and training expenses	3,57,640	3,26,226
<b>Total</b>	<b>2,47,69,050</b>	<b>2,84,64,995</b>

Note 23 : Finance costs

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
<b>Interest Expenses on</b>		
-Loans	1,23,03,677	40,97,913
Other finance cost	98,122	76,500
<b>Total</b>	<b>1,24,01,799</b>	<b>41,74,413</b>

Note 24 : Depreciation and amortization expense

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
Depreciation on Property, Plant & Equipment (Refer Note 5)	3,16,15,886	3,15,66,678
Amortization on Intangible assets (Refer Note 6)	4,36,441	17,45,761
<b>Total</b>	<b>3,20,52,327</b>	<b>3,33,12,439</b>

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**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**  
**Note 25 : Other expenses**

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
Power and fuel	1,47,17,214	1,76,66,094
Insurance	9,93,417	3,65,787
Processing charges	28,40,917	1,70,81,635
Printing, stationery & communication	25,328	1,69,653
Commission & Brokerage	5,54,041	3,27,959
Rates and taxes	1,68,286	13,90,580
Repairs		
To Machinery	22,28,002	25,24,648
To Others	1,93,200	49,400
Freight, insurance & clearing charge	1,85,03,178	1,34,37,149
Legal & Professional charges	3,83,850	53,31,057
Conveyance & Travelling expense	17,38,793	18,60,802
Advertisement and Publicity	5,99,796	2,40,354
Auditor's remuneration (Refer Note a below)	3,42,691	5,34,399
Bank charges	18,62,174	21,35,274
Stores consumed	1,04,03,306	1,90,39,588
Exchange Difference Loss (Net)	-	2,74,761
Miscellaneous expenses	31,80,042	26,98,819
<b>Total</b>	<b>5,87,34,235</b>	<b>8,51,27,959</b>

a. Break up of Auditor's Remuneration		Amount in Rs.	
Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019	
<b>Payment to Auditors as :</b>			
Auditors	2,16,000	2,13,640	
For tax audit	31,000	95,500	
For other certification work	76,251	2,04,500	
For reimbursement of expenses	19,440	20,759	
<b>Total</b>	<b>3,42,691</b>	<b>5,34,399</b>	

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**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 26 : Income Tax**

The major component of income tax expense:

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
<b><u>Statement of Profit &amp; Loss</u></b>		
<b>Current Tax</b>		
Current income tax	-	-
<b>Deferred Tax</b>		
Deferred tax Charge/(Credit)	(96,14,595)	(48,76,863)
<b>Income tax expense reported in the statement of profit &amp; loss</b>	<b>(96,14,595)</b>	<b>(48,76,863)</b>

**OCI Section**

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
<b><u>Statement to Other comprehensive income (OCI)</u></b>		
Deferred tax Charge/(Credit)	56,956	(96,522)
<b>Deferred tax charged to OCI</b>	<b>56,956</b>	<b>(96,522)</b>

**Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate:**

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
<b>A) Current tax</b>		
<b>Accounting Profit/(Loss) before tax</b>	(3,69,46,747)	(1,88,38,101)
<b>Tax Rate</b>	26.000%	26.000%
Current Tax Expenses on Profit/(Loss) before tax at the enacted income tax rate in India	(96,06,154)	(48,97,906)
<b><u>Adjustments</u></b>		
Accelerated depreciation for tax purposes	-	(2)
Deferred Government Grant Income	-	-
Expenditure allowable on payment basis	-	(15,815)
Expenditure allowable over the period (Section 35D / 35DD)	-	-
Unused losses available for offsetting against future taxable income	(9,476)	24,147
Other adjustments	1,035	12,713
<b>Current Tax at the effective income tax rate</b>	<b>(96,14,595)</b>	<b>(48,76,863)</b>

Arvind OG Nonwovens Private Limited  
Notes to the Financial Statements

Particulars	Amount in Rs.			
	Balance Sheet	Statement of Profit & Loss and Other Comprehensive Income	Balance Sheet	Statement of Profit & Loss and Other Comprehensive Income
	As at March 31, 2020	Year Ended March 31, 2020	As at March 31, 2019	Year Ended March 31, 2019
Accelerated depreciation for tax purposes	(1,81,69,950)	(30,81,708)	(2,12,51,658)	(26,75,031)
Expenditure allowable on payment basis	3,41,084	(844)	3,40,240	(2,20,619)
Deferred Government Grant income	23,31,950	5,04,205	28,36,155	5,04,204
Unused losses available for offsetting against future taxable income	5,00,32,345	(69,79,292)	4,30,53,053	(25,83,136)
Expenditure allowable over the period (Section 35D / 35DD)	-	-	-	1,197
<b>Net deferred tax assets/ (liabilities)</b>	<b>3,45,35,429</b>	<b>(95,57,639)</b>	<b>2,49,77,790</b>	<b>(49,73,385)</b>

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
<b>Reconciliation of Deferred Tax Assets/(Liabilities), Net</b>		
Opening balance as at April 1	2,49,77,790	2,00,04,405
Deferred Tax income/(expense) during the period recognised in profit or loss	96,14,595	48,76,863
Deferred Tax income/(expense) during the period recognised in OCI	(56,956)	96,522
<b>Closing balance as at March 31</b>	<b>3,45,35,429</b>	<b>2,49,77,790</b>

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

Arvind OG Nonwovens Private Limited  
Notes to the Financial Statements

Note 27 : Contingent liabilities

Particulars	Amount in Rs.	
	As at	As at
	March 31, 2020	March 31, 2019
Contingent liabilities not provided for	-	-

Note 28 : Capital commitment and other commitments

Particulars	Amount in Rs.	
	As at	As at
	March 31, 2020	March 31, 2019
Capital commitments		
Estimated amount of Contracts remaining to be executed on capital account and not provided for	-	-
Other commitments	-	-

Note 29 : Foreign Exchange Derivatives and Exposures not hedged

The Company holds derivative financial instruments such as foreign currency forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counter party for these contracts is generally a bank.

