

The Continuing Growth Story of Engineering Excellence

Building Nation with
Exceptional Engineering since
five decades

Make in India, Make for World

MTAR TECHNOLOGIES PVT LTD
ANNUAL REPORT 2019-20

Forward-looking statement

In this annual report we are presenting some forward looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. Wherever possible, we have tried to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future

performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions.

Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information

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vision

- Be a reliable manufacturer and offer innovative manufacturing solutions to clients across diversified segments and geographies
- Enhance our current engineering capabilities to cater to the engineering needs of the Nation
- Create value for our employees, customers and stakeholders in the process
- Be a socially responsible firm and contribute to solving some of the global problems such as reduction of carbon emissions, thereby create a sustainable eco-system



“Amidst the push by the government for self-reliance of India in manufacturing, the role of MTAR becomes even more significant to cater to the growing engineering needs of the nation”

Dear stakeholders,

Overview

Across the last 50 years, MTAR has played a prominent role in the precision engineering industry, catering to the engineering needs of a growing and aspiring India.

The Company has consistently focused on enhancing value for the nation, employees, customers and stakeholders.

In the last two years, the Company reported outlier growth coupled with a robust order book that indicates a future marked by excitement and sustainability.

MTAR's specialised precision engineering focus has been manifested in diverse product offerings for the Nuclear, Defence & Space as well Clean Energy sectors,

which are critical to modern nation building. The Company's long-term commitment has resulted in it emerging as one of key national players in the exclusive precision engineering space with corresponding visibility, revenues and profitability.

Even as the Company invested extensively in enriching its bandwidth, respect and visibility, it is only moderately indicative of what lies ahead. Following the Indian government's decision to scale investments sizably across the nuclear power, defence and space programs, MTAR's business has begun to play a larger catalytic role in national development directed to address the needs of the day and opportunities of the future.

At MTAR, we believe that we stand at the cusp of dramatic change. The Company expects to deepen its engineering competencies, grow its order book, enhance revenues, strengthen margins and reinforce surpluses. The result, we are confident, will lead to deeper business sustainability across products, terrains and market cycles.

Drivers of the industry

India is passing through one of its most dynamic infrastructure expansion phases, the benefits of which should translate into increased opportunities for each customer segment of our presence. The impending growth in the nuclear, defence and space sectors across the next five years (outlined below) should provide MTAR with a robust platform to scale its business, enhancing value for its stakeholder eco-system. Besides, global clean energy opportunities should provide a significant upside for our Company.

Nuclear power: The installed Indian nuclear power capacity should reach 22,480 MW by 2031 (3x the current capacity) following the completion of under-construction projects and those in the pipeline. The country's 22 operable reactors possess an aggregate capacity of 6,780 MW. The country has outlined a target to complete nine nuclear power reactors by 2024-25; 12 more such reactors have been accorded administrative approval and financial sanctions.

Of 12 nuclear reactors, 10 are likely to be constructed in a fleet mode with a combined generation capacity of 7000 MW. The result is that 21 nuclear power reactors, with an installed capacity of 15,700 MW, are under implementation, envisaged for phased completion by 2031. The 10 PHWRs that shall be constructed in a fleet mode are expected to generate upstream manufacturing orders worth ~Rs. 70,000 cr, a vast opportunity for the Indian nuclear sector in general and for companies like MTAR in particular.

Defence & Space

Defence: The Indian Defence sector stands at an inflection point. A number of policies are being implemented by the Government of India to promote domestic manufacture in line with the Atmanirbhar Bharat initiative. Defence lies at the core of

this Make in India commitment. India plans to invest USD 130 bn in the area of military modernisation in just five years. As per DPP 2020, it is mandatory that 50% of the order value be manufactured in India, which is expected to represent a watershed for the Indian manufacturing sector. The Indian Defence Ministry recently announced a ban on the import of 101 items including fighter aircraft, conventional submarines and towed artillery guns, among others. Besides, the esteemed DRDO announced the indigenisation of 108 items within military systems and sub systems and the corresponding need for technology transfers. At MTAR, we also believe that India's ongoing geo-political engagement with China is expected to catalyse the Indian Defence industry. MTAR is attractively positioned to address some of these opportunities, play a growing role in the Atmanirbhar Bharat and Self-Reliant India initiatives, enhancing national wealth and competitiveness

Space: The global space market opportunity amounts to a staggering USD 360 bn. The accelerated use of Space Launch Vehicles for satellites and testing probe applications, introduction of space tourism and the development of a satellite internet system have catalysed global growth in this segment. ISRO intends to commercialise the Indian Space sector, offering products and services to other countries. ISRO also announced the building of an SSLV to lift satellites up to 500 kg in the Lower Earth Orbit, making its launches competitive for lower payloads. ISRO is also working on some major missions like Gaganyaan, Aditya – 1 and Shukrayaan – 1, among others. ISRO's ongoing activities and projects are expected to translate into exponential growth to Indian space industry. As a cascading influence, we expect this positive development to translate into exponential growth for our sector and company.

MTAR addressing national needs

At MTAR, we believe that this unprecedented opportunity places a large responsibility on a highly specialised engineering company like ours to be proactively positioned and prepared. We correspondingly recognise a need to deepen our technical competencies, increase management bandwidth and

India is passing through one of its most dynamic infrastructure expansion phases, the benefits of which will translate into an increase in opportunities for each of our customer segments of presence.





At MTAR, we foresee a future with exciting potential. The Company possesses a strong product portfolio, professional and technical management, superior research and robust manufacturing capabilities. In view of these capabilities, MTAR is positioned to capitalise on new and developing opportunities.

accelerate organisational momentum through a number of transformational initiatives.

One, even as we grow the business, we will progressively decentralise our decision-making, making it possible for decisions to be taken quicker, closer to the ground and with the objective to transform different activities into centres of excellence. In view of this, MTAR is building a capable team of senior management professionals to lead the Company into its next round of growth.

Two, we are moving the organisation towards strategic business units where each constituent is responsible for its reinvestment, recruitment and growth without seeking perennial recourse to the central balance sheet. We believe that this federal structure will deepen ownership, accountability and business sustainability.

Three, we believe that as the business gets larger, more complex and the compliance environment more demanding, there will be a premium on processes and systems leading to outcome predictability. In view of this, the Company is incorporating stringent practices related to capex approval, justification and capital allocation coupled with checks and balances at various levels leading to a robust governance structure.

Four, we believe that in an environment where the opportunities within our customer's sectors enlarge with speed, competence will lie in being able to track prospects and possible orders, bid competitively and translate enquiries into decisive project wins. In view of this, the Company is strengthening its sales and marketing approach from the team downwards into various initiatives that generate larger orders.

Five, we believe that data lies at the heart of a competitive organisation leading to informed decision-making. In view of this, the Company has invested in an information technology backbone that generates relevant financial and operational data, strengthening our bidding discipline and enhancing our real-time understanding of the Company's business health. We believe that the interplay of our preparedness and growing opportunities should empower MTAR to five-fold its revenue size to Rs. 1000 cr by 2026, making us one of the fast growing companies.

MTAR overview

We intend to enhance our engineering capabilities with the objective to generate consistent outperformance. The Company has demonstrated its capacity to generate a growing order book, increase revenues, enhance margins and deliver a handsome return on invested resources. During a challenging FY2019-20 even as the Indian economy slowed quarter on quarter and reported a 4.2% annual growth, MTAR reported 17% revenue growth.

Message to stakeholders

At MTAR, we foresee a future with exciting potential. The Company possesses a strong product portfolio, professional and technical management, superior research and robust manufacturing capabilities. In view of these capabilities, MTAR is positioned to capitalise on new and developing opportunities.

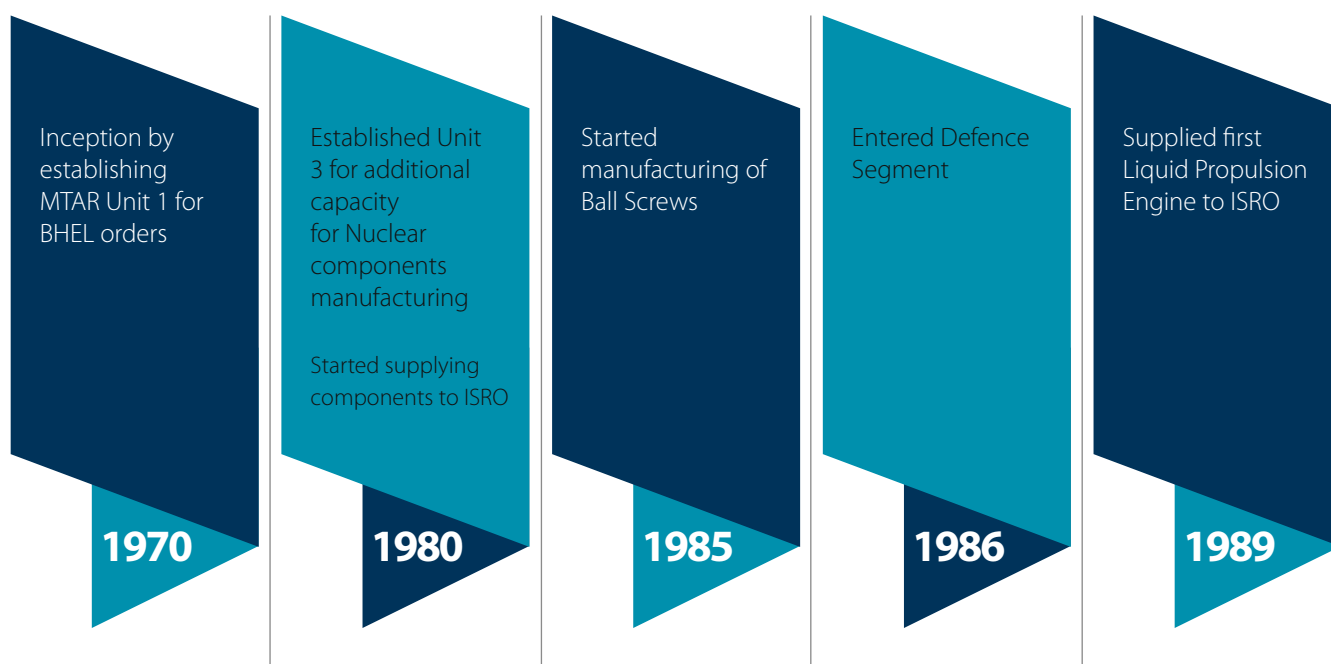
I am thankful to all our stakeholders for supporting us through the last few decades. In 2019-20, the Company delivered a 17% increase in revenues and 11.4% increase in EBITDA. The ROCE was 19.78%, ROE 14%, debt-equity ratio of 0.13 and total dividend paid during 2019-20 as a percentage of PAT is 45%. I must assure our shareholders that this increase did not come at the cost of the Company's brand or short-term tactics that could compromise our long-term strategy.

The Company is seeking select sourcing partnerships to emerge as a Tier 1 supplier or a sub-prime supplier of various equipment and platforms to OEMs like missile manufacturers, aircraft manufacturers, engine manufacturers, spacecraft companies, satellite companies, land systems manufacturers (like artillery, tanks, rockets etc.), naval manufacturers (like submarine manufacturers), among others. The Company is contemplating investments in additional capability development based upon business requirements to address the precision engineering needs of valued customers around an existing foundation of available land and sound financials

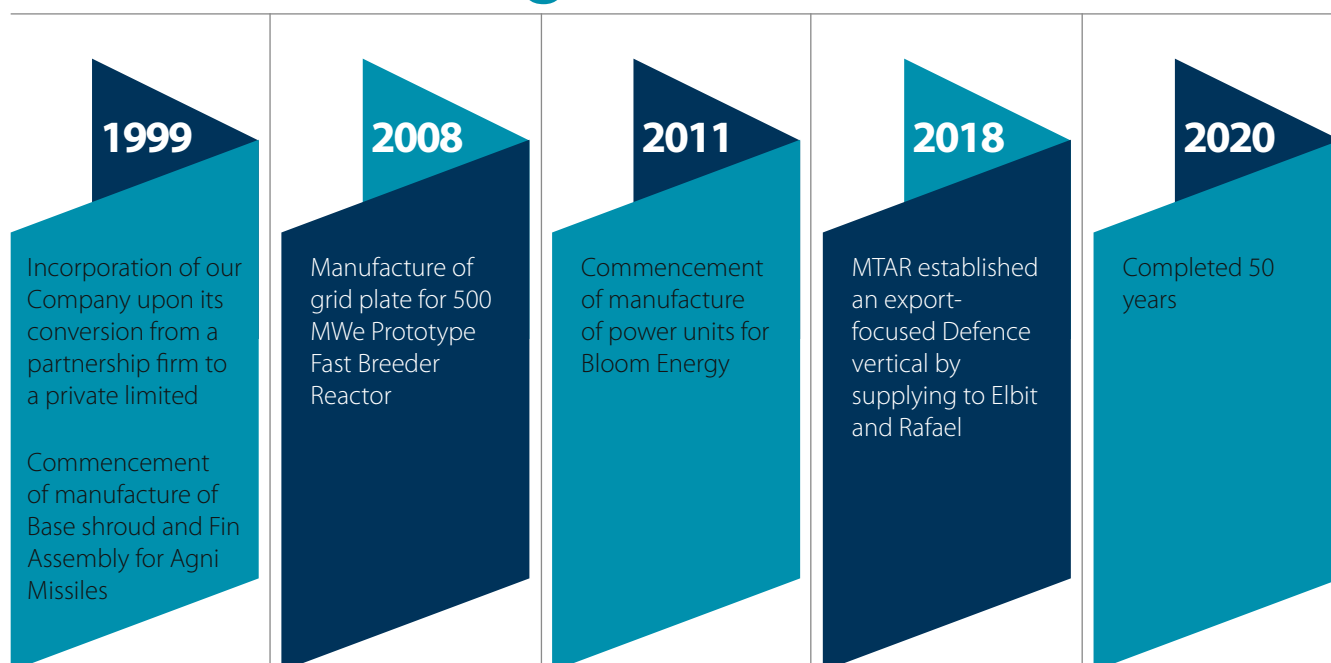
Regards,

P. Srinivas Reddy

Managing Director



MTAR's multi-decade Precision Engineering journey represents its rich heritage in responsible nation building.



MTAR's business overview



Background

The Company commenced its journey in the year 1970 by the three technocrats Mr. P.R. Reddy, Mr. KSN Reddy and Mr. P. J Reddy to primarily serve the engineering needs of GOI during post embargo regime and has been catering to precision engineering needs of the Nation since then.



Status

MTAR Technologies has emerged as one of the leading national players offering precision engineering solutions to customers in Nuclear, Defence & Space and Clean Energy sectors. The Company is headed by P. Srinivas Reddy and supported by a team of experienced technical and corporate management professionals.



Projects

The Company manufactures highly complex assemblies such as Fuel Machining Head, Bridge & Column, Coolant Channel assemblies, Drive Mechanisms etc. for the core of nuclear reactors, Liquid Propulsion Engines, Electro-Pneumatic Modules for Space Launch Vehicles, Base Shroud Assemblies, Airframes etc. for Missiles in Defence and Space sectors.



Presence

The Company is headquartered in Hyderabad (India) with all manufacturing operations conducted across seven units in that city. The Company has constructed a new facility at Adibatla, which it's planning to use for sheet metal vertical. It plans to construct an additional shed at Adibatla for specialised fabrication vertical.



Clientele

The Company caters to leading Indian Organisations such as NPCIL, ISRO, DRDO, HAL, among others and Global OEMs such as Bloom Energy, Rafael and Elbit.



Employees

The Company has 1200 + employees as on date. The Company is led by a team of experienced and dedicated professionals. The Company has a strong technical team with decades of experience in precision engineering, which is considered as a major asset by the Company.



State-of-the-art facilities

The Company is equipped with advance CNC milling, turning, floor boring, jig boring machines etc., assembly & testing, specialised fabrication, quality control, heat treatment, surface treatment and other specialised processes, thereby providing one stop solution for its customers.



Certifications

Key certifications such as ISO 9001:2015 and AS9100D (technically equivalent to EN 9100:2018 and JISQ 9100:2016). Company has initiated the certification process for ISO 14001, 27001, 45001 and NADCAP.



Credit Rating

The Company has been assigned favourable ratings by rating institutions even during COVID time, testifying a sound business model. The Company is rated BBB with a stable outlook by ICRA, considered close to an investment grade company.

Core Competencies

How we became a leading national player in precision engineering over the years catering to major customers in Nuclear, Defence & Space, and Clean Energy sectors

01

Precision engineering expertise with a core manufacturing capability

The Company has developed precision engineering expertise over decades and manufactures a wide range of mission critical precision components and assemblies with close tolerances (5-10 microns), through its precision machining, assembly, testing, quality control, and specialised fabrication facilities, for onward usage by our customers. These operations are supplemented by R&D, a critical part of our business capability, that is undertaken primarily for our manufacturing processes.

02

Wide product portfolio leading to long-standing relationships with our customers

The Company has developed a wide complex product portfolio catering to customers in diverse segments as a result of which, we have been able to establish trusted and long-standing relationships with these customers. As these products require high positional and dimensional accuracy, the experience in manufacturing these, has not only been acquired by us over a period of time, but also has, in the process, created high barriers of entry for other players.

03

Advanced Manufacturing Facilities

We operate through our seven units, each of which, is situated in Hyderabad, Telangana. We have consistently undertaken expansion of our manufacturing facilities through internal accruals, in the past with a view to capture increasing demand in the future. We believe that our manufacturing facilities enable us to expand our operations with ease to meet future demand at minimised cost of expansion.

04

Strong and diversified supplier base for sourcing of raw materials

Our Company has, over the years, developed a robust supply chain for the sourcing of a wide variety of specialised raw materials used in the manufacture of mission critical precision products. Given that raw material expenses constitute a significant portion of our overall cost, we benefit majorly from a strong, spread out and diversified supplier base, which enables us to negotiate favourable terms.

05

Track record of growth in financial performance

We have been able to increase our total revenue at a CAGR of 15.73% during the last three fiscals from ₹1,595.90 mn in Fiscal 2018 to ₹2,137.48 mn in Fiscal 2020. Our EBITDA has grown at a CAGR of 37.81% from Fiscal 2018 to Fiscal 2020.

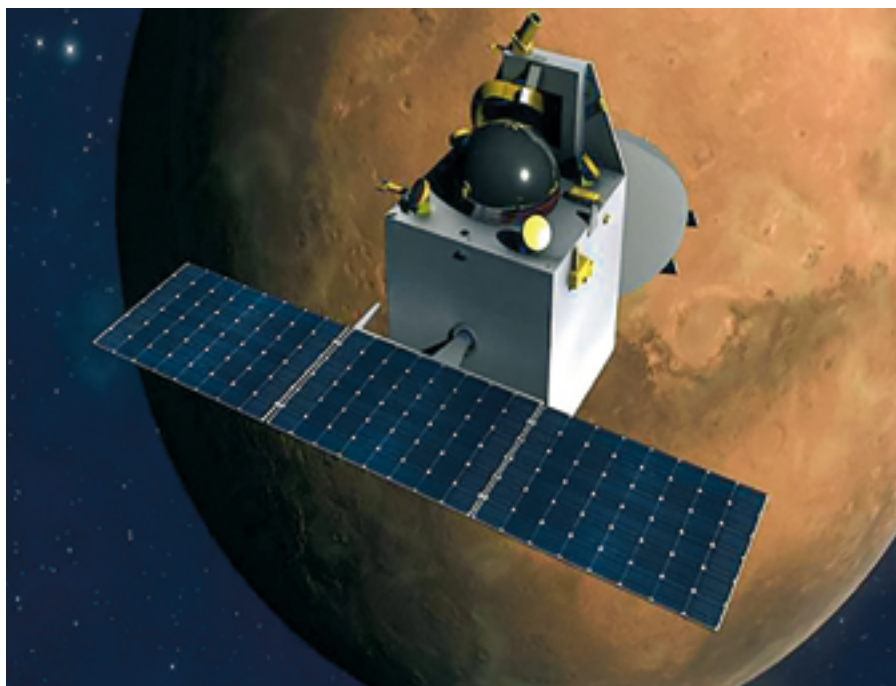
06

Experienced and qualified management team

The Company is led by P. Srinivas Reddy who possesses more than 29 years of experience in the manufacturing and construction space and is familiar with the intricacies of precision engineering segment. In addition, our technical and corporate management team possesses substantial experience in the sectors we serve, which enables us to capture market opportunities, formulate and execute business strategies, and deliver the manufactured components and assemblies as per the required quality.