All derivative financial instruments are recognized as assets or liabilities on the balance sheet and measured at fair value. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation.

The fair values of all derivatives are separately recorded in the balance sheet within current and non-current assets and liabilities depending upon the maturity of the derivatives.

The use of derivative instruments is subject to limits, authorities and regular monitoring by appropriate levels of management. The limits, authorities and monitoring systems are periodically reviewed by management and the Board. The market risk on derivatives is mitigated by changes in the valuation of the underlying assets, liabilities or transactions, as derivatives are used only for risk management purposes.

A. Foreign Exchange Derivatives

As at 31st March, 2020

Outstanding Contracts	Average Exchange Rate (In equivalent Rs.)	Amount in Foreign currency (In Millions)	Nominal (Amount in Rs.)	MTM Value (Amount in Rs.)
<b>Other Hedges (Routed through Profit &amp; Loss)</b>				
<b>Forward Purchase Contracts</b>				
Maturing less than 3 months	-	USD 0.00	-	-
Maturing between 3 to 6 months	-	USD 0.00	-	-
Maturing between 6 to 9 months	-	USD 0.00	-	-
Maturing between 9 to 12 months	-	USD 0.00	-	-
<b>Total/Average</b>	-	<b>USD 0.00</b>	-	-

As at 31st March, 2019

Outstanding Contracts	Average Exchange Rate (In equivalent Rs.)	Amount in Foreign currency (In Millions)	Nominal (Amount in Rs.)	MTM Value (Amount in Rs.)
<b>Other Hedges (Routed through Profit &amp; Loss)</b>				
<b>Forward Purchase Contracts</b>				
Maturing less than 3 months	69.27	USD 0.85	5,89,01,066	(78,361)
Maturing between 3 to 6 months	-	USD 0.00	-	-
Maturing between 6 to 9 months	-	USD 0.00	-	-
Maturing between 9 to 12 months	-	USD 0.00	-	-
<b>Total/Average</b>	<b>69.27</b>	<b>USD 0.85</b>	<b>5,89,01,066</b>	<b>(78,361)</b>

All derivative contracts stated above are for the purpose of hedging the underlying foreign currency exposure.

B. Exposure Not Hedged

Nature of exposure	In FC		In FC		In FC	
	USD in Mn	Amount in Rs.	EURO in Mn	Amount in Rs.	GBP in Mn	Amount in Rs.
<b>Receivables</b>						
As at March 31, 2020	0.12	89,71,268	0.06	52,25,979	0.00	-
As at March 31, 2019	0.05	33,32,418	0.13	1,01,77,296	0.00	1,990
<b>Payable to creditors</b>						
As at March 31, 2020	0.19	1,45,72,695	0.00	56,118	0.00	-
As at March 31, 2019	0.12	80,87,311	0.01	11,55,550	0.00	-

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**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 30 : Segment Reporting**

**Identification of Segments:**

The chief operational decision maker monitors the operating results of its Business segment separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements. Operating segment have been identified on the basis of nature of products and other quantitative criteria specified in the Ind AS 108. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM") of the company.

The Company is primarily engaged in the business of Nonwoven products, which in the context of Indian Accounting Standard 108 on Segment Reporting, constitutes a single reportable primary (business) segment.

**Geographical segment**

Geographical segment is considered based on sales within India and rest of the world.

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
<b>Segment Revenue*</b>		
a) In India	26,46,22,921	38,92,70,056
b) Rest of the world	15,20,44,823	18,17,16,335
<b>Total Sales</b>	<b>41,66,67,744</b>	<b>57,09,86,391</b>
<b>Carrying Cost of Segment Assets**</b>		
a) In India	45,80,63,506	57,45,24,930
b) Rest of the world	1,41,97,247	1,35,11,704
<b>Total</b>	<b>47,22,60,753</b>	<b>58,80,36,634</b>
<b>Carrying Cost of Segment Non Current Assets**@</b>		
a) In India	24,58,67,594	27,68,60,261
b) Rest of the world	-	-
<b>Total</b>	<b>24,58,67,594</b>	<b>27,68,60,261</b>

\* Based on location of Customers

\*\* Based on location of Assets

@ Excluding Financial Assets and Deferred Tax Assets

**Note:**

Considering the nature of business of company in which it operates, the company deals with various customers including multiple geographics. There are five (5) customers together contributing Rs. 21,48,52,674/- (March 31, 2019 : 2 customers, Rs. 19,59,02,031/-) of the total revenue of the company from domestic sales.