Contribution to Major National Programs:

Mangalyaan 2, Chandrayaan 2



Mangalyaan

MTAR's contributions...
Assemblies such as
Liquid Propulsion
Engines, Cryogenic
Upper Stage and
Electro-Pneumatic
Modules in space
launch vehicles

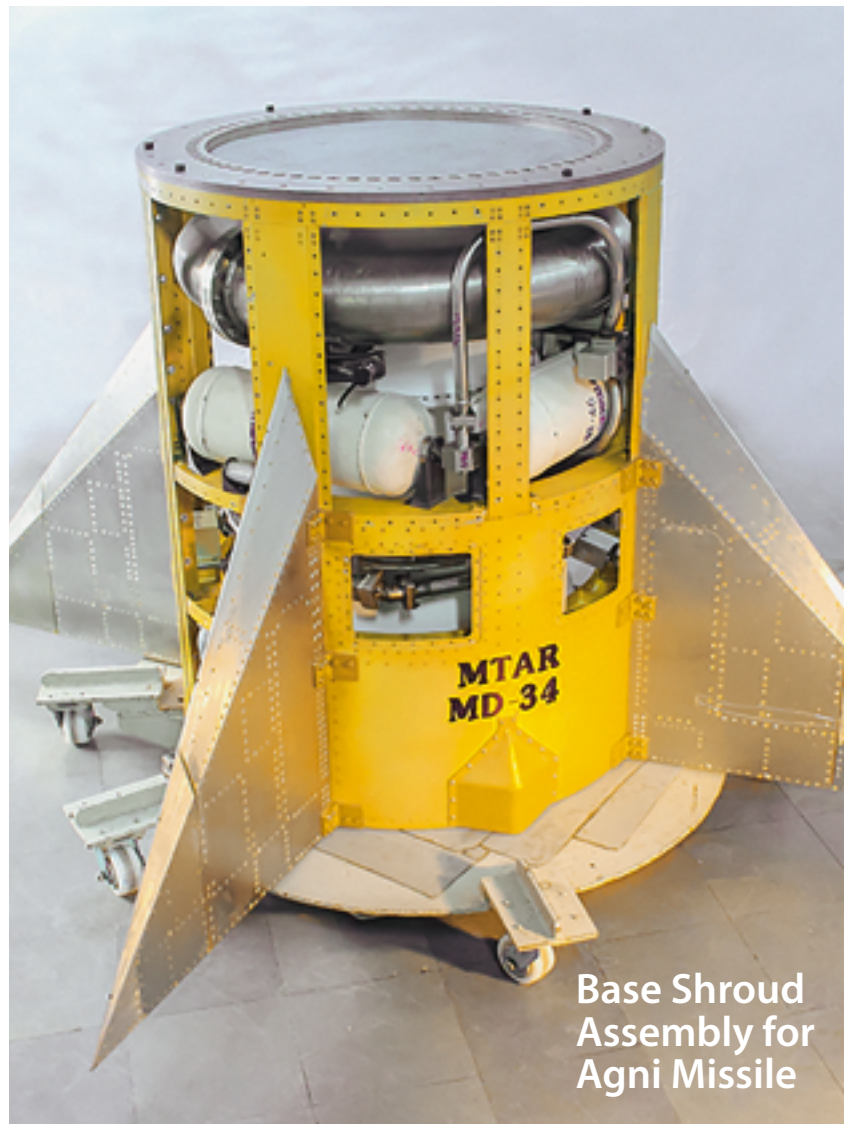
Chandrayaan 2

MTAR contributed to
Chandrayaan 2 Mission
through complex
assemblies such as
Liquid Propulsion
Engines, Cryogenic
Upper Stage and
Electro-Pneumatic
modules in space
launch vehicles



Proud Heritage of Nation Building - Agni Missile and MTAR

Agni
Missile



Base Shroud
Assembly for
Agni Missile

MTAR has manufactured Base Shroud assemblies for Agni A1 & A2 programs and Airframes for A1, A2, A3, A4, A5 & A1P programs

Some major MTAR projects delivered in FY2020

Nuclear



The Company has delivered Calandria Vault (CV) Top Hatch Cover Beam

Application

1. The Calandria Vault (CV) top hatch cover beam (as shown in the photograph), forms the roof of the CV. The nuclear radiations, mainly gamma radiations, emerging out of water in CV above the Calandria are reduced by these beams and deck plates.
2. The top hatch beams are also required to support the reactor shutdown and control systems.

Critical aspects

1. The top faces of the I-beams and the sleeves for various control rods are machined so as to be in one plane.
2. Controlled welding and machining is key to achieve accuracies. Positional accuracy and concentricity of the sleeves is critical to ensure smooth movement of control rods and absorber rods.

Space & Defence



The Company has delivered Vikas Engines

Critical aspects

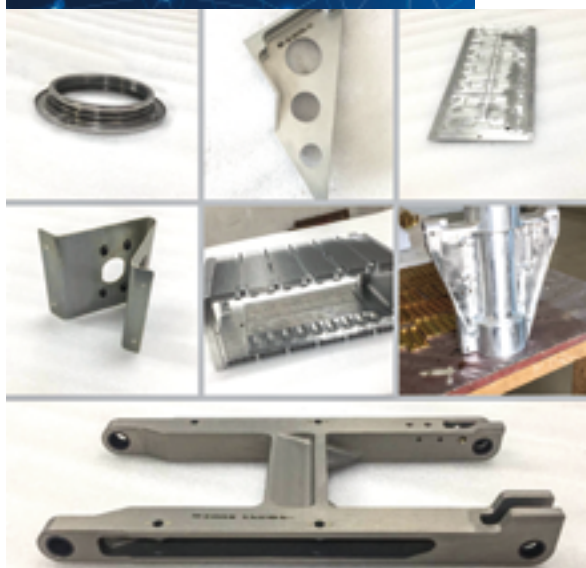
Comprises the manufacture and assembly of 500 precision components and the engine is used in the second stage of GSLV launch. Four engines are used in the first stage and one engine in the second stage of GSLV.

Clean Energy



The Company has ramped up its production and delivered more Hot Boxes compared to the previous year.

Export Defence

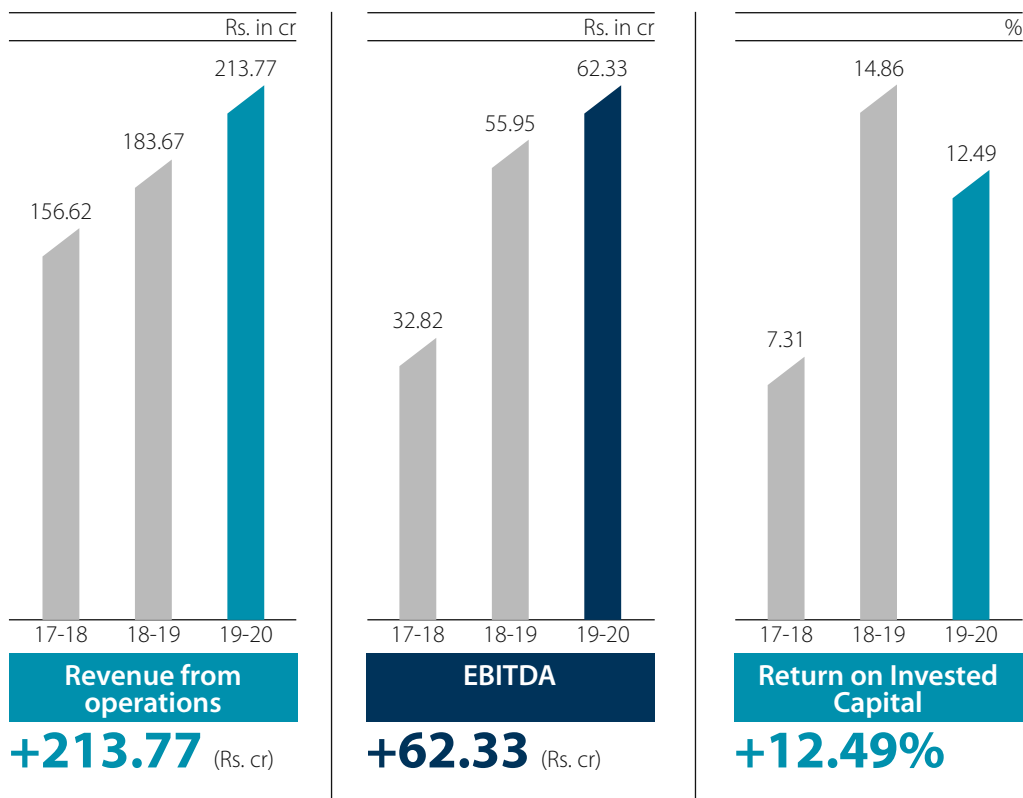


Precision Machined Components

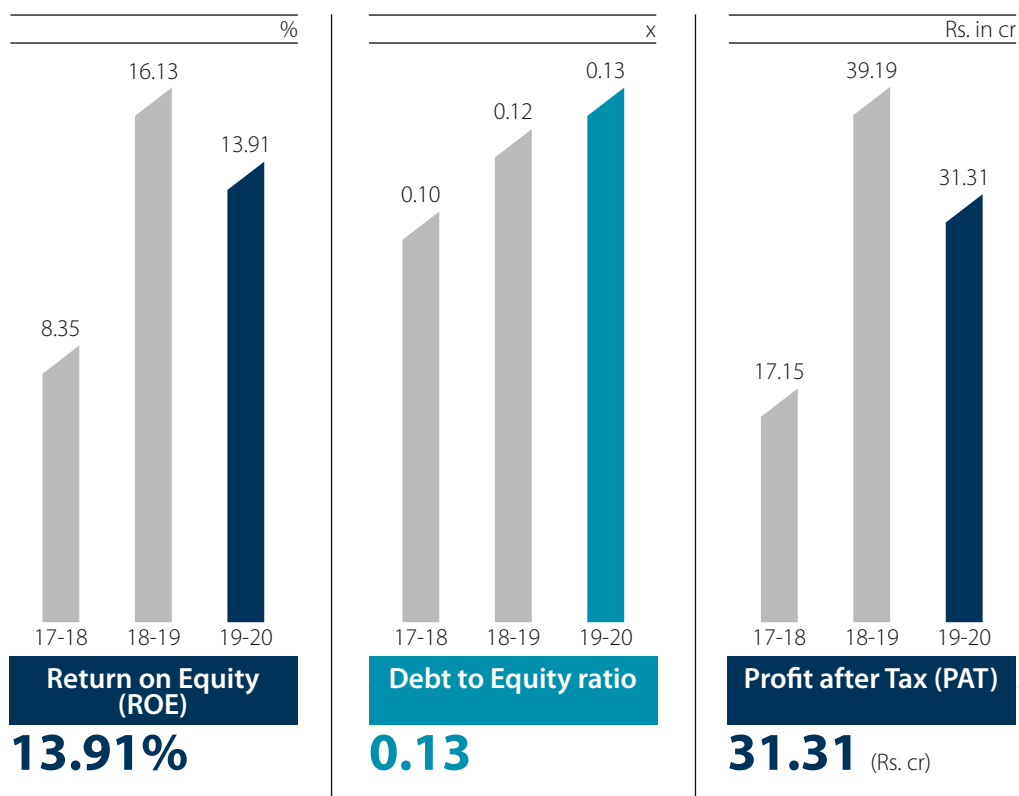


Critical Aluminium Weldments

MTAR strengthened its Export Defence vertical. The Company supplied precision machined components and critical Aluminium Weldments to Rafael for the LRSAM missile program.



This is what we achieved in fiscal 2020



Operational review by the MTAR management

Q

How would you evaluate the performance of the Company in 2019 – 2020?

The financial year under review was one of the challenging in years. Slowing global demand and the onset of the coronavirus affected global growth. Despite these challenges, we are pleased to present the performance of FY2019-

20. Revenues increased 17.34% from Rs. 185.91 cr in 2018-19 to Rs. 218.14 cr in 2019-20 while EBITDA increased 11.4% - from Rs. 55.96 cr in 2018- 19 to Rs. 62.33 cr in 2019-20 while PBT strengthened at 9.57% - from Rs. 41.55

cr in 2018-19 to Rs. 45.54 cr in 2019-20. This represents the curve of a company growing profitably. In view of this, the management proposed a dividend @30% on the face value of Rs. 3 per share for its shareholders.

Q

What are the few measures that you would like to indicate to shareholders?

The principal message that one wishes to communicate is that we did not compromise our long-term competitiveness for a short-term gain. This priority is

reflected in our stable profitability: RoCE grew from 17% to 20% across the period and interest cover ratio improved from 15.06 to 15.65. This demonstrates that we

strengthened every single profitability measure during the year under review.

Q

What were the principal drivers of growth?

The principal growth driver was a secular improvement in the business and not just an improvement in pockets. The result is that the domestic business grew 5.02% in revenues during the year under

review; the export business reported a significant 24.24% jump in revenues. This conclusively demonstrates that our improvement was not the result of tariff protection or localised advantages but

genuinely validated competitiveness derived from a distinctive business model and an austere cost structure at the other.

Q How did the Company address key challenges?

When the business is relatively small, it is relatively simple to control costs. The challenge lies in exercising a similar control when revenues grow as there often a tendency of certain

managements to justify these additional investments in growing the business. What we were particularly pleased about during the year under review was that even as we handsomely grew revenues,

we engaged in robust cost control, which comprised people rationalisation, moderation in unjustified overtime and tighter negotiations with material providers.

Q How is the Company positioned to capitalise on evolving sectoral trends?

MTAR is engaged in working with prominent players across three industries – Nuclear, Defence & Space, and Clean Energy. The Company is extensively respected for cost, quality and delivery capabilities. In turn, this

is backed by superior capabilities in precision machining and assembly, and specialised fabrication. The results: MTAR is respected for being a partner more than a vendor; the Company accounts for a higher revenue proportion from

customers it has been working with for five years or longer. We believe that this reality will translate into a growing order book across the foreseeable future.

Q How does the Company intend to take its business ahead?

The Company seeks to expand its customer base in areas of Nuclear, Defence & Space, Clean Energy through deeper global OEM engagements. In addition, it seeks to bag more projects from its customers by enhancing its capabilities and investing in projects such as sheet metal and specialised fabrication that generate business from existing and new clients in diversified sectors. The Company is also engaged in various business-strengthening

initiatives: enhancing the bandwidth of its talent pool to address growing volumes and customer expectations; strengthening the supply chain to address shorter deliveries, lower costs and stable vendor partners; improving program management to address the growing number of project-based orders; strengthening the governance and review mechanism leading to stable and predictable organisational growth; deepening our data backbone

to respond more precisely (costs and deliveries) to project bids; deepening our sales team with qualified account managers possessing relevant industry experience. We believe that the complement of these initiatives should translate into sustainable top line growth, enhanced profitability and a relatively de-risked business model

Q Has the Company been rated by the credit rating agencies?

We are happy to communicate that the Company was rated BBB Stable by ICRA. The rating validates the Company's

healthy order book, favourable demand prospects across end-user segments given the government's thrust on the

indigenisation, improvements in financial parameters and comfortable cash flows from exports.

Q What is the road ahead for the Company?

Going ahead, the Company will deepen its engineering competence, maximise revenues, increase people utilisation and expand the client base across segments and geographies. In doing so,

the Company seeks to build long-term relationships with customers, accounting for a growing wallet share. To support this planned growth, the Company is undertaking capacity expansion

(IT infrastructure and manufacturing capacity) directed at high-margin business segments and enhanced cost competitiveness leading to business sustainability.

Where does MTAR seek to be in five years?



Aerostructures – Manufacture precision components and assemblies of critical sections



Development and production of Strategic and Tactical Missile Systems



Manufacture precision components and assemblies of critical sections of UAVs



Manufacture precision components and assemblies of critical sections of Naval Systems



Specialised Fabrication Assemblies in Nuclear



Manufacture assemblies to contribute to hydrogen economy in Clean Energy sector

- The Company plans to take up in a big way the manufacture of precision components and assemblies for Missiles, Missile Launchers, Naval Systems, UAVs, Electro-Mechanical Actuators etc. in the Defence & Space sector and specialised fabrication assemblies in Nuclear sector. The Company intends to deepen its presence in the Hydrogen Economy in the Clean Energy sector, contributing to the solving of related national and global problems. These initiatives are expected to evolve MTAR into a Rs. 1000 cr revenues company across the foreseeable future.
- The Company seeks to expand its client base in different geographies to achieve its revenue targets.

Management Analysis

– Customer Segment landscape

– Nuclear



- The Nuclear sector enjoys a high growth potential in India. Currently, 10 Fleet reactors with a combined generation capacity of 7000 MW have been sanctioned by the GOI, an immense opportunity for MTAR
- The Nuclear Power Corporation of India Ltd (NPCIL) is responsible for the design, construction, commissioning and operation of thermal nuclear power plants. However, it is aiming to involve other public sector and private corporations in nuclear power expansion programmes
- The global nuclear power & equipment market is worth USD 67.53 bn. Asia-Pacific is the largest market for nuclear energy comprising the largest number of nuclear power plants in the world. North America holds the second global position while Africa is an attractive emerging market. Besides, UAE is embracing nuclear energy in collaboration with South Korean firms and recently commissioned its first nuclear reactor
- The Company plans to enter into collaboration with companies like Rosatom (Russia), ITER (France), Areva (France) and some in South Korea

Management Analysis

– Customer Segment landscape

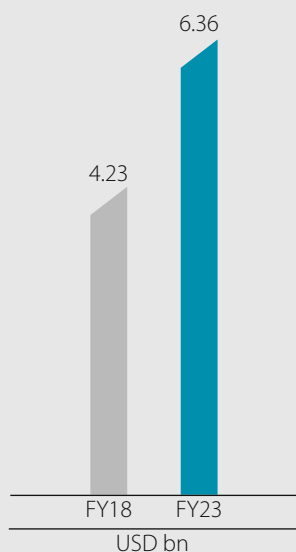
– Defence & Space

Some of the Major Domestic Defence Programs



- The Indian Defence & Aerospace sector is estimated to reach more than Rs. 1.75 lac cr by 2025
- As per the DPP 2020, 50% of the order value is mandated to be manufactured in-house
- The Govt. of India provided permission for FDI up to 74% through the automatic route
- DRDO aims to indigenise 108 military systems and sub systems
- Recently, the Indian Defence Ministry announced a ban on the import of 101 systems that included conventional submarines, towed artillery guns and military vehicles etc.
- A ban on the import of 101 items and the indigenisation of 108 military systems provides a significant upside for the Company to embark on the manufacturing of components and assemblies of critical sections of these items

Global Rocket propulsion Market



ISRO seeks to commercialise the Indian space sector and increase the number of launches, widening sectorial opportunities

Growth factors

- Increased use of Space Launch Vehicles for satellites and testing probe applications, introduction space tourism and development of satellite internet system are driving the growth
- There is a large demand for SSLVs amidst deepening internet penetration
- The Company intends to explore the opportunity of complete SSLV integration in-house



- The global satellite market is lucrative with potential revenues of Rs. 13,000 cr.
- ISRO has launched Rs. 1000 cr value of satellites until now
- MTAR is currently supplying valves and intends to supply more products

Management Analysis: Customer Segment landscape – Clean Energy



- Globally, the clean energy market is expected to reach USD 1500 bn by 2025
- MTAR is participating in the clean energy supply chain through the supply of power

units with an annual export revenue of Rs. 100 cr, which is expected to grow to Rs. 250 cr in three years

- MTAR is a major supplier to Bloom (substantial market share of USD 213 bn in US and USD 608 bn in top 10 power generating countries)



- MTAR is working on manufacturing electrolyzers to produce methane-free hydrogen for customers; the prototype will be dispatched in December 2020.

- The Hydrogen Fuel Cell Market is expected to grow exponentially which is an immense opportunity for Bloom that would in turn provide a large upside to MTAR

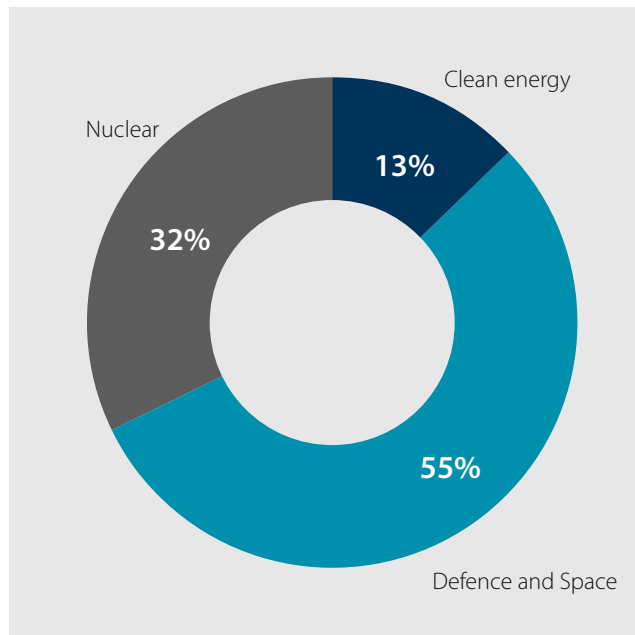
- The Company also anticipates a significant rise in demand for hydrogen fuel in United States, Europe, Japan and South Korea. It intends to tap these markets by manufacturing and providing products to new customers in the clean energy sector

Our strategy to fuel the further growth



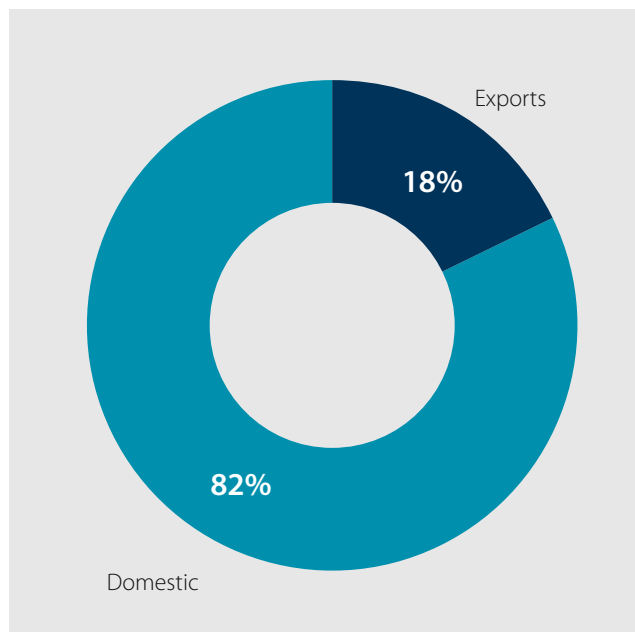
Order book at the end of the FY2020

Order Book - Customer Sector wise



The order book of the Company is expected to grow significantly in Space & Defence due to increased focus of the Company to contribute to this sector amidst push by the government towards initiatives such as Atma Nirbhar Bharat, Self-Reliant India, among others

Order Book - Domestic vs Exports



The Company has maintained a healthy mix of export and import orders. Steps are being taken towards increasing revenue from exports in Clean Energy and Defence & Space sectors

Corporate Social Responsibility – Integrating Sustainability as a part of our Business Model



Corporate Social Responsibility as a code of business conduct

MTAR's contribution for Swachh Bharat Abhyaan



The Company believes that corporate social responsibility is a part of culture of the organisation. We give utmost importance to protecting the interests of all the stakeholders

Business Practices

The Company is involved in fair and ethical business practices and emphasises on upholding its integrity while expanding its business potential.

Development of Employees

Nurturing the talent has always been a prime focus for the Company. We impart regular trainings to our employees at all levels, thereby promoting the knowledge transfer and contributing to the personal development of the employees.

Community Engagement

In our efforts towards CSR, we regularly engage with local bodies and agencies such as police stations to assist them in the beautification of their premises under the Swachh Bharat Abhyaan initiative

Environment

The Company believes in providing a safe and sustainable environment to future generations and has placed special emphasis on green product portfolio. Our involvement in the Clean Energy Supply Chain is a small contribution towards this. By supplying power units to fuel cells of Bloom Energy, which consumes methane that emits 60% less carbon compared to LPG, the Company is indirectly helping reduce carbon emissions. In addition, the Company is involved in manufacturing hydrogen boxes and prototypes for electrolyzers that do not emit carbon. The Company is looking to cater to other global clean energy manufacturers leading to business sustainability.

Creating Value to Stakeholders

The Company creates value to its suppliers, customers and shareholders through its safe business practices. The Company delivers the components and assemblies with superior quality on-time, thereby creating value to its customers. The Company works with its vendors to help them meet the quality standards by following prescribed set of processes, which create a huge value to its suppliers. The revenue and high margins generated by engaging in safe business practices are translated into enhanced stakeholder value.

of the Government of India. We also engaged in social causes such as plasma donation for COVID-19 patients while also partnering with non-governmental organisations to further this cause. A CSR

policy was framed with an objective to deploy funds towards CSR initiatives that create a significant impact.

Corporate Information

BOARD OF DIRECTORS

Mr. P. Srinivas Reddy - Managing Director (Din: 00359139)

Mr. K. Vamsidhar Reddy - Director (Din: 01133873)

Mr. G.V. Satish Kumar Reddy - Director (Din: 06535717)

Mr. Mathew Cyriac - Director (Din: 01903606)

Mr. P. Simhadri Reddy - Director (Din: 00380564)

Mr. M. Anushman Reddy - Director (Din: 08104131)

Mr. Loka Rohith Reddy - Director (Din: 06464331)

REGISTERED OFFICE

18, Technocrats Industrial Estate
Balanagar, Hyderabad, Telangana - 500034

STATUTORY AUDITORS

M/s. S.R Batliboi & Associates LLP
Chartered Accountants
Tablespace, 6th Floor, Western Aqua Building
Whitefields, Hitech City
Hyderabad - 500081

INTERNAL AUDITORS

M/s. Seshachalam & Co,
Chartered Accountants.
1-11-256, Street No.1, Wall Street Plaza
6th Floor, ICICI Building, Begumpet
Hyderabad- 500016

BANKERS

State Bank of India
Industrial Finance Branch, Somajiguda
Hyderabad

CIN

U72200TG1999PTC032836

WEBSITE

<http://www.mtar.in/>

Statutory Section

Director's Report

To
The Members of
MTAR Technologies Private Limited,

We have pleasure in presenting the 21st Directors report together with Audited accounts for the year ended 31st March, 2020.

FINANCIAL SUMMARY/HIGHLIGHTS, OPERATIONS, STATE OF AFFAIRS:

Particulars	(Rs. In Lakhs)	
	Standalone	Consolidated
	2019-20	2018-19
Revenue from operations	21377.35	18367.03
Other Income (Including Exceptional Items)	436.73	353.16
Profit/ (Loss) before Interest, Depreciation & tax	6233.44	5,724.95
Depreciation	(1,204.79)	(1,123.42)
Financial charges	(475.29)	(446.02)
Profit Before Tax	4553.36	4155.51
Provision for Tax (including deferred Tax)	(1,421.45)	(235.60)
Comprehensive Income –As per Ind AS	(239.73)	46.27
Profit After Tax	2892.18	3966.18

PERFORMANCE REVIEW:

The Company has recorded a turnover of Rs. 21377.35 Lakhs and earned profit for the year Rs. 2892.18 Lakhs in the financial year 2019-20 as against the turnover of Rs. 18367.03 Lakhs and profit for the year of Rs. 3966.18 Lakhs in the financial year 2018-19.

Company's Battle with COVID 19

The COVID-19 pandemic has developed rapidly into a global crisis in the last month of FY 2020, thereby forcing governments to enforce lock-downs of all economic activity. The focus of the company immediately shifted to ensuring the health and well-being of all employees, and on minimizing disruption to services for all our customers globally. We have managed to reach the targets of FY 2020 despite the COVID 19 pandemic during the last month of the FY 2020

TRANSFER TO RESERVES:

Directors have decided not to transfer any amount to reserves for the year.

DIVIDEND:

For half year ended 30/09/2019, the Company declared and paid an interim dividend of 30% (Rs.3 per share) which resulted in an outflow of Rs. 8,46,42,396/- towards dividend and Rs. 1,73,98,493/-towards tax thereon @ 20.55% for the Company.

OVERVIEW OF COMPANY'S PERFORMANCE SO FAR IN FY 2021

The company has clocked a revenue of Rs.125 Cr in H1 FY2021 which is 23% higher than revenue of 102 Cr in H1 FY2020. The EBITDA is 34 Cr which is ~4% higher than the EBITDA of 32.8 Cr in H1 FY2020. The company has exceeded its H1 2020 targets in spite of supply chain disruptions due to COVID and less than 5 months of effective operations, because of the timely measures taken by management to resolve the bottlenecks and commitment of the employees. The revenue target for FY 2021 is 250 Cr and target for EBITDA is ~87 Cr

FUTURE OUTLOOK OF BUSINESS:

General Outlook:

The future of our customer segments such as Defence & Aerospace, Space, Nuclear, Clean Energy to which the company caters are estimated to have a lucrative growth. In spite of challenges due to COVID 19 the company's order book is expected to grow aggressively by the end of the year FY 2021 and all the four customer segments are estimated to witness a growth in the number of orders

Space Sector:

Global Space market is witnessing increased use of Space Launch Vehicles for Satellites and testing probe applications, introduction space tourism and development of satellite internet system. ISRO wants to commercialize the Indian Space sector and increase the number of launches to capture the global opportunity, thereby providing lucrative opportunities in Space in the long-term. However, due to COVID 19 the launches might come down during the next two years and are expected to increase exponentially in the subsequent years

The products supplied to ISRO such as Liquid Propulsion Engines, satellite valves etc. are expected to witness an immense demand when the launches increase. In addition, there is huge demand for SSLV (Small Satellite Vehicle) due to the surge in Satellite launches. The company is drawing up plans to take up the complete integration of SSLV in-house. The company also wants to collaborate with ISRO for the development of new technology related to the new missions of ISRO, that will give access to new technology and create a sustainable business in future.

Nuclear Energy:

Nuclear segment is witnessing a huge upward cycle at present. Currently, 10 Fleet reactors with a combined generation capacity of 7000 MW have been sanctioned by GOI. There is an immense opportunity for MTAR from the customers in Nuclear segment in Fleet Reactors and the company's order book is expected to witness a stellar growth as company is sole supplier to some the products to Nuclear customers

Defense & Aerospace

Currently, Indian Defence sector is at inflection point with initiatives such as Make-in-India, Atmanirbhar Bharat etc. The company is well-positioned to benefit from the 'Make in India' initiative pursuant to which the Government of India is keen to encourage defence manufacturing in India. The DPP 2020 states that any order released by government shall require 50% of the indigenous content. The FDI limit in Indian Defence is taken to 74% from 49%, which might attract many global OEMs to India.

The company is focusing on projects such as establishing sheet metal vertical and enhancement of specialized fabrication capabilities in the near term and want to take up opportunities such as gear manufacturing Aerostructures, complete integration of missile systems in the next 3 years. The company has started quoting aggressively for Defence orders and is strategically focusing on critical sections of missiles, bombs, launchers etc. to turn its long-term plans of taking up complete integration of missiles, launchers into reality.

The company has also reactivated its relationship with Elbit and trying get orders for critical assemblies from Rafael. It also targets to reach to OEMs that have major deals with India.

Clean Energy:

Globally, clean energy market is expected to reach USD 1500 bn by 2025. Amidst this upward surge, the business potential of Bloom is expected to increase substantially that will in turn provide a lucrative growth to MTAR. Bloom has a substantial market share of USD 213 Bn in US and USD 608 in top 10 power generating countries. The company is expecting the annual revenue from Bloom will grow to 250 Cr in the next 3 years

Bloom has ventured into Hydrogen fuel cell economy in collaboration with a South Korean firm. Hydrogen Fuel Cell Market is expected to grow exponentially which is an immense opportunity for Bloom that would in turn provide huge upside to MTAR. The company has started working on manufacturing electrolyzers to produce Methane free hydrogen for existing customers and the prototype will be dispatched in the month of Nov 2020, which might give a huge upside.

The Business Plan envisages a growth in topline to 486 Cr in FY2023 from 218 Cr in FY 2020 by 123% and the EBITDA to 172 Cr in FY 2023 from 62 Cr in FY 2020 by 177% in the next three years.

CHANGE IN THE NATURE OF BUSINESS, IF ANY:

During the period under review and the date of Board's Report there was no change in the nature of Business.

EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS:

There are no material changes and commitments affecting financial position of the company between 31st March, 2019 and the date of Board's Report. (i.e. 08.09.2020) except for the impact of the outbreak of COVID-19 which affected every business one way or the other in the country.

BOARD MEETINGS:

The Board of Directors met 4 times during the year on 09.07.2019, 09.08.2019, 23.10.2019, and 27.01.2020 and the maximum gap

between any two meetings is less than four months, as stipulated under the provisions of Companies Act, 2013.

Date	Board Strength	No of Directors Present
09.07.2019	12	10
09.08.2019	12	09
23.10.2019	12	09
27.01.2020	11	10

PUBLIC DEPOSITS:

The Company has not accepted any deposits falling within the meaning of Sec.73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 during the financial year under review.

CAPITAL OF THE COMPANY:

Authorized Share capital and paid up share capital of the company stand at Rs. 66,00,00,000 divided into 6,60,00,000 equity shares of Rs. 10/- each and Rs. 28,21,41,320 divided into 28214132 equity shares of Rs. 10/- each respectively.

The members had approved Buyback of 26,58,621 Equity Shares at a price of Rs.123.206 through tender offer route in the Extraordinary General Meeting held on 28.02.2020 out of which 1454541 equity shares were surrendered and accordingly the consideration was paid. Thereby, reducing the paid up capital of the company to Rs. 26,75,95,910/- divided into 26759591 equity shares of Rs. 10/- each.

INFORMATION ABOUT THE FINANCIAL PERFORMANCE OF SUBSIDIARIES / ASSOCIATES/ JOINT VENTURES:

In order to enter into business agreements/ business with the Defence companies as Indian Offset Partner (IOP), the Company has incorporated a wholly owned subsidiary company "Magnatar Aero Systems Private Limited" on 04.11.2019. As on 31st March, 2020, Magnatar Aero Systems Private Limited is the only subsidiary the company has. The Financial performance of the subsidiary company is mentioned in FORM AOC- 1 in accordance with Section 129(3) of the Companies Act, 2013 which is annexed as Annexure I to this Annual Report.

RISK MANAGEMENT:

The Company ensures that all the risks are timely defined and mitigated.

DETAILS OF DIRECTORS OR KEY MANAGERIAL PERSONNEL WHO WERE APPOINTED OR HAVE RESIGNED DURING THE YEAR:

Directors:

- Sri. N. Rangachary resigned w.e.f. 23.10.2019.
- Sri. P. Jayaprakash Reddy was designated as non- executive Chairman w.e.f. 09.07.2019 and subsequently resigned w.e.f. 10.04.2020.
- Sri. K. Satyanarayana Reddy was designated as Non – Executive Co - Chairman w.e.f. 09.07.2019. Subsequently, due to his sad demise the office was vacated on 07.05.2020.
- Mrs. P. Kalpana Reddy resigned w.e.f. 18.08.2020.
- Dr. Suresh Reddy resigned w.e.f. 08.09.2020

Key Managerial Personnel:

Although sec. 203 of Companies Act, 2013 is not applicable to the Company being a private limited, there were appointments and resignations of designated persons considered as Key Managerial Personnels as mentioned below:

1. Mr. P. Srinivas Reddy was appointed as Managing Director of the Company w.e.f 01.09.2020.
2. Mr. Abhaya Shankar was appointed as CEO of the Company w.e.f 09.05.2019.
3. Mr. Devesh Dhar Dwivedi was appointed as CFO of the Company w.e.f 01.09.2019 and subsequently as Chief Operating Officer w.e.f 01.09.2020.
4. Office of the CEO was vacated w.e.f 10.05.2020.
5. Mr. G. Shubham Barot was appointed as Company Secretary of the Company on 09.04.2019 and subsequently resigned on 30.09.2019.
6. Mr. Sudipto Bhattacharya was appointed as Chief Financial Officer of the Company w.e.f 01.09.2020.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Sec. 134(5) of the Companies Act, 2013 the Board of Directors of your Company hereby certifies and confirms that:

- a. In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. The Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- c. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. The Directors have prepared the Annual accounts on a going concern basis;
- e. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DETAILS IN REPECT OF FRAUDS REPORTED BY AUDITORS UNDER SUB-SECTION (12) OF SECTION 143 OTHER THAN THOSE WHICH ARE REPORTABLE TO CENTRAL GOVERNMENT.

There are no frauds reported by the auditors as per section 143 (12).

STATUTORY AUDITORS:

In accordance with section 139 of the Companies Act, 2013, the members of the company in the Extra Ordinary General Meeting held on 23.10.2019 accorded consent for appointment of M/s. S.R Batliboi & Associates LLP, as Statutory Auditors of the company to fill casual vacancy caused by the resignation of M/s. Seshachalam & Co. from the conclusion of Extraordinary General Meeting till the conclusion of this Annual General Meeting of the Company to be held for the financial year 2019-2020.

The Board proposes to appoint M/s. S.R Batliboi & Associates LLP with the approval of members in this Annual General Meeting and details for the same are attached to the Notice annexed to it.

MAINTENANCE OF COST RECORDS:

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Sec. 148(1) of the Companies Act, 2013 are not applicable for the business activities carried out by the Company.

EXTRACT OF ANNUAL RETURN:

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 as a part of this Annual Report (Annexure IV)

DISCLOSURE OF INTERNAL FINANCIAL CONTROLS

The Internal Financial Controls with reference to financial statements as designed and implemented by the Company are adequate. During the year under review, no material or serious observation have been noticed for inefficiency or inadequacy of such controls. The Company maintains appropriate system of internal control, including monitoring procedures, to ensure that all assets are safeguarded against loss from unauthorized use or disposition. Company policies, guidelines and procedures provide for adequate checks and balances, and are meant to ensure that all transactions are authorized, recorded and reported correctly.

SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS:

During the period under review there are no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and the company's operations in future.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

The Company has not given any loan, guarantee or investment as specified under section 186 of the Companies Act, 2013 except for investment in the wholly owned subsidiary to the extent of subscription money.