**Arvind OG Nonwovens Private Limited**  
Notes to the Financial Statements

**Note 31 : Disclosure pursuant to Employee benefits**

**A Defined Contribution Plans**

The following amounts are recognised as expense and included in Note 22 "Employee benefit expenses"

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
Provident Fund and Contributory Pension Scheme	8,10,334	7,61,147
Superannuation Fund	-	-
	<b>8,10,334</b>	<b>7,61,147</b>

**B Defined Benefit Plans**

The Company has following post employment benefits which are in the nature of defined benefit plans:

**Gratuity**

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied with the number of years of service.

**March 31, 2020: Changes in defined benefit obligation and plan assets**

Amount in Rs.

2019-20	Gratuity cost charged to statement of profit and loss				Benefit paid	Remeasurement gains/(losses) in other comprehensive income					Contributions by employer	March 31, 2020
	April 1, 2019	Service cost	Net interest expense	Sub-total included in statement of profit and loss		Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI		
Gratuity												
Defined benefit obligation	7,51,737	2,06,366	57,809	2,64,175	(86,960)	-	-	11,497	2,07,566	2,19,063	-	7,09,889
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total benefit liability</b>	<b>7,51,737</b>	<b>2,06,366</b>	<b>57,809</b>	<b>2,64,175</b>	<b>(86,960)</b>	<b>-</b>	<b>-</b>	<b>11,497</b>	<b>2,07,566</b>	<b>2,19,063</b>	<b>-</b>	<b>7,09,889</b>

**March 31, 2019: Changes in defined benefit obligation and plan assets**

Amount in Rs.

2018-19	Gratuity cost charged to statement of profit and loss				Benefit paid	Remeasurement gains/(losses) in other comprehensive income					Contributions by employer	March 31, 2019
	April 1, 2018	Service cost	Net interest expense	Sub-total included in statement of profit and loss		Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI		
Gratuity												
Defined benefit obligation	2,69,412	90,128	20,960	1,11,088	-	-	(26,757)	(76,244)	(2,68,236)	(3,71,237)	-	7,51,737
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total benefit liability</b>	<b>2,69,412</b>	<b>90,128</b>	<b>20,960</b>	<b>1,11,088</b>	<b>-</b>	<b>-</b>	<b>(26,757)</b>	<b>(76,244)</b>	<b>(2,68,236)</b>	<b>(3,71,237)</b>	<b>-</b>	<b>7,51,737</b>

The principal assumptions used in determining above defined benefit obligations for the Company's plans are shown below:

Particulars	Year Ended	
	March 31, 2020	March 31, 2019
Discount rate	6.84%	7.69%
Future salary increase	5.00%	6.00%
Expected rate of return on plan assets	0.00%	0.00%
Attrition rate	7.00%	7.00%
Mortality rate during employment	Indian assured lives Mortality(2006-08)	Indian assured lives Mortality(2006-08)

*m.s.*

**Arvind OG Nonwovens Private Limited**

Notes to the Financial Statements

Increase / (Decrease) in defined benefit obligation (Impact)

Particulars	Sensitivity level	Amount in Rs.	
		Year Ended March 31, 2020	Year Ended March 31, 2019
<b>Gratuity</b>			
Discount rate	1% increase	(62,965)	(68,927)
	1% decrease	74,498	81,882
Salary increase	1% increase	75,142	82,257
	1% decrease	(64,545)	(70,548)
Attrition rate	1% increase	6,297	3,224
	1% decrease	(6,176)	(5,127)

The followings are the expected future benefit payments for the defined benefit plan :

Particulars	Amount in Rs.	
	Year Ended March 31, 2020	Year Ended March 31, 2019
<b>Gratuity</b>		
Within the next 12 months (next annual reporting period)	37,491	26,941
Between 2 and 5 years	2,19,195	2,33,580
Beyond 5 years	2,73,809	3,13,021
	<b>5,30,495</b>	<b>5,73,542</b>

Weighted average duration of defined plan obligation (based on discounted cash flows)

Particulars	Year Ended	
	March 31, 2020	March 31, 2019
<b>Gratuity</b>	11	12

**C Leave encashment**

Salaries and Wages includes following amounts towards provision made as per actuarial valuation in respect of accumulated leave encashment/compensated absences.

Particulars	Year Ended	
	March 31, 2020	March 31, 2019
Leave encashment	40,436	3,01,291
	<b>40,436</b>	<b>3,01,291</b>

*net. to.*

**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 32 : Related Party Transactions**

As per the Indian Accounting Standard on "Related Party Disclosures" (Ind AS 24), the related parties of the Company are as follows :

a Name of Related Parties	Nature of Relationship
Arvind Limited	Holding Company
OG Corporation (Japan)	Associate Company
Arvind PD Composites Private Limited	Fellow Subsidiary
Arvind Envisol Limited	Fellow Subsidiary
Mr. Punit S. Lalbhai	Director
Mr. Vinay Swaika	Director
Mr. Hiroaki Machino	Additional Director