CORPORATE SOCIAL RESPONSIBILITY POLICY:

The company has attracted the provisions of Corporate Social Responsibility u/s 135 of Companies Act, 2013 based on the net profit of the company being more than Rs. 5.00 Crores in financial year 2018-19. The company has formed the CSR committee to foresee the CSR activities, adopted the CSR policy and also created a separate bank account exclusively for CSR. The other details are as mentioned in the Annexure III.

RELATED PARTY TRANSACTIONS:

All contracts/arrangements/transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on arm's length basis. Details regarding all such transactions have been mentioned form AOC-2 annexed as Annexure II to this report.

INDUSTRY BASED DISCLOSURES AS MANDATED BY THE RESPECTIVE LAWS GOVERNING THE COMPANY:

The Company is not a NBFC, Housing Companies etc., and hence Industry based disclosures is not required.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUT GO:

The required information as per Sec.134 of the Companies Act 2013 is provided hereunder:

A. Conservation of Energy

Adequate measures have been taken to reduce energy consumption, wherever possible. Total energy consumption

and energy consumption per unit of production is not applicable as company is not included in the industries specified in the schedule.

B. Technology Absorption

All the Factors mentioned in Rule 8 (3) (b) Technology absorption are not applicable to the Company

C. Foreign Exchange Earnings and Out Go

Foreign Exchange Earnings : Rs. 14,217.09 Lakhs

Foreign Exchange Outgo : Rs. 9,975.85 Lakhs

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

The Company always endeavors to create and provide an environment that is free from discrimination and harassment including sexual harassment. The Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

ACKNOWLEDGEMENTS:

The directors would like to express their grateful appreciation for assistance and co-operation received from clients, banks, investors, Government, other statutory authorities and all others associated with the company. Your directors also wish to place on record their deep sense of appreciation for the excellent contribution made by the employees at all levels, which enabled the company to achieve sustained growth in the operational performance during the year under review.

For and on behalf of the Board
MTAR Technologies Private Limited

Mr. P. Srinivas Reddy
Managing Director
(Din: 00359139)

Mr. K. Vamshidhar Reddy
Director
(DIN: 01133873)

Place: Hyderabad
Date: 08.09.2020

Annexure I

Form AOC - 1

Statement containing salient features of the financial statements of Subsidiaries

(Pursuant to proviso to sub-section (3) of section 129 read with Rule 5 of the Companies (Accounts) Rules, 2014)

1. Name of the Subsidiaries: **Magnatar Aero Systems Private Limited**
2. Reporting Period: 04.11.2019* to 31.03.2020
3. Reporting Currency: Indian Rupee

*Co. was incorporated on 04.11.2019.

		(Amount in Rupees)
S. No.	Particulars	Magnatar Aero System Private Limited
1.	Share Capital	1,00,000.00
2.	Reserves and surplus	0.00
3.	Total Assets	1,53,451.00
4.	Total Liabilities	53,451.00
5.	Investments	0.00
6.	Turnover	0.00
7.	Profit / loss before Taxation	0.00
8.	Provision for Taxation	0.00
9.	Profit / loss after Taxation	0.00
10.	Proposed Dividend	0.00
11.	% of Shareholding	100.00

The following information shall be furnished at the end of the statement:

1. Names of Subsidiaries which are yet to commence operation: None
2. Names of subsidiaries which have been liquidated or sold during the year: None

Annexure II

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis : Not Applicable

- | | |
|--|------------------|
| a) Name(s) of the related party and nature of relationship | : Not Applicable |
| b) Nature of contracts/arrangements/transactions | : None |
| c) Duration of the contracts/arrangements/transactions | : Not Applicable |
| d) Salient terms of the contracts or arrangements or Transactions including the value, if any | : Not Applicable |
| e) Justification for entering into such contracts or Arrangements or transactions | : Not Applicable |
| f) Date(s) of approval of the Board | : Not Applicable |
| g) Amounts paid as advances, if any | : None |
| h) Date on which the special resolution was passed in General meeting as required under first proviso to Section 188 | : Not Applicable |

2. Details of material contracts or arrangement or transactions at arms' length basis:

(Amt. in Lakhs)

Name(s) of the related party & nature of relationship	Nature of contracts/ arrangements/ transaction	Duration of the contracts/ arrangements/ transaction	Salient terms of the contracts or arrangements or transaction including the value, if any	Justification of entering into such contracts or arrangements or transactions	Date of approval by the Board	Amount paid as advances, if any	Date on which the special resolution was passed in General Meeting as required under first proviso to Section 188
Samuha Engineering Industries Limited	Balances receivable	2019-20	-	Enterprises over which Key managerial personnel are able to exercise significant influence		2.92	
Magnatar Aero Systems Private Limited	Balances receivable	2019-20	-	Subsidiary company		0.30	
P. Jayaprakash Reddy	Professional charges	2019-20	-	Director		66.40	
K. Satyanarayana Reddy	Professional charges	2019-20	-	Director		48.00	
P. Srinivas Reddy	Professional charges	2019-20	-	Managing Director	N.A	80.00	N.A
M. Anushman Reddy	Remuneration	2019-20	-	Director and Relatives of key management personnel		21.45	
Abhaya Shankar	Remuneration	2019-20	-	Chief executing officer		73.85	
A. Praveen Kumar Reddy	Remuneration	2019-20	-	Relatives of key management personnel		12.00	
A. Pranay Kumar Reddy	Remuneration	2019-20	-	Relatives of key management personnel		15.23	

Annexure III

REPORT ON CSR ACTIVITIES

[Pursuant to section 135 of the Companies Act, 2013 and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

1. A brief Outline of Company's CSR Policy, including overview of projects or programmes undertaken/ proposed to be undertaken:

The CSR Policy adopted by the Board consists of activities as specified in Schedule VII of Companies Act, 2013.

2. Composition of CSR Committee:

The details of the composition of the committee are given below:

- | | |
|--------------------------------|----------|
| 1. Mr. Mathew Cyriac | - Member |
| 2. Mr. P. Srinivas Reddy | - Member |
| 3. Mr. G.V. Satish Kumar Reddy | - Member |
| 4. Mr. K. Vamshidhar Reddy | - Member |

3. Average net profits of the company for last three financial years

The average net profit of the Company for the last three financial years was

Rs. 10,41,54,914/-

4. Prescribed CSR Expenditure (two per cent of above)

The Company has allocated 2% of the average net profits of the last three financial years for the CSR initiative which amounts to Rs. 20,83,098 /-

5. Details of CSR spent during the financial year:

- (a) Total amount spent for the financial year: NIL
- (b) Amount unspent, if any: (Rs) 20,83,098 /-

(c) Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity identified	Sector in which the Project is covered	Location of Project / Programs	Amount outlay	Amount spent on the projects or Programs (rupees in lakhs)	Cumul-ative expenditure upto to the reporting period	Amount spent Direct or through implementing agency
REFER POINT NO. 6							
TOTAL							

6. In case the company has failed to spend the 2% of the average net profits of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its board report:

Since the CSR was applicable to the company based on the financial year ending 31.03.2019, the Board constituted the committee in the first board meeting held after the closure of financial year i.e., 09.07.2019. The Board adopted a CSR policy based on recommendation of the CSR committee. Due to significant changes in the management of the company resulting in strategic changes, the company could not spend the CSR amount. The company shall make due efforts in doing so at the earliest.

7. A responsibility statement of the CSR committee that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the company:

Implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the company.

For and on behalf of the Board
MTAR Technologies Private Limited

Sd/-
P. Srinivas Reddy
Managing Director
(DIN: 00359139)

Date: 08.09.2020
Place: Hyderabad

Annexure IV

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2020

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i. CIN:-	U72200TG1999PTC032836
ii. Registration Date	11/11/1999
iii. Name of the Company	MTAR TECHNOLOGIES PRIVATE LIMITED
iv. Category / Sub-Category of the Company	Company limited by shares/Non government company
v. Address of the Registered office and contact details	18, Technocrats Industrial Estate, Balanagar, Hyderabad, Telangana-500037
vi. Whether listed company Yes / No	No
vii. Name, Address and Contact details of Registrar and Transfer Agent, if any	M/s. Karvy Fintech Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad-500032. Phone Number : 040-67162222, 67161526 Fax: 040-23001153

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products /services	NIC Code of the Product / service	% to total turnover of the company
1.	Manufacture of parts and accessories for aircraft and spacecraft	35303	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

S. No.	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of shares Held	Applicable Section
1	Magnatar Aero Systems Private Limited	U29308TG2019PTC136567	Wholly owned subsidiary company	100.00	2(87)(ii)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding:-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				%Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
Individual/	18812341	246	18812587	66.68	17357800	246	17358046	61.52	5.16
Central Govt	-	-	-	-	-	-	-	-	-
State Govt (s)	-	-	-	-	-	-	-	-	-
Bodies Corp.	-	-	-	-	-	-	-	-	-
Banks / FI	-	-	-	-	-	-	-	-	-
Any Other....	-	-	-	-	-	-	-	-	-
Sub-total (A) (1) :-	18812341	246	18812587	66.68	17357800	246	17358046	61.52	5.16*
(2) Foreign									
a) NRIs -Individuals	-	-	-	-	-	-	-	-	-
b) Other -Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				%Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
e) AnyOther....	-	-	-	-	-	-	-	-	-
Sub-total (A) (2):-	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A) (1)+(A)(2)	18812341	246	18812587	66.68	17357800	246	17358046	61.52	5.16*
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
2. Non Institutions									
a) Bodies Corp.	9310570	-	9310570	33.00	10765111	-	10765111	38.16	5.16
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	90975	-	90975	0.32	90975	-	90975	0.32	-
i) Individual shareholders holding nominal share capital up to Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):- Total Public Shareholding (B)=(B)(1)+(B)(2)	9401545	-	9401545	33.32	10856086	-	10856086	38.47	5.16*
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	28213886	246	28214132	100%	28213886	246	28214132	100%	-

* Change of 5.16 % in shareholding is due to Buy Back through offer letter route completed on 27.03.2020 wherein Mr. P. Jayaprakash Reddy, surrendered 1454541 equity shares which were transferred in buy back account of MTAR Technologies Private Limited and were pending extinguishment as on 31.03.2020.

(ii) Shareholding of Promoters

Sl. No	Shareholder's Name	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
1.	P. Jayaprakash Reddy	1454471	70	1454541	5.16	1204010	70	1204080	4.27	0.89
2.	K. Shalini	2091477	6	2091483	7.41	2091477	6	2091483	7.41	--
3.	P. Leelavathi	693752	--	693752	2.46	693752	--	693752	2.46	-
4.	C. Usha Reddy	1204080	6	1204086	4.27	802720	6	802726	2.85	1.42
5.	G. Kavitha Reddy	1204080	6	1204086	4.27	802720	6	802726	2.85	1.42
6.	D. Anitha Reddy	1204070	--	1204070	4.27	802710	--	802710	2.85	1.42
7.	A. Manogna	1043913	--	1043913	3.70	1043913	--	1043913	3.70	-
8.	M. Madhavi	1043913	6	1043919	3.70	1043913	6	1043919	3.70	-
9.	P. Kalpana Reddy	1324970	--	1324970	4.70	1324970	--	1324970	4.70	-
10.	Saranya Loka Reddy	1234265	--	1234265	4.37	1234265	--	1234265	4.37	-
11.	K. Vamshidhar Reddy	2091477	6	2091483	7.41	2091477	6	2091483	7.41	-
12.	N. Lavanya	1324960	--	1324960	4.70	1324960	--	1324960	4.70	-
13.	P. Girija	1204080	--	1204080	4.27	1204080	--	1204080	4.27	-
14.	P. S. Reddy	90975	--	90975	0.32	90975	--	90975	0.32	-
15.	K. Satyanarayana Reddy	--	76	76	0.00	--	76	76	0.00	-
16.	P. Srinivas Reddy	1692833	-	1692833	6.00	1692833	-	1692833	6.00	-
17.	P. Ravinder Reddy	-	70	70	0.00	-	70	70	-	-
18.	MTAR Technologies Private Limited**	--	--	--	--	1454541	0	1454541	5.16	5.16

** 1454541 equity shares surrendered in the buy-back were in the company's buy back demat account as on 31.03.2020 which were pending extinguishment.

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year		Shareholding at the end of the year		Reason for change
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	
Date wise Increase /Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):						
1	P. Jayaprakash Reddy	1454541	5.16	1204080	4.27	Surrendered 1454541 equity shares under buy back.
2	C. Usha Reddy	1204086	4.27	802726	2.85	Transferred 401360 shares to Mr. P.J. Reddy
3	G. Kavitha Reddy	1204086	4.27	802726	2.85	Transferred 401360 shares to Mr. P.J. Reddy
4	D. Anitha Reddy	1204070	4.27	802710	2.85	Transferred 401360 shares to Mr. P.J. Reddy

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	Shareholder Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total shares of The company	No. of Shares	% of total shares of the company
1.	Fabmohur Advisors LLP	83,71,040	29.67%	83,71,040	29.67%
2.	Solidus Advisors LLP	9,39,530	3.33%	9,39,530	3.33%
Date wise Increase / Decrease in Promoters Share Holding during the Year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):					
At the End of the year		N.A	N.A		

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the	beginning of the year	Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year				
1.	PJayaprakash Reddy	1454541	5.16%	1204080	4.27
2.	KSatyanarayana Reddy	76	0.00%		
3.	P. Srinivas Reddy	1692903	6.00		
4.	K.Vamshidhar Reddy	2091483	7.41		
5.	PS Reddy	90975	0.32		

Date wise Increase /Decrease in Promoters Share Holding during the Year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc): Change in shareholding of Mr. P. Jayaprakash Reddy on account of buy back of 1454541 equity shares.

V. INDEBTEDNESS
Indebtedness of the Company including interest outstanding/accrued but not due for payment

				Rs. In Lakhs
Indebtedness at the beginning of the financial year		Secured Loans excluding deposits	Unsecured Loans	Deposits
i) Principal Amount				Total Indebtedness
ii) Interest due but not paid				
iii) Interest accrued but not due		-	-	2,873.08
Total (i+ii+iii)		-	-	2,873.08
Change in Indebtedness during the financial year				
Addition				
Reduction				
Net Change		-	-	40.25
Indebtedness at the end of the financial year				
i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due		-	-	2,913.33
Total (i+ii+iii)		-	-	2,913.33

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL
A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

			(Amount in lakhs.)
Sl. no.	Particulars of Remuneration	Name of MD/WTM/ Manager:	Total Amount
1.	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	M. Anushman Reddy	21.45
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961		
2.	Stock Option	--	--
3.	Sweat Equity	--	--

(Amount in lakhs.)

Sl. no.	Particulars of Remuneration	Name of MD/MTD/ Manager:			Total Amount
4.	Commission - as % of profit - Others, specify...	--	--	--	--
5.	Others, please specify-				
6.	Total (A)	--	--	--	21.45
7.	Ceiling as per the Act	--	--	--	--

B. Remuneration to other directors

(Amount in lakhs.)

Sl. no.	Particulars of Remuneration	Name of Director			Total Amount
	Independent Directors				
	Fee for attending board / committee meetings ·	-	-	-	-
	Commission /Others, please specify				
	Total (1)	-	-	-	-
	Other Non-Executive Directors ·Fee for attending board / committee meetings · Commission · Others- Consultancy Fee	P. Jayaprakash Reddy -30000 P. Srinivas Reddy- 40000 K. Vamshidhar Reddy-30000 G.V. Satish Kumar Reddy-40000 Dr. Sukesh Reddy-30000 P. Kalpana Reddy-40000 Mathew Cyriac-30000 P. Simhadri Reddy-30000 Loka Rohith Reddy-30000 Anushman Reddy-40000			3,40,000
	Total (2)	--	--	--	3,40,000
	Total (B)=(1+2)				3,40,000
	Total Managerial Remuneration				
	Overall Ceiling as per the Act	--	--	--	NA

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/MTD

(Amount in Lakhs)

Sl. no.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CFO		Total
1.	Gross salary	73.85	25.11	--	98.96
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961				
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
2.	Stock Option	--	--	--	--
3.	Sweat Equity	--	--	--	--
4.	Commission - as % of profit - others, specify...	--	--	--	--
5.	Others, please specify Consultancy Fee	--	--	--	--
6.	Total	73.85	25.11		98.96

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: Not applicable

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	--	--	--	--	--
Punishment	--	--	--	--	--
Compounding	--	--	--	--	--
B. DIRECTORS					
Penalty	--	--	--	--	--
Punishment	--	--	--	--	--
Compounding	--	--	--	--	--
C. OTHER OFFICERS IN DEFAULT					
Penalty	--	--	--	--	--
Punishment	--	--	--	--	--
Compounding	--	--	--	--	--

Standalone Financial Statements

INDEPENDENT AUDITOR'S REPORT

To
The Members of
MTAR Technologies Private Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of MTAR Technologies Private Limited ("the Company"), which comprise the Balance sheet as at March 31 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "standalone Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Other Information

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

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

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

Responsibility of Management for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the [Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Matter

The Ind AS financial statements of the Company for the year ended March 31, 2019, included in these standalone Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on July 09, 2019.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

- (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors 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 with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) The provisions of section 197 read with Schedule V of the Act are not applicable to the 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 litigations which would impact its standalone financial statement
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Navneet Kabra
Partner
Membership Number: 102328
UDIN:

Place of Signature: Hyderabad
Date: September 08, 2020

Annexure 1 to the Independent Auditors' Report

Re: MTAR Technologies Private Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management and audit procedures performed by us, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given to us and audit procedures performed by us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Companies Act 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the Company.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products/services of the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us and audit procedures performed by us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, customs duty, goods and service tax and cess which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to banks. The Company did not have any outstanding dues in respect of a financial institution or government or debenture holders.
- (ix) According to the information and explanations given by the management and audit procedures performed by us, the Company has not raised any money way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the Company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management and audit procedures performed by us, transactions with the related parties are in compliance with section 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting

standards. The provisions of sec 177 are not applicable to the Company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.

- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management and audit procedures performed by us, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per **Navneet Kabra**

Partner

Membership Number: 102328

UDIN:

Place of Signature: Hyderabad

Date: September 08, 2020

Annexure 2 to the Independent Auditor's Report of even date on the Ind AS Financial statement of MTAR Technologies Private Limited

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

We have audited the internal financial controls over financial reporting of MTAR Technologies Private Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an

understanding of internal financial controls over financial reporting with reference to these standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone financial statements, including the possibility of collusion or improper

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone financial statements and such internal financial controls over financial reporting with reference to these standalone financial statements 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 **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per **Navneet Kabra**

Partner

Membership Number: 102328

UDIN:

Place of Signature: Hyderabad

Date: September 08, 2020

Balance sheet as at March 31, 2020

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Particulars	Notes	March 31, 2020	March 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	3	15,496.02	16,204.49
Capital work-in-progress		1,173.44	561.68
Other Intangible assets	3	14.03	14.39
Investment in subsidiary	4	1.00	-
Financial assets			
Investments	4	1.00	1.00
Others	5	329.75	2,265.61
Non-current tax assets (net)	6	61.93	157.64
Other non-current assets	7	398.77	414.02
		17,475.94	19,618.83
Current assets			
Inventories	8	7,545.98	4,107.09
Financial assets			
Trade receivables	9	6,163.74	5,041.67
Cash and cash equivalents	10	500.70	1,076.75
Bank balances other than cash and cash equivalents	11	1,823.54	-
Others	5	166.60	237.15
Other current assets	7	950.74	434.34
		17,151.30	10,897.00
Total assets		34,627.24	30,515.83
Equity and Liabilities			
Equity			
Equity share capital	12	2,675.96	2,821.41
Other equity	13	19,832.13	20,677.00
		22,508.09	23,498.41
Non-current liabilities			
Provisions	14	238.13	111.59
Deferred tax liability (net)	15	530.73	3.13
		768.86	114.72
Current liabilities			
Financial liabilities			
Borrowings	16	2,913.33	2,873.08
Trade payables	17	-	-
- dues of micro enterprises and small enterprises		-	-
- dues of creditors other than micro enterprises and small enterprises		3,076.46	597.83
Provisions	14	343.43	26.84
Current tax liabilities	6	92.33	116.99
Other current liabilities	18	4,924.74	3,287.96
		11,350.29	6,902.70
Total equity and liabilities		34,627.24	30,515.83
Summary of significant accounting policies	2.2		

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm registration number: 101049W/E300004

Chartered accountants

per Navneet Rai Kabra

Partner

Membership no: 102328

Place: Hyderabad

Date: September 08, 2020

For and on behalf of the Board of Directors of

MTAR Technologies Private Limited

P. Srinivas Reddy

Managing Director

DIN: 00359139

Devesh Dhar Dwivedi

Chief Operating Officer

Place: Hyderabad

Date: September 08, 2020

K. Vamshidhar Reddy

Director

DIN: 01133873

Sudipto Bhattacharya

Chief Financial Officer

Statement of profit and loss as at March 31, 2020

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Particulars	Note	March 31, 2020	March 31, 2019
Revenue			
Revenue from operations	19	21,377.35	18,367.03
Other income	20	436.73	223.78
Total revenue		21,814.08	18,590.81
Expenses			
Cost of materials consumed	21	8,725.52	6,553.13
Changes in inventories of work-in-progress	22	(1,508.88)	(296.97)
Employee benefit expense	23	5,162.71	4,350.71
Finance cost	24	475.29	446.02
Depreciation and amortisation expense	25	1,204.79	1,123.42
Other expenses	26	3,201.29	2,388.37
Total expenses		17,260.72	14,564.68
Profit before exceptional items and tax		4,553.36	4,026.13
Exceptional item		-	129.38
Profit before tax		4,553.36	4,155.51
Tax expense	27		
Current tax		984.68	921.27
MAT credit		-	(859.61)
Deferred tax expense		422.41	140.82
Taxes for earlier years		14.37	33.12
Total tax expense		1,421.45	235.60
Profit for the year		3,131.91	3,919.91
Other comprehensive income			
OCI not to be reclassified to profit or loss in subsequent years:			
Remeasurement of Profit or Loss in Subsequent Year		(338.22)	65.28
- Tax on remeasurement of defined benefit plans		98.49	(19.01)
Total OCI for the year, net of tax		(239.73)	46.27
Total comprehensive income for the year		2,892.18	3,966.18
Earnings per equity share of Rs. 10 each fully paid			
Basic and Diluted		11.11	13.89
Summary of significant accounting policies	2.2		

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm registration number: 101049W/E300004

Chartered accountants

per Navneet Rai Kabra

Partner

Membership no: 102328

Place: Hyderabad

Date: September 08, 2020

**For and on behalf of the Board of Directors of
MTAR Technologies Private Limited**

P. Srinivas Reddy

Managing Director

DIN: 00359139

Devesh Dhar Dwivedi

Chief Operating Officer

Place: Hyderabad

Date: September 08, 2020

K. Vamshidhar Reddy

Director

DIN: 01133873

Sudipto Bhattacharya

Chief Financial Officer

Statement of changes in equity for the year ended March 31, 2020

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

a) Equity share capital

Particulars	March 31, 2020		March 31, 2019	
	No.	Amount	No.	Amount
Equity shares of Rs. 10 each issued, subscribed and fully paid up				
At the beginning of the period	2,82,14,132	2,821.41	2,82,14,132	2,821.41
Shares bought back during the period*	(14,54,541)	(145.45)	-	-
At the end of the period	2,67,59,591	2,675.96	2,82,14,132	2,821.41

*The Company has bought back 1,454,541 equity shares of Rs. 10 each at a price of Rs.150 per equity share

b) Other equity

	Securities premium reserve	Capital Redemption Reserve	Surplus in the statement of profit and loss	Total
As at April 01, 2018	13,154.33	-	4,576.89	17,731.22
Profit for the year	-	-	3,919.91	3,919.91
Remeasurements of post-employment benefit obligations classified from other comprehensive income			46.27	46.27
Equity dividend paid and tax thereon	-	-	(1,020.40)	(1,020.40)
As at March 31, 2019	13,154.33	-	7,522.67	20,677.00
Profit for the period	-	-	3,131.91	3,131.91
Buy back of shares	(2,181.81)	145.45		(2,036.36)
Equity dividend paid and tax thereon	-	-	(1,700.69)	(1,700.69)
Remeasurements of post-employment benefit obligations classified from other comprehensive income	-	-	(239.73)	(239.73)
As at March 31, 2020	10,972.52	145.45	8,714.16	19,832.13

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration number: 101049W/E300004
Chartered accountants

per Navneet Rai Kabra
Partner
Membership no: 102328

Place: Hyderabad
Date: September 08, 2020

**For and on behalf of the Board of Directors of
MTAR Technologies Private Limited**

P. Srinivas Reddy
Managing Director
DIN: 00359139

Devesh Dhar Dwivedi
Chief Operating Officer

Place: Hyderabad
Date: September 08, 2020

K. Vamshidhar Reddy
Director
DIN: 01133873

Sudipto Bhattacharya
Chief Financial Officer

Cash flow statement for the year ended March 31, 2020

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Particulars		March 31, 2020	March 31, 2019
A Cash flow from operating activities			
Profit before tax		4,553.36	4,155.51
<i>Non-cash adjustment to reconcile profit before tax to net cash flows</i>			
Depreciation and amortisation		1,204.79	1,123.42
Provision for doubtful receivable and advances		147.82	-
Finance cost		475.29	446.02
Liabilities no longer required written back		(42.55)	(33.36)
Remeasurements of post-employment benefit obligations		(338.22)	65.28
Profit on sale of property, plant and equipment		-	(16.26)
Exceptional item - Profit on sale of land		-	(129.38)
Unrealised exchange gain		(257.66)	-
Interest income		(99.66)	(66.84)
Operating profit before working capital changes		5,643.17	5,544.39
<i>Movements in working capital:</i>			
(Increase) / decrease in trade receivables		(882.57)	(145.04)
(Increase) / decrease in inventories		(3,438.89)	86.09
(Increase) / decrease in current and non current financial assets		1,152.63	(896.67)
(Increase) / decrease in other current and non current assets		(392.75)	15.40
(Decrease)/increase in trade payables		2,499.85	(731.61)
(Decrease)/increase in other current and non current liabilities		1,229.05	390.92
Increase/ (decrease) in provisions		443.13	(294.99)
Cash generated from operations		6,253.62	3,968.49
Income tax paid (net of refunds)		(724.32)	(943.25)
Net cash flows from operating activities	(A)	5,529.30	3,025.24
B Cash flow used in investing activities			
Purchase of property, plant and equipment, including intangible assets, capital work in progress and capital advances		(1,188.89)	(2,650.37)
Proceeds from sale of property, plant and equipment		-	299.53
Investment in subsidiary		(1.00)	-
Investment in /(redemption from) deposits		(961.86)	1.28
Interest received		91.76	66.16
Net cash flows used in investing activities	(B)	(2,059.99)	(2,283.40)

Cash flow statement for the year ended March 31, 2020

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Particulars		March 31, 2020	March 31, 2019
C Cash flow from financing activities			
Dividend and dividend distribution tax paid		(1,700.69)	(1,020.41)
Buy back amount paid		(1,792.38)	-
Proceeds from short term borrowings		40.25	894.51
Finance cost paid		(592.54)	(446.02)
Net cash flows from financing activities	(C)	(4,045.36)	(571.92)
Net increase in cash and cash equivalents	(A+B+C)	(576.05)	169.92
Cash and cash equivalents at the beginning of the year		1,076.75	906.83
Cash and cash equivalents at the end of the year		500.70	1,076.75
Components of cash and cash equivalents			
Cash and bank balances includes :			
Cash on hand		2.12	1.92
Balance with banks:			
Current accounts		9.02	1,074.83
Deposits with original maturity of less than three months		489.56	-
Total cash and cash equivalents		500.70	1,076.75
Summary of significant accounting policies	2.2		

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration number: 101049W/E300004
Chartered accountants

per Navneet Rai Kabra
Partner
Membership no: 102328

Place: Hyderabad
Date: September 08, 2020

For and on behalf of the Board of Directors of
MTAR Technologies Private Limited

P. Srinivas Reddy
Managing Director
DIN: 00359139

Devesh Dhar Dwivedi
Chief Operating Officer

Place: Hyderabad
Date: September 08, 2020

K. Vamshidhar Reddy
Director
DIN: 01133873

Sudipto Bhattacharya
Chief Financial Officer

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

1. Corporate Information

MTAR Technologies Private Limited ("MTAR" or "the Company") is a private limited company domiciled in India, with its registered office at 18, Technocrats Industrial Estate, Balanagar, Hyderabad, Telangana, India 500037. The Company is engaged in the business of manufacturing high precision and heavy equipment, components, machines for sectors including nuclear, space & defence, clean energy, among others.

The Financial statements were approved for issue in accordance with a resolution of the directors on September 08, 2020.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III). The financial statement has been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

The financial statements are presented in Indian Rupees (INR) in Lakhs.

2.2 Summary of significant accounting policies

a) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

The Company classifies all other liabilities as non-current.

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

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

b) Property, plant and equipment

Property, plant and equipment are stated at cost, net of tax / duty credit availed, less 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 plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset. Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income)/expense, net" in the statement of profit and loss.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Freehold land is measured at cost net of accumulated impairment, if any

Capital work-in-progress (CWIP) includes cost of property, plant and equipment under installation/ under development net off impairment loss, if any, as at the balance sheet date. Directly attributable expenditure incurred on project under implementation are shown under CWIP. At the point when an asset is capable of operating in the manner intended by management, the capital work in progress is transferred to the appropriate category of property, plant and equipment.

Cost of assets not ready for use at the balance sheet date are disclosed under capital work-in-progress. Capital work in progress is stated at cost, net of accumulated impairment loss, if any.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

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

Depreciation is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, which is equal to the life prescribed under the Schedule II to the Companies Act, 2013

The useful lives estimated by the management are given below:

Category of Asset	Estimated useful life (years)
Property, plant and equipment	
Land	NA
Buildings	30
Plant and machinery	15
Electrical equipment	5
Furniture and fixtures	10
Office equipment	5
Computers	3 / 6 years
Vehicles	8

c) Intangible assets

Costs relating to computer software, which is acquired, are capitalised and amortised on a straight-line basis over their estimated useful lives of three years.

Gains or losses arising from de-recognition 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.

d) Revenue from contract with customers

Revenue from contracts with customer is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Goods and service Tax (GST) is not received by the Company on its own account. It is a tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it has been excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue is recognized when control of the goods is passed to the customer. The point at which control passes is determined based on the terms and conditions by each customer arrangement, but generally occurs on delivery to the customer. The contracts that Company enters into relate to sales order containing single performance obligations for the delivery of goods as per Ind AS 115. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Other operating revenue - Export incentives

Export benefits are recognised where there is reasonable assurance that the benefit will be received and all attached conditions will be complied with. Export benefits on account of export promotion schemes are accrued and accounted in the period of export and are included in other operating revenue.

Contract Balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivable

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

e) Impairment of non financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

g) Foreign currency transactions

Items included in the financial statements of Company are measured using currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Indian rupees (INR), which is the functional currency of the Company.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company in INR at spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at INR spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit and loss. 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).

h) Financial instruments

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

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under Ind AS 115.

Subsequent measurement

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

Debt instruments at amortised cost

Debt instruments at fair value through other comprehensive income (FVTOCI)

Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. 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.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Debt instruments at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debts Instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments:

All equity investments are measured at fair value except for equity investment in Subsidiary which have been measured at cost.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised when:

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

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

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition,

ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

The measurement of financial liabilities is as described below:

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

De-recognition

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

Reclassification of financial instruments

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.

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.

i) Fair value of financial instruments

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. In determining the fair value of its financial instruments, the Company uses following hierarchy and assumptions that are based on market conditions and risks existing at each reporting date.

Fair value hierarchy:

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.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

j) Taxes

Current income tax

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for that period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

Deferred income tax is recognised using the balance sheet approach, deferred tax is recognized on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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 utilized.

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

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

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.

The Company offsets deferred tax assets and deferred tax 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 taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the concerned company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The company reviews the MAT credit entitlement asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

k) Employee Benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The cost of providing benefits under the defined benefit plan is determined based on actuarial valuation using the projected unit credit method.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to statement of profit and loss in subsequent periods.

Past service costs are recognised in statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, as it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

l) Provisions and Contingent Liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 and 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 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 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 recognise the contingent liability but discloses its existence in the financial statements.

m) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted EPS amounts are calculated by dividing the profit attributable to equity shareholders by the weighted average number of Equity shares outstanding during the year plus the weighted average number of equity shares outstanding, for the effects of all dilutive potential shares.

n) Cash and Cash Equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, 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.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

o) Inventories

Inventories are valued at the lower of cost and net realizable value after providing for obsolescence and other losses, where considered necessary. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The methods of valuation of various categories of inventories are as follows:

- i. **Raw materials** : Lower of cost and net realizable value. Cost is determined on weighted average basis
- ii. **Stores and consumables** : Inventory of stores and consumables is valued at cost. Cost is determined on weighted average basis
- iii. **Work-in-progress**: Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of production overheads based on normal operating capacity. Cost is determined on weighted average basis.

p) Cash dividend to equity holders of the Company

The Company recognises a liability to make cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

2.3 Changes in accounting policies and disclosures

New and amended standards

Ind AS 116 Leases

The Company applied Ind AS 116 Leases for the first time. Ind AS 116 supersedes Ind AS 17 Leases including its appendices. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The Application of the standard did not have a material impact to the financial statement of the Company as there are no leases.

Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 Income Taxes. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Appendix did not have a material impact on the financial statements of the Company.

Several other amendments apply for the first time for the year ending March 31, 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, amendments that have been issued but are not yet effective/notified.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

3. Property, plant and equipment and intangible assets

	Land	Buildings	Plant and machinery	Electrical equipment	Furniture and fixtures	Office equipment	Computers	Vehicles	Total tangible assets	Intangible assets - software	Total
Cost											
As at April 01, 2018	4,800.79	3,625.93	17,191.66	174.84	171.63	57.77	149.80	68.38	26,240.80	208.33	26,449.13
Additions	-	144.78	2,088.10	-	2.04	-	12.11	7.62	2,254.65	18.41	2,273.06
Disposals	129.38	-	327.19	-	-	-	-	14.68	471.25	-	471.25
As at March 31, 2019	4,671.41	3,770.71	18,952.57	174.84	173.67	57.77	161.91	61.32	28,024.20	226.74	28,250.94
Additions	-	3.61	445.12	-	4.58	5.72	23.85	6.57	489.45	6.51	495.96
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at March 31, 2020	4,671.41	3,774.32	19,397.69	174.84	178.25	63.49	185.76	67.89	28,513.65	233.25	28,746.90
Depreciation and amortisation											
As at April 01, 2018	-	1,078.35	9,458.12	166.10	96.46	53.27	138.71	29.81	11,020.82	205.18	11,226.00
Charge for the year	-	115.13	970.28	-	16.84	1.33	4.25	8.42	1,116.25	7.17	1,123.42
Disposals	-	-	302.68	-	-	-	-	14.68	317.36	-	317.36
As at March 31, 2019	-	1,193.48	10,125.72	166.10	113.30	54.60	142.96	23.55	11,819.71	212.35	12,032.06
Charge for the year	-	119.44	1,046.69	-	16.68	0.72	8.60	5.79	1,197.92	6.87	1,204.79
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at March 31, 2020	-	1,312.92	11,172.41	166.10	129.98	55.32	151.56	29.34	13,017.63	219.22	13,236.85
Net block											
As at March 31, 2020	4,671.41	2,461.40	8,225.28	8.74	48.27	8.17	34.20	38.55	15,496.02	14.03	15,510.05
As at March 31, 2019	4,671.41	2,577.23	8,826.85	8.74	60.37	3.17	18.95	37.77	16,204.49	14.39	16,218.88

3.1 : Capital work in progress

Particulars	Amount
At April 01, 2018	184.37
Additions (subsequent expenditure)	462.77
Capitalised during the year	(85.46)
As at 31 March 2019	561.68
Additions (subsequent expenditure)	737.11
Amount written off/adjustment	(116.17)
Capitalised during the year	(9.18)
As at 31 March 2020	1,173.44

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

4. Investments

	March 31, 2020	March 31, 2019
Non-current		
Unquoted equity shares		
(a) In subsidiaries (at cost)		
Magnatar Aero Systems Private Limited		
[99,800 (March 31, 2019: NIL) equity shares of par value Rs. 1 each fully paid]	1.00	-
	1.00	-
(b) Others (at fair value through profit or loss)		
Samuha Engineering Industries Limited	1.00	1.00
[10,000 (March 31, 2019: 10,000) equity shares of par value Rs. 10 each]		
	1.00	1.00
Aggregate amount of unquoted investments in others	2.00	1.00

5. Financial assets - others

Unsecured, considered good

	March 31, 2020	March 31, 2019
Non-current		
Retention money	139.18	1,223.46
Security deposits	138.78	130.47
Non-current bank balances	50.00	911.68
Interest accrued	1.79	-
	329.75	2,265.61
Current		
Interest accrued	39.17	33.06
Contract asset - unbilled revenue	124.31	198.20
Loans and advances to employees	3.12	5.89
	166.60	237.15

6. Tax asset / (liability)

	March 31, 2020	March 31, 2019
Non-current tax asset		
Tax assets	61.93	157.64
Current tax liability		
Tax liability	(92.33)	(116.99)
	(30.40)	40.65

7. Other assets

Unsecured, considered good unless stated otherwise

	March 31, 2020	March 31, 2019
Non-current		
Advance to related parties (refer note 36)	2.92	2.92
Prepaid expenses	143.15	44.24
Advance for capital goods	163.17	82.00
Balances recoverable from government authorities	219.19	284.86
Less: Provision for doubtful balances recoverable from government authorities	(129.66)	-
	398.77	414.02
Current		
Advance to related parties (refer note 36)	0.30	-
Advance to suppliers	342.78	112.35
Prepaid expenses	260.27	173.17
Incentives receivable	216.96	145.67
Balances recoverable from government authorities	130.43	3.15
	950.74	434.34

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

8. Inventories

At the lower of cost and net realisable value (as applicable)

	March 31, 2020	March 31, 2019
Raw materials	3,621.53	1,897.92
[Includes in transit: Rs. 841.79 lakhs (March 31, 2019: Rs. 89.22 lakh)]		
Work-in-progress	3,572.24	2,063.36
Consumables, stores and spares	352.21	145.81
	7,545.98	4,107.09

Write down of inventories to net realisable value amounted to Rs. 215.15 lakhs (March 31, 2019 : Rs. Nil). These were recognised as an expense during the year and included in 'cost of materials consumed and changes in inventories of work-in-progress'.