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

Particulars	Amount in Rs.		
	Holding Company	Associate Company	Fellow Subsidiary
<b>Purchase of Goods and Materials</b>			
March 31, 2020	11,42,66,971	1,02,84,563	-
March 31, 2019	12,91,02,504	15,93,80,904	1,36,152
<b>Purchase of MEIS Licence</b>			
March 31, 2020	-	-	-
March 31, 2019	-	-	6,95,535
<b>Sales of Raw Material</b>			
March 31, 2020	66,07,354	-	-
March 31, 2019	3,18,99,188	-	-
<b>Sales of Finished Fabrics/Goods</b>			
March 31, 2020	10,80,42,427	-	-
March 31, 2019	13,75,28,752	-	-
<b>Receiving of Services - Processing Charges</b>			
March 31, 2020	23,70,965	-	-
March 31, 2019	1,73,32,585	-	-
<b>Receiving of Services - Service Charges</b>			
March 31, 2020	-	-	-
March 31, 2019	1,08,91,800	-	-
<b>Receiving of Services - Manpower Services</b>			
March 31, 2020	81,50,000	-	-
March 31, 2019	-	-	-
<b>Rendering of Services - Processing Charges</b>			
March 31, 2020	15,36,095	-	-
March 31, 2019	93,75,557	-	-

*msk*

**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**c Balances**

Particulars	Amount in Rs.		
	Holding Company	Associate Company	Fellow Subsidiary
<b>Trade and Other Receivables</b>			
March 31, 2020	5,18,58,921	-	-
March 31, 2019	4,44,26,342	-	-
<b>Trade and Other Payables</b>			
March 31, 2020	95,71,185	1,02,74,012	6,95,535
March 31, 2019	4,13,47,029	4,76,69,097	9,27,203

**d Terms and conditions of transactions with related parties**

1) Transaction entered into with related party are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

**e Commitments with related parties**

The Company has not provided any commitment to the related party (March 31, 2019: Rs. Nil)





**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 33 : Earning per share**

<b>Particulars</b>	<b>Amount in Rs.</b>	
	<b>Year Ended March 31, 2020</b>	<b>Year Ended March 31, 2019</b>
<b>Earning per share (Basic and Diluted)</b>		
Profit/(Loss) attributable to ordinary equity holders	(2,73,32,152)	(1,39,61,238)
Total no. of equity shares at the end of the year (In Nos.)	31,27,986	31,27,986
<b>Weighted average number of equity shares</b>		
For basic EPS (In Nos.)	31,27,986	31,27,986
For diluted EPS (In Nos.)	31,27,986	31,27,986
Nominal value of equity shares - In Rs.	10	10
Basic earning per share - In Rs.	(8.74)	(4.46)
Diluted earning per share - In Rs.	(8.74)	(4.46)
<b>Weighted average number of equity shares</b>		
(In Nos.)		
Weighted average number of equity shares for basic EPS	31,27,986	31,27,986
Effect of dilution		
Weighted average number of equity shares adjusted for the effect of dilution	31,27,986	31,27,986

*Handwritten signature*

**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 34 : Fair value disclosures for financial assets and financial liabilities**

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:

Particulars	Amount in Rs.	
	As at	As at
	March 31, 2020	March 31, 2019
<b>Financial liabilities</b>		
Borrowings		
Carrying Amount	12,62,22,020	15,80,85,356
Fair Value	12,62,22,020	15,80,85,356

See accompanying notes forming part of the Financial Statements

The management assessed that the fair values of cash and cash equivalents, other bank balances, loans trade receivables, other current financial assets, trade payables and other current financial 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

The fair value of borrowings and other financial liabilities is calculated by discounting future cash flows using rates currently available for debts on similar terms, credit risk and remaining maturities.

The discount for lack of marketability represents the amounts that the Company has determined that market participants would take into account when pricing the investments.

**Note 35 : Fair value hierarchy**

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities

Particulars	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Liabilities measured at fair value</b>					
<b>Liabilities disclosed at fair value</b>					
Borrowings	March 31, 2020	12,62,22,020	-	12,62,22,020	-
	March 31, 2019	15,80,85,356	-	15,80,85,356	-

**Fair value hierarchy**

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments that have quoted price. The fair value of all equity instruments which are traded in the stock exchanges is valued using the closing price as at the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3.

There are no transfer between level 1, 2 and 3 during the year.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 36 : Financial instruments risk management objectives and policies**

The Company's principal financial liabilities, other than derivatives, comprise borrowings and trade & other payables. The main purpose of these financial liabilities is to finance the Company's operations and to support its operations. The Company's principal financial assets include Investments, loans given, trade and other receivables and cash & short-term deposits that derive directly from its operations.

The Company's activities expose it to market risk, credit risk and liquidity risk. In order to minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts, foreign currency option contracts are entered to hedge certain foreign currency exposures and interest rate swaps to hedge certain variable interest rate exposures. Derivatives are used exclusively for hedging purposes and not as trading / speculative instruments.

The Company's risk management is carried out by a Treasury department under policies approved by the Board of directors. Company's treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

**(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 borrowings, deposits, investments, trade and other receivables, trade and other payables and derivative financial instruments.

Within the various methodologies to analyse and manage risk, Company has implemented a system based on "sensitivity analysis" on symmetric basis. This tool enables the risk managers to identify the risk position of the entities. Sensitivity analysis provides an approximate quantification of the exposure in the event that certain specified parameters were to be met under a specific set of assumptions. The risk estimates provided here assume:

- a parallel shift of 50-basis points of the interest rate yield curves in all currencies.
- a simultaneous, parallel foreign exchange rates shift in which the INR appreciates / depreciates against all currencies by 2%
- 10% increase / decrease in equity prices of all investments traded in an active market, which are classified as financial asset measured at FVOCI.