9. Trade receivables

	March 31, 2020	March 31, 2019
Current		
Unsecured considered good	6,163.74	5,041.67
Doubtful - Credit impaired	18.16	-
Less: allowance for doubtful receivable - impairment provision	(18.16)	-
	6,163.74	5,041.67
Movement in expected credit loss		
Opening Balance	-	-
Provision created	36.40	96.14
Bad debts written off	18.24	96.14
Closing Balance	18.16	-

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

10. Cash and cash equivalents

	March 31, 2020	March 31, 2019
Cash on hand	2.12	1.92
Balances with banks		
On current accounts	9.02	1,074.83
Deposits with original maturity less than 3 months	489.56	-
	500.70	1,076.75

11. Balances at bank other than cash and cash equivalents

	March 31, 2020	March 31, 2019
Balances with banks:		
Deposits with original maturity for more than three months but remaining maturity of less than twelve months	1,823.54	-
	1,823.54	-

Breakup of financial assets carried at fair value through profit or loss:

	March 31, 2020		March 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Investments	1.00	1.00	1.00	1.00

Breakup of financial assets carried at amortised cost:

	March 31, 2020		March 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Trade receivables	6,163.74	6,163.74	5,041.67	5,041.67
Cash and cash equivalent	500.70	500.70	1,076.75	1,076.75
Financial assets - others	2,319.89	2,319.89	2,502.76	2,502.76
	8,984.33	8,984.33	8,621.18	8,621.18

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

12. Equity share capital

	As at March 31, 20120		As at March 31, 2019	
	Number of shares	Amount	Number of shares	Amount
Authorised share capital				
Equity shares of Rs. 10 each	6,60,00,000	6,600.00	6,60,00,000	6,600.00
Issued, subscribed and fully paid up shares				
Equity shares of Rs. 10 each	2,67,59,591	2,675.96	2,82,14,132	2,821.41

(a) Reconciliation of equity shares outstanding at beginning and at end of the year:

	March 31, 2020	March 31, 2019
Outstanding at the beginning of the year	2,82,14,132	2,82,14,132
Bought back during the year	(14,54,541)	-
Outstanding at the end of the year	2,67,59,591	2,82,14,132

The Board of Directors at its meeting held on January 27, 2020, approved the Buy Back of 2,658,621 equity shares at a price of Rs. 123.206 per share for a total value of Rs. 3,275.58 lakhs being 9.42% of the paid-up Equity Share Capital and free reserves of the Company. Accordingly, during the year, the Company has bought-back 1,454,541 equity shares at a price of Rs. 123.206 per share for an aggregate amount of Rs. 1,792.08 lakhs. Further, the Company have paid buy back tax of Rs. 389.73 Lakhs. The extinguishment of shares were pending as at March 31, 2020. The nominal value of equity shares bought back and extinguished amounting to Rs. 145.45 lakhs has been reduced from the paid up equity share capital and a corresponding amount has been transferred from Securities Premium Reserve to Capital Redemption Reserve. The premium paid for buy-back amounting to Rs. 2,036.36 Lakhs (including the buy back tax) has been appropriated from the Securities Premium Reserve.

(b) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for 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, except in case of interim dividend. 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.

(c) Details of shareholders holding more than 5% equity shares in the Company

	As at March 31, 20120		As at March 31, 2019	
	Number of shares	%	Number of shares	%
(i) Fabmohur Advisors LLP	83,71,040	31.28%	83,71,040	29.67%
(ii) K. Vamshidhar Reddy	20,91,483	7.82%	20,91,483	7.41%
(iii) K. Shalini	20,91,483	7.82%	20,91,483	7.41%
(iv) P. Srinivasa Reddy	16,92,903	6.33%	16,92,903	6.00%
(v) P. Jayaprakash Reddy*	-	0.00%	14,54,541	5.16%

*The Company has bought back 1,454,541 equity shares of Rs. 10 each at a price of Rs.150 per equity share

The above shareholding represents both legal and beneficial ownership of shares.

(d) Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

During the year ended March 31, 2020, the Company has bought back 1,454,541 equity shares of Rs. 10 each.

There are no equity shares issued as bonus and shares issued for consideration other than cash during the period of five years immediately preceding the reporting date.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

13. Other equity

	March 31, 2020	March 31, 2019
Securities Premium *		
Balance as per last financial statements	13,154.33	13,154.33
Less: Utilised for buy back of equity shares	(2,036.36)	-
Less: Transferred to capital redemption reserve	(145.45)	-
	10,972.52	13,154.33
Capital Redemption Reserve **		
Balance as per last financial statements	-	-
Add: Transferred from securities premium on buy back of equity shares	145.45	-
	145.45	-
Surplus in the statement of profit and loss		
Balance as per last financial statements	7,522.67	4576.89
Remeasurements of post-employment benefit obligations classified from other comprehensive income	(239.73)	46.27
Add: Profit for the year	3,131.91	3,919.91
Less: Appropriations		
Equity dividend @ Rs. 5 each share (March 31, 2019: Rs. 3 per share)	(1,410.71)	(846.42)
Tax on equity dividend	(289.98)	(173.98)
Surplus in the statement of profit and loss	8,714.16	7,522.67
	19,832.13	20,677.00

* Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

**Capital redemption reserve represents the amount of profits transferred from security premium for the buy back of equity shares.

14. Provisions

	March 31, 2020	March 31, 2019
Non-current		
Provision for Employee Benefits		
- Gratuity	238.13	111.59
	238.13	111.59
Current		
Provision for Employee Benefits		
- Gratuity	133.40	-
- Compensated absences	210.03	26.84
	343.43	26.84

15. Deferred tax liability (net)

	March 31, 2020	March 31, 2019
Deferred tax liability arising on account of timing differences relating to:		
Written down value difference of property, plant and equipment between tax and financial books	2,016.60	2,051.54
	2,016.60	2,051.54
Deferred tax asset arising on account of timing differences relating to:		
Expenses allowed on payment basis	220.26	74.48
MAT credit entitlement	1,265.61	1,469.29
Carry forward of unabsorbed depreciation loss	-	504.64
	1,485.87	2,048.41
	530.73	3.13

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

15. Deferred tax liability (net) (contd.)

Break up of deferred tax (asset) / liabilities

Particulars	Opening balance	Recognised in the statement of profit and loss	Recognised in OCI	Closing balance
For the year ended March 31, 2020:				
Written down value difference of property, plant and equipment between tax and financial books	2,051.54	(34.94)	-	2,016.60
Expenses allowed on payment basis	(74.48)	(47.29)	(98.49)	(220.26)
MAT credit entitlement *	(1,469.29)	-	-	(1,265.61)
Carry forward of unabsorbed depreciation loss	(504.64)	504.64	-	-
	3.13	422.41	(98.49)	530.73
For the year ended March 31, 2019:				
Written down value difference of property, plant and equipment between tax and financial books	2,052.06	(0.52)	-	2,051.54
Expenses allowed on payment basis	(156.20)	100.73	19.01	(74.48)
MAT credit entitlement	(609.67)	(859.62)	-	(1,469.29)
Carry forward of unabsorbed depreciation loss	(545.25)	40.61	-	(504.64)
	740.94	(718.80)	19.01	3.13

* The Company has utilised MAT Credit entitlement amounting to Rs. 203.68 Lakhs which has not been routed through the statement of profit and loss. The Company is confident of utilising the MAT Credit balance before the expiry of the statutory time limit i.e FY - 2033 - 34.

16. Borrowings

	March 31, 2020	March 31, 2019
Current (repayable on demand)		
Cash credit	1,224.59	1,587.13
Export Packing credit (INR)	-	1,285.95
Export Packing credit (USD)	1,688.74	-
	2,913.33	2,873.08

The Cash credit and packing credit facility is secured against inventories, trade receivables, and all other charges on current assets of the current and future current assets of the Company. Further the borrowing is secured by collateral security on the Certain land and building of the Company. The credit facility carries interest @ 9.10 to 12.30% p.a. with the bank.

Cash flow from financing activity

	Opening Balance	Proceeds (net)	Closing Balance
Borrowing			
March 31, 2020	2,873.08	40.25	2,913.33
March 31, 2019	1,978.57	894.51	2,873.08

17. Trade payable

	March 31, 2020	March 31, 2019
- dues of micro enterprises and small enterprises	-	-
- dues of creditors other than micro enterprises and small enterprises	3,076.46	597.83
	3,076.46	597.83

Note:

The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures relating to amounts unpaid as at the year end together with interest paid/ payable as required under the said act are not applicable.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

18. Other current liabilities

	March 31, 2020	March 31, 2019
Statutory remittances	522.16	204.70
Advance from customers	4,386.76	3,083.26
Others	15.82	-
	4,924.74	3,287.96

Breakup of financial liabilities carried at amortised cost:

	March 31, 2020		March 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Borrowings	2,913.33	2,913.33	2,873.08	2,873.08
Trade payables	3,076.46	3,076.46	597.83	597.83
	5,989.79	5,989.79	3,470.91	3,470.91

19. Revenue from contracts with customers

	March 31, 2020	March 31, 2019
Sale of products	20,845.02	17,766.10
Sale of services	0.75	7.55
Other operating revenue		
Export incentive	402.68	520.78
Others	128.90	72.60
	21,377.35	18,367.03
India	6,719.09	6,498.31
Outside India	14,658.26	11,868.72
	21,377.35	18,367.03

Contract balances

	March 31, 2020	March 31, 2019
Trade receivable	6,163.74	5,041.67
Retention money	139.18	1,223.46
Contract Asset		
Unbilled revenue	124.31	198.20
Contract Liability		
Advance from customers	4,386.76	3,083.26

Trade receivables and retention money are non-interest bearing. Refer note 9 for details on expected credit loss.

Unbilled revenue are initially recognised for revenue earned from transfer of goods and services but not billed to customer because the work completed has to meet requirements of various milestones as set out in the contract with customers. Upon fulfilling the milestones and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. Decrease in unbilled revenue is on account of billing of unbilled revenue in the current year.

Advance from customers pertain to balance received as advance from various parties as certain percentage of the order value. The same will be adjusted against the order on the basis of delivery and collection of receivables. Increase in contract liabilities is on account of advance received from customers towards new contracts.

There is no difference in the contract price negotiated and the revenue recognised in the statement of profit and loss for the current year. There is no significant revenue recognised in the current year from performance obligations satisfied in previous periods. Increase in contract liabilities is on account of advance received from customers towards new contracts.

Amounts included in contract liabilities at the beginning of the year recognised as revenue in the current year of Rs. 872.35 Lakhs (March 31, 2019: Rs. 655.42 Lakhs).

The transaction price allocated to the remaining performance obligations is Rs. 22,771.78 Lakhs (March 31, 2019: Rs. 24,374.44 Lakhs), which will be recognised as revenue over the respective project durations. Generally the project duration of contracts with customers is ranging 1 to 3 years.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

20. Other income

	March 31, 2020	March 31, 2019
Interest income on bank deposits	90.12	62.38
Interest on income tax refund	9.54	4.46
Net profit on sale of property, plant and equipment	-	16.26
Foreign exchange gain (net)	290.57	101.81
Liabilities no longer required written back	42.55	33.36
Miscellaneous income	3.95	5.51
	436.73	223.78

21. Cost of materials consumed

	March 31, 2020	March 31, 2019
Raw materials		
Opening Stock	1,897.92	2,265.63
Add: Purchases	9,817.11	5,428.54
Less: Closing Stock	(3,621.53)	(1,897.92)
	8,093.50	5,796.25
Consumables, stores and spares		
Opening Stock	145.81	161.15
Add: Purchases	838.42	741.54
Less: Closing Stock	(352.21)	(145.81)
	632.02	756.88
	8,725.52	6,553.13

22. Changes in inventories of work-in-progress

	March 31, 2020	March 31, 2019
Work-in-progress		
Opening Stock	2,063.36	1,766.39
Less: Closing Stock	(3,572.24)	(2,063.36)
	(1,508.88)	(296.97)

23. Employee benefits expenses

	March 31, 2020	March 31, 2019
Salaries & Wages	4,810.03	4,056.15
Contribution to provident and other funds	273.23	233.98
Staff welfare expenses	79.45	60.58
	5,162.71	4,350.71

24. Finance cost

	March 31, 2020	March 31, 2019
Interest expenses		
- Working capital	148.90	157.42
- On others	47.87	28.18
Other borrowing costs	278.52	260.42
	475.29	446.02

25. Depreciation and amortisation

	March 31, 2020	March 31, 2019
Depreciation on tangible assets	1,197.92	1,116.25
Amortisation on intangible assets	6.87	7.17
	1,204.79	1,123.42

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

26. Other expenses

	March 31, 2020	March 31, 2019
Sub-contractor charges	786.01	703.99
Production expenses	311.15	99.47
Power and fuel	723.51	646.84
Material testing charges	30.37	19.96
Repairs and maintenance		
Building	91.73	120.34
Machinery	229.81	173.46
Others	30.55	13.68
Insurance	63.92	49.50
Rates and taxes	96.75	76.20
Communication	13.60	15.16
Travelling and conveyance	57.00	74.89
Printing and stationary	13.92	15.41
Commission	-	0.16
Freight and forwarding	41.05	27.76
Business promotion	25.65	5.23
Provision for doubtful receivable and advances	147.82	-
Legal and professional	333.15	146.45
Security charges	78.98	72.52
Payment to auditors (refer below)	18.50	6.20
Bad debts written off	18.24	96.14
Miscellaneous expenses	89.58	25.01
	3,201.29	2,388.37

Payment to auditors

	March 31, 2020	March 31, 2019
Statutory audit	17.00	6.00
Other services	1.50	-
Out of pocket expenses	-	0.20
	18.50	6.20

Corporate Social Responsibility (CSR)

The gross amount to be spent by the Company on Corporate Social Responsibility (CSR) during the year is Rs. 20.83 lakhs (March 31, 2019: Rs. NIL). The Company has not spent any amount for CSR activities during the year.

27. Tax expense

a) Income tax expense

Tax expense for the year is as follows:

Statement of profit and loss:

Profit or loss section

	March 31, 2020	March 31, 2019
Current income tax:		
Current income tax charge	984.68	61.66
Deferred tax:		
Relating to origination and reversal of temporary differences	422.41	140.82
Actual tax expense accounted in books	1,407.08	202.48
Adjustments in respect of current income tax of previous year	14.37	33.12
Income tax expense reported in the statement of profit or loss	1,421.45	235.60

OCI section

	March 31, 2020	March 31, 2019
Net loss/(gain) on remeasurements of post-employment benefit obligations	(338.22)	65.28
Income tax credit to OCI	98.49	(19.01)

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

27. Tax expense (contd.)

b) Reconciliation of effective tax rate:

	March 31, 2020	March 31, 2019
Profit Before Tax (A)	4,553.36	4,155.51
Enacted tax rate in India (B)	29.12%	29.12%
Expected tax expenses (C = A*B)	1,325.94	1,210.08
Actual tax expense accounted in books	1,407.08	202.48
Difference (Note A)	(81.14)	1,007.60

Note A

	March 31, 2020	March 31, 2019
Expenses disallowed under Income Tax Act, 1961 (net)	(88.73)	(7.30)
Set off of carry forward business losses	-	1,017.82
Others	7.59	(2.92)
Total	(81.14)	1,007.60

28. Earnings per share (EPS)

	March 31, 2020	March 31, 2019
Profit attributable to equity holders for basic and diluted EPS	3,131.91	3,919.91
Weighted average number of equity shares (No.) for basic and diluted EPS	2,81,94,261	2,82,14,132
Earnings per share - Basic and diluted	11.11	13.89

29. Gratuity and other post-employment benefit plans

The Employees' Gratuity Fund Scheme managed by a trust is a defined benefit gratuity plan which is administered through group gratuity scheme with Life Insurance Corporation of India. Every employee who has completed five years or more of service gets gratuity on departure at 15 days last drawn salary for each completed year of service subject to a maximum of Rs. 20 lakhs. The following tables summarise the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for gratuity benefit. Amount included are rounded off to two decimals.

Particulars	March 31, 2020	March 31, 2019
Statement of profit and loss		
Net employee benefit expense (recognised in employee benefits expense)		
Current service cost	77.41	56.01
Interest cost on benefit obligation	80.49	83.14
Interest (income) on Plan Assets	(75.67)	(66.00)
Net benefit expense	82.23	73.16
Amount recognised in statement of other comprehensive income (OCI)		
Remeasurements - Due to Financial Assumptions	80.36	23.25
Remeasurements - Due to Experience Adjustments	191.56	(48.60)
Return on Plan Assets	2.92	12.21
	274.83	(13.13)
Balance sheet		
Defined benefit obligation	1,409.60	1,124.51
Fair value of plan assets	1,038.07	1,012.91
Liability	371.53	111.59
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	1,124.51	1,067.88
Interest cost	80.49	83.14
Current service cost	77.41	56.01
Remeasurements - Due to Financial Assumptions	80.36	23.25
Remeasurements - Due to Experience Adjustments	191.56	(48.60)
Benefit Payments from Plan Assets	(144.72)	(57.19)
Closing defined benefit obligation	1,409.60	1,124.51

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

29. Gratuity and other post-employment benefit plans (contd.)

Particulars	March 31, 2020	March 31, 2019
Changes in the fair value of plan assets		
Opening fair value of plan assets	1,012.91	766.31
Interest Income	75.67	66.00
Remeasurements - Return on Assets	(2.92)	(12.21)
Contributions by employer	97.12	250.00
Benefit Payments from Plan Assets	(144.72)	(57.19)
Closing fair value of plan assets	1,038.07	1,012.91
Actual return on plan assets		
Interest Income	75.67	66.00
Remeasurements - Return on Assets	(2.92)	(12.21)
Actual return on plan assets	72.75	53.79
The principal assumptions used in determining gratuity obligation		
Discount rate	6.71%	7.65%
Attrition rate	5.00%	5.00%
Rate of increase in compensation	5.00%	5.00%

Expected contribution for the Company during the next year would be Rs. 160.25 Lakhs (March 31, 2019: Rs. 55.80 Lakhs)

Disclosure related to indication of effect of the defined benefit plan on the entity's future cash flow

Year	March 31, 2020	March 31, 2019
1 year	133.40	116.85
2-5 years	633.19	528.92
6-10 years	729.06	607.18

The weighted average duration of the defined benefit obligation is 9.98 years (March 31, 2019: 9.78 years).

Sensitivity analysis:

A quantitative sensitivity analysis for significant assumption is as shown below:

Year	March 31, 2020	March 31, 2019
(a) Effect of 1% change in assumed discount rate		
- 1% increase	(85.20)	(71.81)
- 1% decrease	96.20	64.12
(b) Effect of 1% change in rate of increase in compensation		
- 1% increase	104	72.18
- 1% decrease	(94.50)	(79.61)
(c) Effect of 1% change in assumed attrition rate		
- 1 % increase	8.94	11.94
- 1 % decrease	(9.94)	(10.81)

Defined contribution plans

The Company made Provident Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised Rs. 283.77 Lakhs (March 31, 2019: Rs. 185.70 Lakhs) for Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

30. Distribution made on dividend

	March 31, 2020	March 31, 2019
Cash dividends on equity shares declared and paid		
Final dividend @ Rs. 5 each (March 31, 2019 : Rs. 3 each)	1,410.71	846.42
Tax on final equity dividend	289.98	173.98

31. Capital and other commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for: Rs. 1,427.32 Lakhs (March 31, 2019: Rs. Nil).

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

32. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the recognition and measurement principles of Ind AS requires management to make judgements, estimates and assumptions that affect the reported balances of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. There are no significant areas involving a high degree of judgement or complexity.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Defined benefit plans (gratuity benefits)

The cost of the defined benefit gratuity plan and the present value of the gratuity 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 and mortality rates. 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 for plans operated in India, the management considers the interest rates of government bonds. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases are based on expected future inflation. Further details about gratuity obligations are given in Note 29.

(ii) Taxes

Deferred tax asset, comprising of Minimum Alternative Tax (MAT) credit is recognised to the extent that it is probable that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward and sufficient taxable profit will be available against which the MAT credit can be utilised. Significant management judgement is required to determine the amount of MAT credit that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(iii) Depreciation of property, plant and equipment

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at based on the useful lives and residual values of all its property, plant and equipment estimated by the management. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of property, plant and equipment.

33. Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, and cash and cash equivalent. The Company is exposed to credit risk, market risk and liquidity risk. The Company has a risk management policy and its management is supported by a risk management committee that advises on risk and appropriate financial risk governance framework for the Company. The risk management committee provides assurance to the Company's management that the risk activities are governed by appropriate policies and procedures and that risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables), cash and bank balances and other financial assets. The Company deals with parties which has good credit rating/worthiness given by external rating agencies or based on groups internal assessment. The major customers are usually the Government parties and export customers with high credit worthiness.

Exposure to credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was (i) Rs. 6,427.23 (March 31, 2019: Rs. 6,463.33), being the total of the carrying amount of balances with trade receivables (including retention money and unbilled revenue) (ii) cash and bank balances (excluding cash on hand) of Rs. 2,413.08 (March 31, 2019: Rs. 2,019.57) and (iii) other financial assets of Rs. 141.90 (March 31, 2019: Rs. 136.36)

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

33. Financial risk management objectives and policies (contd.)

The measurement of impaired credit for carrying amount of the above financial assets is ascertained using the expected credit loss model (ECL) approach. Credit risk is managed through continuously monitoring the creditworthiness of customers. The Company is considerate of the fact the majority of the collection is receivable from export customers with high credit worthiness or the government Companies where there are no significant risk of bad debts. The customers of the Company have a defined period for payment of receivables, hence the Company evaluates the concentration of risk with respect to trade receivables as low. The sale for the current year include two customers (sale value of Rs. 13,749.37 and Rs. 2,307.58 respectively) (March 31, 2019: Rs. 11,283.36 and Rs. 2,418.90 respectively) where individual sale made to parties were more than 10% individually of total revenue. The total amount receivable from top 2 customer is Rs. 4,302.74 (March 31, 2019: Rs. 4501.63). The cash and bank balances (excluding cash on hand) of Rs. 2,413.08 (March 31, 2019: Rs. 2,019.57) are held with banks having good credit rating.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (including interest payments):

	Within 1 year	1 to 5 years	After 5 years	Total
March 31, 2020				
Borrowings	2,913.33	-	-	-
Trade payables	3,076.46	-	-	-
	5,989.79	-	-	-
Year ended March 31, 2019				
Borrowings	2873.08	-	-	-
Trade payables	597.83	-	-	-
	3,470.91	-	-	-

Foreign currency exchange rate risk

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss. The risks primarily relate to fluctuations in US Dollar as against the functional currency of the Company. The Company evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks.

The year end unhedge foreign currency exposures is as under:

	March 31, 2020	March 31, 2019
Trade receivables	3,826.46	3,329.55
Borrowings	1,688.74	-
Trade payables	864.05	5.05

Exchange rate as at March 31, 2020 and March 31, 2019 are Rs. 75.39 /USD and Rs. 69.32 / USD respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities.

	Change in exchange rate		Effect on profit before tax	
	Increase	Decrease	Increase/(Decrease)	
March 31, 2020	1%	1%	12.74	(12.74)
March 31, 2019	1%	1%	29.94	(29.94)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk because funds are borrowed at both fixed and floating interest rates. Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rate. The borrowings of the Company are principally denominated in rupees and US dollars with a mix of fixed and floating rates of interest. The Company has exposure to interest rate risk, arising principally on changes in base lending rate and LIBOR rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended March 31, 2020 would decrease / increase by Rs. 13.94 Lakhs (March 31, 2019: Rs. 14.11 Lakhs).

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

34. Capital management

For the purpose of the Company's capital management, capital includes issued equity capital and other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The entity manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the entity may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The entity monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The entity's policy is to keep the gearing ratio minimal. The entity includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents.

	March 31, 2020	March 31, 2019
Current Borrowings	2,913.33	2,873.08
Less: Cash and cash equivalents	(500.70)	(1,076.75)
Net debt	2,412.63	1,796.33
Equity	22,508.09	23,498.41
Capital and net debt	24,920.72	25,294.74
Gearing ratio	9.68%	7.10%

35. During the year ended March 31, 2019, the Company has sold land on which the Company made a profit of Rs. 129.38 Lakhs. The same has been treated as exceptional item.

36. Related party disclosures

Names of related parties and description of relationship

(a) Enterprises over which Key managerial personnel described in (c) below are able to exercise significant influence

Samuha Engineering Industries Limited

(b) Subsidiary company

Magnatar Aero Systems Private Limited

(c) Key managerial personnel

P. Jayaprakash Reddy, Director

K. Satyanarayana Reddy, Director

P. Srinivas Reddy, Managing Director

M. Anushman Reddy, Director

Devesh Dhar Dwivedi, Chief Operating Officer *

Abhaya Shankar, Chief Executing Officer **

Sudipto Bhattacharya, Chief Financial Officer ***

* Chief financial officer upto August 31, 2020

** resigned w.e.f May 09, 2020

*** Chief financial officer w.e.f September 01, 2020

(d) Relatives of key management personnel

A. Praveen Kumar Reddy

A. Pranay Kumar Reddy

M. Anushman Reddy

Transactions and balances with related parties

Particulars	March 31, 2020	March 31, 2019
A. Transactions with related parties		
Remuneration		
P. Jayaprakash Reddy	-	72.00
K. Satyanarayana Reddy	-	72.00
M. Anushman Reddy	21.45	3.60
Devesh Dhar Dwivedi	25.11	-
Abhaya Shankar	73.85	-
A. Praveen Kumar Reddy	12.00	10.60
A. Pranay Kumar Reddy	15.23	3.09

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

36. Related party disclosures (contd.)

Particulars	March 31, 2020	March 31, 2019
Professional charges		
P. Jayaprakash Reddy	66.40	-
K. Satyanarayana Reddy	48.00	-
P. Srinivas Reddy	80.00	48.00
Buy back of equity shares		
P. Jayaprakash Reddy (number)	14,54,541	-
Advances given		
Magnatar Aero Systems Private Limited	0.30	-
Balances receivable/(payable)		
Samuha Engineering Industries Limited	2.92	2.92
Magnatar Aero Systems Private Limited	0.30	-

* As the future liability for gratuity and leave encashment is provided on actuarial basis for the Company as a whole, the amount pertaining to the individual is not ascertainable and, therefore, not included above.

37. Fair values

There are no significant financial assets and liabilities measured at fair value through profit or loss.

The fair value of the financial assets and liabilities measured at amortised cost approximates their carrying amounts as at the balance sheet date.

38. The Company is closely monitoring the impact of COVID-19 pandemic on all aspects of its business, including how it will impact its customers, employees, vendors and business partners. The Company based on the information available to date, both internal and external, considered the uncertainty relating to the COVID-19 pandemic in assessing its impact. Based on the current estimates, the Company expects to fully recover the carrying amount of assets and does not foresee any significant material adverse impact on its operations. As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic condition.

39. The figures of previous year have been regrouped/reclassified, where necessary, to conform to this year's classification.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm registration number: 101049W/E300004

Chartered accountants

per Navneet Rai Kabra

Partner

Membership no: 102328

Place: Hyderabad

Date: September 08, 2020

For and on behalf of the Board of Directors of

MTAR Technologies Private Limited

P. Srinivas Reddy

Managing Director

DIN: 00359139

Devesh Dhar Dwivedi

Chief Operating Officer

Place: Hyderabad

Date: September 08, 2020

K. Vamshidhar Reddy

Director

DIN: 01133873

Sudipto Bhattacharya

Chief Financial Officer

Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT

To
The Members of
MTAR Technologies Private Limited

Report on the Consolidated Ind AS Financial Statements

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

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required

to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

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

Other Matter

We did not audit the financial statements and other financial information, in respect of Magnatar Aero Systems Private Limited, a subsidiary, whose Ind AS financial statements include total assets of Rs 1.53 Lakhs at March 31, 2020, and total revenues of Rs. Nil and net cash inflows of Rs 0.99 Lakhs for the year ended on that date.

These financial statement and other financial information have been audited by other auditor, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the reports of such other auditor.

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

Report on Other Legal and Regulatory Requirements

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

- (a) We / the other auditor whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated Ind AS financial statements;
- (b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditor;
- (c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the consolidated Cash Flow Statement and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standard) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 taken on record by the Board of Directors of the Holding Company

and the reports of the statutory auditor who is appointed under Section 139 of the Act, of its subsidiary company, none of the directors of the Group's companies is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company, refer to our separate report in "Annexure 1" to this report.
- (g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Holding Company and its subsidiary for the year ended March 31, 2020.
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiary, as noted in the 'Other matter' paragraph:
 - i. The Group, does not have any pending litigations as at March 31, 2020 which would impact its consolidated financial position.
 - ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2020.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company during the year ended March 31, 2020.

For SR Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per Navneet Kabra

Partner

Membership Number: 102328

UDIN: 20102328AAAAEA8772

Place of Signature: Hyderabad

Date: September 08, 2020

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF MTAR TECHNOLOGIES PRIVATE LIMITED

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

In conjunction with our audit of the consolidated Ind AS financial statements of MTAR Technologies Private Limited as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of MTAR Technologies Private Limited (hereinafter referred to as the "Holding Company") and its subsidiary company as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary company, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 Act.

Auditor's Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements.

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

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

(3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, including the possibility of collusion or

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

Opinion

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

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company, insofar as it relates to its subsidiary company which is incorporated in India, is based on the corresponding report of the auditor of such subsidiary company.

For SR Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per Navneet Kabra

Partner

Membership Number: 102328

UDIN: 20102328AAAAEA8772

Place of Signature: Hyderabad

Date: September 08, 2020

Consolidated Balance sheet as at March 31, 2020

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Particulars	Notes	March 31, 2020	March 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	3	15,496.02	16,204.49
Capital work-in-progress		1,173.98	561.68
Other Intangible assets	3	14.03	14.39
Financial assets			
Investments	4	1.00	1.00
Others	5	329.75	2,265.61
Non-current tax assets (net)	6	61.93	157.64
Other non-current assets	7	398.77	414.02
		17,475.48	19,618.83
Current assets			
Inventories	8	7,545.98	4,107.09
Financial assets			
Trade receivables	9	6,163.74	5,041.67
Cash and cash equivalents	10	501.69	1,076.75
Bank balances other than cash and cash equivalents	11	1,823.54	-
Others	5	166.60	237.15
Other current assets	7	950.44	434.34
		17,151.99	10,897.00
Total assets		34,627.47	30,515.83
Equity and Liabilities			
Equity			
Equity share capital	12	2,675.96	2,821.41
Other equity	13	19,832.13	20,677.00
		22,508.09	23,498.41
Non-current liabilities			
Provisions	14	238.13	111.59
Deferred tax liability (net)	15	530.73	3.13
		768.86	114.72
Current liabilities			
Financial liabilities			
Borrowings	16	2,913.33	2,873.08
Trade payables	17	-	-
- dues of micro enterprises and small enterprises		-	-
- dues of creditors other than micro enterprises and small enterprises		3,076.46	597.83
Provisions	14	343.43	26.84
Current tax liabilities	6	92.33	116.99
Other current liabilities	18	4,924.97	3,287.96
		11,350.52	6,902.70
Total equity and liabilities		34,627.47	30,515.83
Summary of significant accounting policies	2.2		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration number: 101049W/E300004
Chartered accountants

per Navneet Rai Kabra
Partner
Membership no: 102328

Place: Hyderabad
Date: September 08, 2020

For and on behalf of the Board of Directors of
MTAR Technologies Private Limited

P. Srinivas Reddy
Managing Director
DIN: 00359139

Devesh Dhar Dwivedi
Chief Operating Officer

Place: Hyderabad
Date: September 08, 2020

K. Vamshidhar Reddy
Director
DIN: 01133873

Sudipto Bhattacharya
Chief Financial Officer

Consolidated Statement of profit and loss as at March 31, 2020

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Particulars	Notes	March 31, 2020	March 31, 2019
Revenue			
Revenue from operations	19	21,377.35	18,367.03
Other income	20	436.73	223.78
Total revenue		21,814.08	18,590.81
Expenses			
Cost of materials consumed	21	8,725.52	6,553.13
Changes in inventories of work-in-progress	22	(1,508.88)	(296.97)
Employee benefit expense	23	5,162.71	4,350.71
Finance cost	24	475.29	446.02
Depreciation and amortisation expense	25	1,204.79	1,123.42
Other expenses	26	3,201.29	2,388.37
Total expenses		17,260.72	14,564.68
Profit before exceptional items and tax		4,553.36	4,026.13
Exceptional item		-	129.38
Profit before tax		4,553.36	4,155.51
Tax expense	27		
Current tax		984.68	921.27
MAT credit		-	(859.61)
Deferred tax expense		422.41	140.82
Taxes for earlier years		14.37	33.12
Total tax expense		1,421.45	235.60
Profit for the year		3,131.91	3,919.91
Other comprehensive income			
OCI not to be reclassified to profit or loss in subsequent years:			
- Remeasurements of post-employment benefit obligations		(338.22)	65.28
- Tax on remeasurement of defined benefit plans		98.49	(19.01)
Total OCI for the year, net of tax		(239.73)	46.27
Total comprehensive income for the year		2,892.18	3,966.18
Earnings per equity share of Rs. 10 each fully paid			
Basic and Diluted		11.11	13.89
Summary of significant accounting policies	2.2		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm registration number: 101049W/E300004

Chartered accountants

per Navneet Rai Kabra

Partner

Membership no: 102328

Place: Hyderabad

Date: September 08, 2020

For and on behalf of the Board of Directors of

MTAR Technologies Private Limited

P. Srinivas Reddy

Managing Director

DIN: 00359139

Devesh Dhar Dwivedi

Chief Operating Officer

Place: Hyderabad

Date: September 08, 2020

K. Vamshidhar Reddy

Director

DIN: 01133873

Sudipto Bhattacharya

Chief Financial Officer

Consolidated Statement of changes in equity for the year ended March 31, 2020

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

a) Equity share capital

Particulars	March 31, 2020		March 31, 2019	
	No.	Amount	No.	Amount
Equity shares of Rs. 10 each issued, subscribed and fully paid up				
At the beginning of the period	2,82,14,132	2,821.41	2,82,14,132	2,821.41
Shares bought back during the period*	(14,54,541)	(145.45)	-	-
At the end of the period	2,67,59,591	2,675.96	2,82,14,132	2,821.41

*The Holding Company has bought back 1,454,541 equity shares of Rs. 10 each at a price of Rs.150 per equity share

b) Other equity

	Securities premium reserve	Capital Redemption Reserve	Surplus in the statement of profit and loss	Total
As at April 01 2018	13,154.33	-	4,576.89	17,731.22
Profit for the year	-	-	3,919.91	3,919.91
Equity dividend paid and tax thereon	-	-	(1,020.40)	(1,020.40)
Remeasurements of post-employment benefit obligations classified from other comprehensive income	-	-	46.27	46.27
As at March 31, 2019	13,154.33	-	7,522.67	20,677.00
Profit for the period	-	-	3,131.91	3,131.91
Buy back of shares	(2,181.81)	145.45	-	(2,036.36)
Equity dividend paid and tax thereon	-	-	(1,700.69)	(1,700.69)
Remeasurements of post-employment benefit obligations classified from other comprehensive income	-	-	(239.73)	(239.73)
As at March 31, 2020	10,972.52	145.45	8,714.16	19,832.13

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration number: 101049W/E300004
Chartered accountants

per Navneet Rai Kabra
Partner
Membership no: 102328

Place: Hyderabad
Date: September 08, 2020

For and on behalf of the Board of Directors of
MTAR Technologies Private Limited

P. Srinivas Reddy
Managing Director
DIN: 00359139

Devesh Dhar Dwivedi
Chief Operating Officer

Place: Hyderabad
Date: September 08, 2020

K. Vamshidhar Reddy
Director
DIN: 01133873

Sudipto Bhattacharya
Chief Financial Officer

Consolidated cash flow statement for the year ended March 31, 2020

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Particulars		March 31, 2020	March 31, 2019
A Cash flow from operating activities			
Profit before tax		4,553.36	4,155.51
<i>Non-cash adjustment to reconcile profit before tax to net cash flows</i>			
Depreciation and amortisation		1,204.79	1,123.42
Provision for doubtful receivable and advances		147.82	-
Finance cost		475.29	446.02
Liabilities no longer required written back		(42.55)	(33.36)
Remeasurements of post-employment benefit obligations		(338.22)	65.28
Profit on sale of property, plant and equipment		-	(16.26)
Exceptional item - Profit on sale of land		-	(129.38)
Unrealised exchange gain		(257.66)	-
Interest income		(99.66)	(66.84)
Operating profit before working capital changes		5,643.17	5,544.39
<i>Movements in working capital:</i>			
(Increase) / decrease in trade receivables		(882.57)	(145.04)
(Increase) / decrease in inventories		(3,438.89)	86.09
(Increase) / decrease in current and non current financial assets		1,152.63	(896.67)
(Increase) / decrease in other current and non current assets		(392.45)	15.40
(Decrease)/increase in trade payables		2,499.85	(731.61)
(Decrease)/increase in other current and non current liabilities		1,229.28	390.92
Increase/ (decrease) in provisions		443.13	(294.99)
Cash generated from operations		6,254.15	3,968.49
Income tax paid (net of refunds)		(724.32)	(943.25)
Net cash flows from operating activities	(A)	5,529.83	3,025.24
B Cash flow used in investing activities			
Purchase of property, plant and equipment, including intangible assets, capital work in progress and capital advances		(1,189.43)	(2,650.37)
Proceeds from sale of property, plant and equipment		-	299.53
Investment in /(redemption from) deposits		(961.86)	1.28
Interest received		91.76	66.16
Net cash flows used in investing activities	(B)	(2,059.53)	(2,283.40)

Consolidated cash flow statement for the year ended March 31, 2020

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Particulars		March 31, 2020	March 31, 2019
C Cash flow from financing activities			
Dividend and dividend distribution tax paid		(1,700.69)	(1,020.41)
Proceeds from short term borrowings		40.25	894.51
Buy back amount paid		(1,792.38)	-
Finance cost paid		(592.54)	(446.02)
Net cash flows from financing activities	(C)	(4,045.36)	(571.92)
Net increase in cash and cash equivalents	(A+B+C)	(575.06)	169.92
Cash and cash equivalents at the beginning of the year		1,076.75	906.83
Cash and cash equivalents at the end of the year		501.69	1,076.75
Components of cash and cash equivalents			
Cash and bank balances includes :			
Cash on hand		3.11	1.92
Balance with banks:			
Current accounts		9.02	1,074.83
Deposits with original maturity of less than three months		489.56	-
Total cash and cash equivalents		501.69	1,076.75
Summary of significant accounting policies	2.2		

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration number: 101049W/E300004
Chartered accountants

per Navneet Rai Kabra
Partner
Membership no: 102328

Place: Hyderabad
Date: September 08, 2020

For and on behalf of the Board of Directors of
MTAR Technologies Private Limited

P. Srinivas Reddy
Managing Director
DIN: 00359139

Devesh Dhar Dwivedi
Chief Operating Officer

Place: Hyderabad
Date: September 08, 2020

K. Vamshidhar Reddy
Director
DIN: 01133873

Sudipto Bhattacharya
Chief Financial Officer

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

1. Corporate Information

MTAR Technologies Private Limited ("MTAR" or "the Group") is a private limited company domiciled in India, with its registered office at 18, Technocrats Industrial Estate, Balanagar, Hyderabad, Telangana, India 500037. The Group is engaged in the business of manufacturing high precision and heavy equipment, components, machines for sectors including nuclear, space & defence, clean energy, among others.