The potential economic impact, due to these assumptions, is based on the occurrence of adverse / inverse market conditions and reflects estimated changes resulting from the sensitivity analysis. Actual results that are included in the Statement of profit & loss may differ materially from these estimates due to actual developments in the global financial markets.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity, pension and other post-retirement obligations and provisions.

The following assumption has been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of 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 respective period/year end including the effect of hedge accounting

**Interest rate risk**

Interest rate risk arises from the sensitivity of financial assets and liabilities to changes in market rates of interest. The Company has not hedged its Interest rate risk.

As at March 31, 2020, Nil% of the Company's Borrowings are at fixed rate of interest (March 31, 2019: Nil)

**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Interest rate sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

Particulars	Amount in Rs.	
		Effect on profit before tax
<b>March 31, 2020</b>		
Increase in 50 basis points	(6,31,110)	
Decrease in 50 basis points	6,31,110	
<b>March 31, 2019</b>		
Increase in 50 basis points	(7,90,427)	
Decrease in 50 basis points	7,90,427	

**Exclusion from this analysis are as follows:**

- Fixed rate financial instruments measured at cost : Since a change in interest rate would not change the carrying amount of this category of instruments, there is no net income impact and they are excluded from this analysis

- The effect of interest rate changes on future cash flows is excluded from this analysis.

**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 transacts business in local currency and in foreign currency, primarily in USD. The Company has foreign currency trade payables and receivables etc. and is, therefore, exposed to foreign exchange risk.

**Foreign currency sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in USD ,EUR, SEK and SGD rates to the functional currency of respective entity, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Company's pre-tax equity is due to changes in the fair value of foreign currency monetary items designated as cash flow hedge.

Particulars	Amount in Rs.					
	Change in USD rate	Effect on profit before tax	Change in EUR rate	Effect on profit before tax	Change in GBP rate	Effect on profit before tax
<b>March 31, 2020</b>	+2%	(1,12,029)	+2%	1,03,397	+2%	-
	-2%	1,12,029	-2%	(1,03,397)	-2%	-
<b>March 31, 2019</b>	+2%	(95,098)	+2%	1,80,435	+2%	40
	-2%	95,098	-2%	(1,80,435)	-2%	(40)

Although the financial instruments have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**(b) Credit risk**

Credit risk is the risk that a 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, foreign exchange transactions and other financial instruments.

**Trade receivables**

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit-risk management. Trade receivables are non-interest bearing and are generally on 30 days to 60 days credit term. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit. The Company has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are Companyed into homogenous Companies and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 7a. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

**Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties who meets the minimum threshold requirements under the counterparty risk assessment process. The Company monitors the ratings, credit spreads and financial strength of its counterparties. Based on its on-going assessment of counterparty risk, the Company adjusts its exposure to various counterparties. The Company's maximum exposure to credit risk for the components of the Balance sheet as is the carrying amount as disclosed in Note 34.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Company's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including bilateral loans, debt and overdraft from both domestic and international banks at an optimised cost. It also enjoys strong access to domestic capital markets across equity.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Particulars	Amount in Rs.				
	Less than 1 year	1 year to 2 years	3 years to 5 years	After 5 years	Total
<b>As at March 31, 2020</b>					
Interest bearing borrowings*	4,37,61,958	11,10,81,356	6,99,486	-	15,55,42,800
Trade payables	4,19,20,466	-	-	-	4,19,20,466
Other financial liabilities#	10,97,916	-	-	-	10,97,916
	<b>8,67,80,340</b>	<b>11,10,81,356</b>	<b>6,99,486</b>	<b>-</b>	<b>19,85,61,182</b>
<b>As at March 31, 2019</b>					
Interest bearing borrowings*	6,00,28,423	10,76,89,439	2,93,94,467	-	19,71,12,329
Trade payables	13,52,66,937	-	-	-	13,52,66,937
Other financial liabilities#	15,60,076	-	-	-	15,60,076
	<b>19,68,55,436</b>	<b>10,76,89,439</b>	<b>2,93,94,467</b>	<b>-</b>	<b>33,39,39,342</b>

\* Includes contractual interest payment based on interest rate prevailing at the end of the reporting period over the tenor of the borrowings.

# Other financial liabilities includes interest accrued but not due of Rs. Nil (March 31, 2019 : Nil). Current maturity of long-term borrowings is included in interest bearing borrowing part in above note.

**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 37 : Capital management**

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains an efficient capital structure and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions or its business requirements. 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. The Company includes within net debt, interest bearing loans and borrowings less cash and short-term deposits (including other bank balance).

Particulars	Amount in Rs.	
	As at March 31, 2020	As at March 31, 2019
Interest-bearing loans and borrowings (Note 13)	12,62,22,020	15,80,85,356
Less: Cash and Cash equivalent (Including other bank balance and Book Overdraft)	(1,42,83,372)	(1,25,763)
<b>Net debt</b>	<b>11,19,38,648</b>	<b>15,79,59,593</b>
Equity share capital (Note 11)	3,12,79,860	3,12,79,860
Other equity (Note 12)	25,85,58,936	24,91,28,981
<b>Total capital</b>	<b>28,98,38,796</b>	<b>28,04,08,841</b>
<b>Capital and net debt</b>	<b>40,17,77,444</b>	<b>43,83,68,434</b>
Gearing ratio	27.86%	36.03%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years March 31,2020 and March 31,2019

**Loan covenants**

Under the terms of major borrowing facilities, the Company has complied with the required financial covenants through out the reporting periods



**Arvind OG Nonwovens Private Limited**  
**Notes to the Financial Statements**

**Note 38 : Note on COVID -19**

The spread of COVID-19 has severely impacted businesses around the globe. It has caused severe effects on the economy, world over including India due to lockdowns, disruptions in transportation, supply chain, travel plans, quarantines, social distancing and other emergency measures.

The business of the Company is not severely affected by this disruption. The effects such as lower than normal business, other disruptions are not expected to have continuing effect based on current assessment.

The Company has made detailed assessment of the liquidity position for the next one year and of the recoverability and carrying value of its assets comprising Trade Receivables, Inventory and other financial assets as at balance sheet date and is of the opinion that there is no requirement for any adjustment. In assessing the recoverability of its assets including receivables and inventories, the firm has considered internal and external information up to the date of approval of these financial statements including economic forecasts. The Company has performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions, the firm expects to recover the carrying amount of these assets. The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Company will continue to closely monitor any material changes to future economic conditions.

**Note 39 : New Accounting Pronouncements to be adopted on or after March 31, 2020**

There are no standards or interpretations which are notified but not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods.

**Note 40 : Regrouped, Recast, Reclassified**

Material regroupings: Appropriate adjustments have been made in the statements of assets and liabilities, statement of profit and loss and cash flows, wherever required, by a reclassification of the corresponding items of income, expenses, assets, liabilities and cash flows in order to bring them in line with the groupings as per the audited financials of the Company as at March 31, 2020, prepared in accordance with Schedule III of Companies Act 2013.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Corporate Information**

Arvind OG Nonwovens Private Limited ("the Company") is a company incorporated in India and has its registered office at Arvind Limited Premises, Naroda Road, Ahmedabad – 380025 having CIN U17120GJ2013PTC073807. The Company is engaged in the manufacturing of non-woven products. It is a Joint Venture between Arvind Limited and OG Corporation, Japan.

The Company's Financial Statements were approved by Board of Directors in the meeting held on June 5, 2020.

### **2. Statement of Compliance and Basis of Preparation**

#### **2.1 Basis of Preparation and Presentation and Statement of Compliance**

The Financial Statements have been prepared on a historical cost convention on the accrual basis except for the certain financial assets and liabilities measured at fair value, the provisions of the Companies Act, 2013 to the extent notified ("the Act").

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

The Financial Statements comprising of Balance Sheet, Statement of Profit and Loss including other comprehensive income, Statement of Changes in Equity and Statement of Cash Flows as at March 31, 2020 have been prepared in accordance with Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of schedule III of the Companies Act, 2013 (Ind AS compliant schedule III) as applicable to financial statement.

#### **2.2 Rounding of Amount**

The Financials Statement are prepared in Indian Rupees (INR) and all the values are rounded to nearest rupee as per the requirement of Schedule III, except when otherwise indicated.

### **3. Summary of Significant Accounting Policies**

The following are the significant accounting policies applied by the Company in preparing its Financial Statements consistently to all the periods presented:

#### **3.1. Current versus non-current classification**

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or



- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

### **Operating cycle**

Operating cycle of the Company is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. As the Company's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

### **3.2. Use of estimates and judgements**

The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Company and are based on historical experience and various other assumptions and factors (including expectations of future events) that the Company believes to be reasonable under the existing circumstances. Difference between actual results and estimates are recognised in the period in which the results are known / materialised.

The said estimates are based on the facts and events, that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date.

### **3.3. Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

#### **Business Combination under Common Control**

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and the control is not transitory. The transactions between entities under common control are specifically covered by Ind AS 103. Such transactions are accounted for using the pooling-of-interest

method. The assets and liabilities of the acquired entity are recognised at their carrying amounts of the parent entity's Financial Statements with the exception of certain income tax and deferred tax assets. No adjustments are made to reflect fair values, or recognise any new assets or liabilities. The only adjustments that are made are to harmonise accounting policies. The components of equity of the acquired companies are added to the same components within the Company's equity. The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to other equity and is presented separately from other capital reserves. The Company's shares issued in consideration for the acquired companies are recognized from the moment the acquired companies are included in these financial statements and the financial statements of the commonly controlled entities would be combined, retrospectively, as if the transaction had occurred at the beginning of the earliest reporting period presented.

Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, the assets or liabilities related to employee benefit arrangements and related to leases are recognised and measured in accordance with Ind AS 12 Income Tax, Ind AS 19 Employee Benefits and Ind AS 116 Leases respectively.
- Liabilities or equity instruments related to share based payment arrangements of the acquiree or share – based payments arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.
- Assets (or disposal Companies) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured

at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

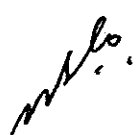
A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

### **3.4. Foreign currencies**

The Company's financial statements are presented in INR, which is also the Company's functional and presentation currency.



## **Transactions and balances**

Transactions in foreign currencies are initially recorded by the Company's 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. Differences arising on settlement of such transaction and on translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rate are recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

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).

### **3.5.Fair value measurement**

The Company measures financial instruments such as derivatives at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability  
Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and for non-recurring measurement, such as asset held for sale.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

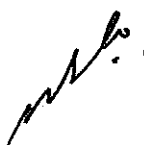
At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable on yearly basis.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes

- Significant accounting judgements, estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Property, plant and equipment & Intangible assets measured at fair value on the date of transition
- Financial instruments (including those carried at amortised cost)



### **3.6. Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. 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 Property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Borrowing cost relating to acquisition / construction of fixed assets which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Capital work-in-progress comprises cost of fixed assets that are not yet installed and ready for their intended use at the balance sheet date.

#### **Derecognition**

An item of property, plant and equipment 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 Statement of Profit and Loss when the asset is derecognised.

#### **Depreciation**

Depreciation on Plant and Machinery is provided on straight line basis over the useful lives of the assets as estimated by management based on internal assessment. The management estimates the useful lives for Plant & Machinery to be 20 years.

The management believes that the useful life as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II to the Companies Act 2013.

Depreciation on other property, plant and equipment is provided so as to write off the cost of assets less residual values over their useful lives of the assets, using the straight line method as prescribed under Part C of Schedule II to the Companies Act 2013.

When parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items (Major Components) and are depreciated over their useful life or over the remaining useful life of the principal assets whichever is less. Depreciation for assets purchased/sold during a period is proportionately charged for the period of use.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### **3.7. Borrowing cost**

Borrowing cost includes interest expense as per Effective Interest Rate (EIR) and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

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 respective asset.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such current investments is deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the year. Capitalisation of borrowing costs is suspended and charged to the statement of profit and loss during the extended periods when the active development on the qualifying assets is interrupted.

All other borrowing costs are expensed in the period in which they occur.

### **3.8. Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Statement of Profit and Loss in the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over their useful economic lives 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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 and Loss when the asset is derecognised.



## **Amortisation**

Patent/Knowhow is amortized over management estimate of its useful life of 5 years.

### **3.9. Inventories**

Inventories of Raw material, Work-in-progress, Finished goods, and Stock-in-trade are valued at the lower of cost and net realisable value. However, Raw material and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in, first out basis.
- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on first in, first out basis.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

All other inventories of stores, consumables, project material at site are valued at cost. The stock of waste is valued at net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### **3.10. Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company. 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 to sell, recent market transactions are taken into account, if available. 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 subsidiaries or other available fair value indicators.



The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering 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.

Impairment losses, including impairment on inventories, are recognised in the Statement of Profit and Loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may 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 and Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

### **3.11. Revenue Recognition**

The Company derives revenues primarily from sale of manufactured and traded goods and related services. 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 below, because it typically controls the goods or services before transferring them to the customer.

#### **a) Sale of goods**

Revenue from the sale of goods is recognized at the point in time when control of the goods is transferred to the customer, i.e., generally on delivery of the goods.

#### **Variable consideration**

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

customers with a right of return and discounts. The rights of return and discounts give rise to variable consideration.

**i. Discounts**

Discounts are offset against amounts payable by the customer. To estimate the variable consideration for the expected future discounts, the Company applies the expected value method. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

**b) Contract balances**

**i. 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.

**ii. 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 section (xiv) Financial instruments – initial recognition and subsequent measurement.

**iii. 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.

**c) Rendering of services**

Revenue from services are recognised based on the services rendered in accordance with the terms of contracts on the basis of work performed.

**d) Interest income**

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in other income in the statement of profit or loss.

**e) Insurance claims**

Claims receivable on account of Insurance are accounted for to the extent the Company is reasonably certain of their ultimate collection.

## **f) Export Incentive**

Export incentives under various schemes notified by government are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same.

### **3.12. Financial instruments – initial recognition and subsequent measurement**

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 assets**

##### **(i) Initial recognition and measurement of financial assets**

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 assets.

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.

##### **(ii) Subsequent measurement of financial assets**

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

- Financial assets at amortised cost
  - Financial assets at fair value through other comprehensive income (FVTOCI)
  - Financial assets at fair value through profit or loss (FVTPL)
  - Equity instruments measured at fair value through other comprehensive income (FVTOCI)
- **Financial assets at amortised cost:**  
A financial asset is measured at amortised cost if:
    - the financial asset is held within a business model whose objective is to hold financial 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 (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.

- **Financial assets at fair value through other comprehensive income**

A financial asset is measured at fair value through other comprehensive income if:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets 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 financial asset is reported as interest income using the EIR method.

- **Financial assets at fair value through profit or loss**

FVTPL is a residual category for financial assets. Any financial asset, 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 financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. 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.

After initial measurement, such financial assets are subsequently measured at fair value with all changes recognised in Statement of profit and loss.

- **Equity instruments:**

All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. 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

### **(iii) Derecognition of financial assets**

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire, or

- The Company has transferred its contractual 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.

#### **(iv) 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.

#### **(v) 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:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 11 and Ind AS 18, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 11 and Ind AS 18 that contain a significant financing component, if the Company applies practical expedient to ignore separation of time value of money, and
- Right Of Use Assets resulting from transactions within the scope of Ind AS 116

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 on a financial instrument 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 Company 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 Company 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

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 in a separate line under the head "Other expenses" in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and ROU Assets: 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.

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**

### **(i) Initial recognition and measurement of financial liabilities**

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 minus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are attributable to the issue of the financial liabilities.

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

### **(ii) Subsequent measurement of financial liabilities**

The measurement of financial liabilities depends on their classification, as described below:

- **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. 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. 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 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 risks 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.

- **Loans and Borrowings**

This is the category most relevant to the Company. After initial recognition, interest-bearing 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.

This category generally applies to borrowings.

### **(iii) Derecognition of financial liabilities**

A financial liability (or a part of a financial liability) is derecognised from its balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

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) Derivative 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 risks and interest rate risks. 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 gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis 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 in 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 hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge 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:

**(i) 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 profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a 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 profit and loss.

**(ii) Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any 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, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other income or expenses.

Amounts recognised as OCI are transferred to profit or 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 the 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.

#### **d) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### **3.13. Cash and cash equivalent**

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

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

#### **3.14. Taxes**

Tax expense comprises of current income tax and deferred tax.

##### **Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

##### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Company recognizes tax credits in the nature of MAT credit 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 tax credit is allowed to be carried forward. In the year in which the Company recognizes tax credits as an asset, the said asset is created by way of tax credit to the Statement of profit and loss. The Company reviews such tax credit 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. Deferred tax includes MAT tax credit.

### **3.15. Employee Benefits**

#### **a) Short Term Employee Benefits**

All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, ex-gratia, performance pay etc. and the same are recognised in the period in which the employee renders the related service.

## **b) Post-Employment Benefits**

### **(i) Defined contribution plan**

The Company's approved provident fund scheme, employees' state insurance fund scheme and Employees' pension scheme are defined contribution plans. The Company has no obligation, other than the contribution paid/payable under such schemes. The contribution paid/payable under the schemes is recognised during the period in which the employee renders the related service.

### **(ii) Defined benefit plan**

The employee's gratuity fund scheme and post-retirement medical benefit schemes are Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on the net basis.

Re-measurements, 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. Re-measurements are not reclassified to Statement of Profit and Loss in subsequent periods.

### **c) Other long term employment benefits:**

The employee's long term compensated absences are Company's defined benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on the net basis.

### **d) Termination Benefits :**

Termination benefits such as compensation under voluntary retirement scheme are recognised in the year in which termination benefits become payable.

## **3.16. Earnings per share**

Basic EPS is calculated by dividing the profit / loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit / loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of

the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

### **3.17. Provisions and Contingencies**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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.

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 recognised 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 recognised because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the Financial Statements.

Contingent assets are not recognised but disclosed in the Financial Statements when an inflow of economic benefits is probable.

### **3.18. Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

### **3.19. Events after the reporting period**

Adjusting events are events that provide further evidence of conditions that existed at the end of the reporting period. The financial statements are adjusted for such events before authorisation for issue. Non-adjusting events are events that are indicative of conditions that arose after the end of the reporting period. Non-adjusting events after the reporting date are not accounted but disclosed.



#### **4. Critical accounting Judgements and key source of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the reported amounts of assets and liabilities, and, income and expenses that are not readily apparent from other sources. Such judgements, estimates and associated assumptions are evaluated based on historical experience and various other factors, including estimation of the effects of uncertain future events, which are believed to be reasonable under the circumstances. The Management has considered the possible effects, if any, that may result from the pandemic relating to COVID-19 on the carrying amounts of its assets. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that have been made by the management in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognised in the financial statements and / or key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### **Defined benefit plans**

The cost of the defined benefit plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country.

Further details about defined benefit obligations are provided in Note 31.

##### **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. 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 relating to these factors could affect the reported fair value of financial instruments. See Note 34 for further disclosures.

### **Allowance for uncollectible trade receivables**

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balance and historical experience. Additionally, a large number of minor receivables is grouped into homogeneous groups and assessed for impairment collectively. Individual trade receivables are written off when management deems them not to be collectible. The carrying amount of allowance for doubtful debts is Rs. Nil (March 31, 2019: Rs. Nil).

### **Taxes**

Deferred tax assets are recognised for unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company has Rs. Nil (March 31, 2019: Rs. Nil) of tax credits carried forward. The Company also has Rs. 5,00,32,345/- (March 31, 2019: Rs. 4,30,53,053) of unused losses available for offsetting against future taxable income. The Company has taxable temporary difference and tax planning opportunities available that could partly support the recognition of these credits as deferred tax assets. On this basis, the Company has determined that it can recognise deferred tax assets on the tax credits carried forward and unused losses carried forward.

Further details on taxes are disclosed in Note 26.

### **Inventories**

An inventory provision is recognised for cases where the realisable value is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors, including prevailing sales prices of inventory item, the seasonality of the item's sales profile and losses associated with obsolete / slow-moving inventory items.

### **Intangible assets**

Refer Note 3.8 for the estimated useful life of Intangible assets.

### **Property, plant and equipment**

Refer Note 3.6 for the estimated useful life of Property, plant and equipment. The carrying value of Property, plant and equipment has been disclosed in Note 5.

### **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.

### **Provisions and contingencies**

The assessments undertaken in recognising provisions and contingencies have been made in accordance with the applicable Ind AS. A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

The Company has significant capital commitments in relation to various capital projects which are not recognized on the balance sheet. In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company.

Guarantees are also provided in the normal course of business. There are certain obligations which management has concluded, based on all available facts and circumstances, are not probable of payment or are very difficult to quantify reliably, and such obligations are treated as contingent liabilities and disclosed in the notes but are not reflected as liabilities in the Financial Statements. Although there can be no assurance regarding the final outcome of the legal proceedings in which the Company involved, it is not expected that such contingencies will have a material effect on its financial position or profitability (Refer Note 27).

### **Lease Term**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