The Financial statements were authorised for issue in accordance with a resolution of the directors on September 08, 2020.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016. The consolidated financial statement has been prepared on a historical cost basis except for the following assets and liabilities which have been measured at fair value:

- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

The consolidated financial statements are presented in Indian Rupees (INR) in Lakhs. The Holding Company is preparing the consolidated financial statement for the first time and the comparatives figures for the year ended March 31, 2019 represents the figures of the standalone financial statement of the Holding Company for the year ended March 31, 2019.

2.2 Summary of significant accounting policies

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at March 31, 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

Consolidation procedure

1. Combine like items of assets, liabilities, equity, income, expenses and cash flows of the Holding Company with those of its subsidiary.
2. Eliminate the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.
3. Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

4. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent company of the Group and to the non-controlling interests.
5. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

b) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

The Group classifies all other liabilities as non-current.

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

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

c) Property, plant & equipment

Property, plant and equipment are stated at cost, net of tax / duty credit availed, less 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 plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset. Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other (income)/expense, net in the statement of profit and loss.

Freehold land is measured at cost net of accumulated impairment, if any

Capital work-in-progress (CWIP) includes cost of property, plant and equipment under installation/ under development net off impairment loss, if any, as at the balance sheet date. Directly attributable expenditure incurred on project under implementation are shown under CWIP. At the point when an asset is capable of operating in the manner intended by management, the capital work in progress is transferred to the appropriate category of property, plant and equipment.

Cost of assets not ready for use at the balance sheet date are disclosed under capital work-in-progress. Capital work in progress is stated at cost, net of accumulated impairment loss, if any.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

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

Depreciation is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, which is equal to the life prescribed under the Schedule II to the Companies Act, 2013

The useful lives estimated by the management are given below:

Category of Asset	Estimated useful life (years)
Property, plant and equipment	
Land	NA
Buildings	30
Plant and machinery	15
Electrical equipment	5
Furniture and fixtures	10
Office equipment	5
Computers	3 / 6 years
Vehicles	8

d) Intangible assets

Costs relating to computer software, which is acquired, are capitalised and amortised on a straight-line basis over their estimated useful lives of three years.

Gains or losses arising from de-recognition 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.

e) Revenue from contract with customers

Revenue from contracts with customer is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Goods and service Tax (GST) is not received by the Group on its own account. It is a tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it has been excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue is recognized when control of the goods is passed to the customer. The point at which control passes is determined based on the terms and conditions by each customer arrangement, but generally occurs on delivery to the customer. The contracts that Group enters into relate to sales order containing single performance obligations for the delivery of goods as per Ind AS 115. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Other operating revenue - Export incentives

Export benefits are recognised where there is reasonable assurance that the benefit will be received and all attached conditions will be complied with. Export benefits on account of export promotion schemes are accrued and accounted in the period of export and are included in other operating revenue.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Contract Balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group 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.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group 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 Group performs under the contract.

f) Impairment of non financial assets

The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group 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 periods. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

i) Foreign currency transactions

Items included in the financial statements of Group are measured using currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Indian rupees (INR), which is the functional currency of the Group.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group in INR at spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at INR spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit and loss.

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

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

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).

j) Financial instruments

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

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under Ind AS 115.

Subsequent measurement

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

Debt instruments at amortised cost

Debt instruments at fair value through other comprehensive income (FVTOCI)

Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. 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.

Debt instruments at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI

Debt instruments included within the 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 Group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debts Instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instrument as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised when:

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition,

ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

The measurement of financial liabilities is as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

De-recognition

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

Reclassification of financial instruments

The Group 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 Group's senior management determines change in the business model as a result of external or

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group 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 Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is 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.

k) Fair value of financial instruments

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. In determining the fair value of its financial instruments, the Group uses following hierarchy and assumptions that are based on market conditions and risks existing at each reporting date.

Fair value hierarchy:

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 Group 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.

l) Taxes

Current income tax

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for that period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

Deferred income tax is recognised using the balance sheet approach, deferred tax is recognized on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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 utilized.

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

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

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.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the concerned Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Group reviews the MAT credit entitlement asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

m) Employee Benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The cost of providing benefits under the defined benefit plan is determined based on actuarial valuation using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to statement of profit and loss in subsequent periods.

Past service costs are recognised in statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Group presents the leave as a current liability in the balance sheet, as it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

n) Provisions and Contingent Liabilities

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

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(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

A contingent liability is 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 Group 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 Group does not recognise the contingent liability but discloses its existence in the financial statements.

o) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted EPS amounts are calculated by dividing the profit attributable to equity shareholders by the weighted average number of Equity shares outstanding during the year plus the weighted average number of equity shares outstanding, for the effects of all dilutive potential shares.

p) Cash and Cash Equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, 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 Group's cash management.

q) Inventories

Inventories are valued at the lower of cost and net realizable value after providing for obsolescence and other losses, where considered necessary. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The methods of valuation of various categories of inventories are as follows:

- i. **Raw materials** : Lower of cost and net realizable value. Cost is determined on weighted average basis
- ii. **Stores and consumables** : Inventory of stores and consumables is valued at cost. Cost is determined on weighted average basis
- iii. **Work-in-progress** : Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of production overheads based on normal operating capacity. Cost is determined on weighted average basis.

r) Cash dividend to equity holders of the Group

The Group recognises a liability to make cash distributions to equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Group's Board of Directors.

2.3 Changes in accounting policies and disclosures

New and amended standards

Ind AS 116 Leases

The Group applied Ind AS 116 Leases for the first time. Ind AS 116 supersedes Ind AS 17 Leases including its appendices. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The Application of the standard did not have a material impact to the financial statement of the Group as there are no leases.

Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 Income Taxes. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Group determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Appendix did not have a material impact on the financial statements of the Group.

Several other amendments apply for the first time for the year ending March 31, 2020, but do not have an impact on the financial statements of the Group. The Group has not early adopted any standards, amendments that have been issued but are not yet effective/notified.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

3. Property, plant and equipment and intangible assets

	Land	Buildings	Plant and machinery	Electrical equipment	Furniture and fixtures	Office equipment	Computers	Vehicles	Total tangible assets	Intangible assets - software	Total
Cost											
As at April 01 2018	4,800.79	3,625.93	17,191.66	174.84	171.63	57.77	149.80	68.38	26,240.80	208.33	26,449.13
Additions	-	144.78	2,088.10	-	2.04	-	12.11	7.62	2,254.65	18.41	2,273.06
Disposals	129.38	-	327.19	-	-	-	-	14.68	471.25	-	471.25
As at March 31, 2019	4,671.41	3,770.71	18,952.57	174.84	173.67	57.77	161.91	61.32	28,024.20	226.74	28,250.94
Additions	-	3.61	445.12	-	4.58	5.72	23.85	6.57	489.45	6.51	495.96
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at March 31, 2020	4,671.41	3,774.32	19,397.69	174.84	178.25	63.49	185.76	67.89	28,513.65	233.25	28,746.90
Depreciation and amortisation											
As at April 01 2018	-	1,078.35	9,458.12	166.10	96.46	53.27	138.71	29.81	11,020.82	205.18	11,226.00
Charge for the year	-	115.13	970.28	-	16.84	1.33	4.25	8.42	1,116.25	7.17	1,123.42
Disposals	-	-	302.68	-	-	-	-	14.68	317.36	-	317.36
As at March 31, 2019	-	1,193.48	10,125.72	166.10	113.30	54.60	142.96	23.55	11,819.71	212.35	12,032.06
Charge for the year	-	119.44	1,046.69	-	16.68	0.72	8.60	5.79	1,197.92	6.87	1,204.79
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at March 31, 2020	-	1,312.92	11,172.41	166.10	129.98	55.32	151.56	29.34	13,017.63	219.22	13,236.85
Net block											
As at March 31, 2020	4,671.41	2,461.40	8,225.28	8.74	48.27	8.17	34.20	38.55	15,496.02	14.03	15,510.05
As at March 31, 2019	4,671.41	2,577.23	8,826.85	8.74	60.37	3.17	18.95	37.77	16,204.49	14.39	16,218.88

3.1 : Capital work in progress

Particulars	Amount
At April 01, 2018	184.37
Additions (subsequent expenditure)	462.77
Capitalised during the year	(85.46)
As at 31 March 2019	561.68
Additions (subsequent expenditure)	737.66
Amount written off/adjustment	(116.17)
Capitalised during the year	(9.18)
As at 31 March 2020	1,173.98

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

4. Investments

	March 31, 2020	March 31, 2019
Non-current		
Unquoted equity shares		
Samuha Engineering Industries Limited	1.00	1.00
[10,000 (March 31, 2019: 10,000) equity shares of par value Rs. 10 each]		
	1.00	1.00
Aggregate amount of unquoted investments in others	1.00	1.00

5. Financial assets - others

Unsecured, considered good

	March 31, 2020	March 31, 2019
Non-current		
Retention money	139.18	1,223.46
Security deposits	138.78	130.47
Non-current bank balances	50.00	911.68
Interest accrued	1.79	-
	329.75	2,265.61
Current		
Interest accrued	39.17	33.06
Contract asset - Unbilled revenue	124.31	198.20
Loans and advances to employees	3.12	5.89
	166.60	237.15

6. Tax asset / (liability)

	March 31, 2020	March 31, 2019
Non-current tax asset		
Tax assets	61.93	157.64
Current tax liability		
Tax liability	(92.33)	(116.99)
	(30.40)	40.65

7. Other assets

Unsecured, considered good

	March 31, 2020	March 31, 2019
Non-current		
Advance to related parties (refer note 36)	2.92	2.92
Prepaid expenses	143.15	44.24
Advance for capital goods	163.17	82.00
Balances recoverable from government authorities	219.19	284.86
Less: Provision for doubtful balances recoverable from government authorities	(129.66)	-
	398.77	414.02
Current		
Advance to suppliers	342.78	112.35
Prepaid expenses	260.27	173.17
Incentives receivable	216.96	145.67
Balances recoverable from government authorities	130.43	3.15
	950.44	434.34

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(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

8. Inventories

At the lower of cost and net realisable value (as applicable)

	March 31, 2020	March 31, 2019
Raw materials	3,621.53	1,897.92
[Includes in transit: Rs. 841.79 lakhs (March 31, 2019: Rs. 89.22 lakh)]		
Work-in-progress	3,572.24	2,063.36
Consumables, stores and spares	352.21	145.81
	7,545.98	4,107.09

Write down of inventories to net realisable value amounted to Rs. 215.15 lakhs (March 31, 2019 : Rs. Nil). These were recognised as an expense during the year and included in 'cost of materials consumed and changes in inventories of work-in-progress'.

9. Trade receivables

	March 31, 2020	March 31, 2019
Current		
Unsecured considered good	6,163.74	5,041.67
Doubtful - Credit impaired	18.16	-
Less: allowance for doubtful receivable - impairment provision	(18.16)	-
	6,163.74	5,041.67
Movement in expected credit loss		
Opening Balance	-	-
Provision created	36.40	96.14
Bad debts written off	18.24	96.14
Closing Balance	18.16	-

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

10. Cash and cash equivalents

	March 31, 2020	March 31, 2019
Cash on hand	3.11	1.92
Balances with banks		
On current accounts	9.02	1,074.83
Deposits with original maturity less than 3 months	489.56	-
	501.69	1,076.75

11. Balances at bank other than cash and cash equivalents

	March 31, 2020	March 31, 2019
Balances with banks:		
Deposits with original maturity for more than three months but remaining maturity of less than twelve months	1,823.54	-
	1,823.54	-

Breakup of financial assets carried at fair value through profit or loss:

	March 31, 2020		March 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Investments	1.00	1.00	1.00	1.00

Breakup of financial assets carried at amortised cost:

	March 31, 2020		March 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Trade receivables	6,163.74	6,163.74	5,041.67	5,041.67
Cash and cash equivalent	501.69	501.69	1,076.75	1,076.75
Others	2,319.89	2,319.89	2,502.76	2,502.76
	8,985.32	8,985.32	8,621.18	8,621.18

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

12. Equity share capital

	As at March 31, 2020		As at March 31, 2019	
	Number of shares	Amount	Number of shares	Amount
Authorised share capital				
Equity shares of Rs. 10 each	6,60,00,000	6,600.00	6,60,00,000	6,600.00
Issued, subscribed and fully paid up shares				
Equity shares of Rs. 10 each	2,67,59,591	2,675.96	2,82,14,132	2,821.41

(a) Reconciliation of equity shares outstanding at beginning and at end of the year:

	March 31, 2020	March 31, 2019
Outstanding at the beginning of the year	2,82,14,132	2,82,14,132
Bought Back during the year	(14,54,541)	-
Outstanding at the end of the year	2,67,59,591	2,82,14,132

The Board of Directors at its meeting held on January 27, 2020, approved the Buy Back of 2,658,621 equity shares at a price of Rs. 123.206 per share for a total value of Rs. 3,275.58 lakhs being 9.42% of the paid-up Equity Share Capital and free reserves of the Holding Company. Accordingly, during the year, the Holding Company has bought-back 1,454,541 equity shares at a price of Rs. 123.206 per share for an aggregate amount of Rs. 1,792.08 lakhs. Further, the Holding Company have paid buy back tax of Rs. 389.73 Lakhs. The extinguishment of shares were pending as at March 31, 2020. The nominal value of equity shares bought back and extinguished amounting to Rs. 145.45 lakhs has been reduced from the paid up equity share capital and a corresponding amount has been transferred from Securities Premium Reserve to Capital Redemption Reserve. The premium paid for buy-back amounting to Rs. 2,036.36 Lakhs (including the buy back tax) has been appropriated from the Securities Premium Reserve.

(b) Rights, preferences and restrictions attached to shares

The Group has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for 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, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Group after distribution of all preferential amounts, in proportion to their shareholding.

(c) Details of shareholders holding more than 5% equity shares in the Company

	As at March 31, 2020		As at March 31, 2019	
	Number of shares	%	Number of shares	%
(i) Fabmohur Advisors LLP	83,71,040	31.28%	83,71,040	29.67%
(ii) K. Vamshidhar Reddy	20,91,483	7.82%	20,91,483	7.41%
(iii) K. Shalini	20,91,483	7.82%	20,91,483	7.41%
(iv) P. Srinivasa Reddy	16,92,903	6.33%	16,92,903	6.00%
(v) P. Jayaprakash Reddy*	-	0.00%	14,54,541	5.16%

*The Holding Company has bought back 1,454,541 equity shares of Rs. 10 each at a price of Rs.150 per equity share

The above shareholding represents both legal and beneficial ownership of shares.

(d) Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

During the year ended March 31, 2020, the Holding Company has bought back 1,454,541 equity shares of Rs. 10 each.

There are no equity shares issued as bonus and shares issued for consideration other than cash during the period of five years immediately preceding the reporting date.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

13. Other equity

	March 31, 2020	March 31, 2019
Securities Premium *		
Balance as per last financial statements	13,154.33	13,154.33
Less: Utilised for buy back of equity shares	(2,036.36)	-
Less: Transferred to capital redemption reserve	(145.45)	-
	10,972.52	13,154.33
Capital Redemption Reserve **		
Balance as per last financial statements	-	-
Add: Transferred from securities premium on buy back of equity shares	145.45	-
	145.45	-
Surplus in the statement of profit and loss		
Balance as per last financial statements	7,522.67	4576.89
Remeasurements of post-employment benefit obligations classified from other comprehensive income	(239.73)	46.27
Add: Profit for the year	3,131.91	3,919.91
Less: Appropriations		
Equity dividend @ Rs. 5 each share (March 31, 2019: Rs. 3 per share)	(1,410.71)	(846.42)
Tax on equity dividend	(289.98)	(173.98)
Surplus in the statement of profit and loss	8,714.16	7,522.67
	19,832.13	20,677.00

* Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

**Capital redemption reserve represents the amount of profits transferred from security premium for the buy back of equity shares.

14. Provisions

	March 31, 2020	March 31, 2019
Non-current		
Provision for Employee Benefits		
- Gratuity	238.13	111.59
	238.13	111.59
Current		
Provision for Employee Benefits		
- Gratuity	133.40	-
- Compensated absences	210.03	26.84
	343.43	26.84

15. Deferred tax liability (net)

	March 31, 2020	March 31, 2019
Deferred tax liability arising on account of timing differences relating to:		
Written down value difference of property, plant and equipment between tax and financial books	2,016.60	2,051.54
	2,016.60	2,051.54
Deferred tax asset arising on account of timing differences relating to:		
Expenses allowed on payment basis	220.26	74.48
MAT credit entitlement	1,265.61	1,469.29
Carry forward of unabsorbed depreciation loss	-	504.64
	1,485.87	2,048.41
	530.73	3.13

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

15. Deferred tax liability (net) (contd.)

Break up of deferred tax (asset) / liabilities

Opening Balance	Opening balance	Recognised in the statement of profit and loss	Recognised in OCI	Closing balance
For the year ended March 31, 2020:				
Written down value difference of property, plant and equipment between tax and financial books	2,051.54	(34.94)	-	2,016.60
Expenses allowed on payment basis	(74.48)	(47.29)	(98.49)	(220.26)
MAT credit entitlement *	(1,469.29)	-	-	(1,265.61)
Carry forward of unabsorbed depreciation loss	(504.64)	504.64	-	-
	3.13	422.41	(98.49)	530.73
For the year ended March 31, 2019:				
Written down value difference of property, plant and equipment between tax and financial books	2,052.06	(0.52)	-	2,051.54
Expenses allowed on payment basis	(156.20)	100.73	19.01	(74.48)
MAT credit entitlement	(609.67)	(859.62)	-	(1,469.29)
Carry forward of unabsorbed depreciation loss	(545.25)	40.61	-	(504.64)
	740.94	(718.80)	19.01	3.13

* The Group has utilised MAT Credit entitlement amounting to Rs. 203.68 Lakhs which has not been routed through the statement of profit and loss. The Group is confident of utilising the MAT Credit balance before the expiry of the statutory time limit i.e FY - 2033 - 34.

16. Borrowings

	March 31, 2020	March 31, 2019
Current		
Cash Credit	1,224.59	1,587.13
Export Packing credit (INR)	-	1,285.95
Export Packing credit (USD)	1,688.74	-
	2,913.33	2,873.08

The Cash credit and packing credit facility is secured against inventories, trade receivables, and all other charges on current assets of the current and future current assets of the Group. Further the borrowing is secured by collateral security on the Certain land and building of the Group. The credit facility carries interest @ 9.10 to 12.30% p.a. with the bank.

Cash flow from financing activity

	Opening Balance	Proceeds (net)	Closing Balance
Borrowing			
March 31, 2020	2,873.08	40.25	2,913.33
March 31, 2019	1,978.57	894.51	2,873.08

17. Trade payable

	March 31, 2020	March 31, 2019
- dues of micro enterprises and small enterprises	-	-
- dues of creditors other than micro enterprises and small enterprises	3,076.46	597.83
	3,076.46	597.83

Note:

The Group has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures relating to amounts unpaid as at the year end together with interest paid/ payable as required under the said act are not applicable.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

18. Other liabilities

	March 31, 2020	March 31, 2019
Current		
Statutory remittances	522.39	204.70
Advance from customers	4,386.76	3,083.26
Others	15.82	-
	4,924.97	3,287.96

Breakup of financial liabilities carried at amortised cost:

	March 31, 2020	March 31, 2019
Borrowings	2,913.33	2,873.08
Trade payables	3,076.46	597.83
	5,989.79	3,470.91

19. Revenue from contracts with customers

	March 31, 2020	March 31, 2019
Sale of products	20,845.02	17,766.10
Sale of services	0.75	7.55
Other operating revenue		
Export incentive	402.68	520.78
Others	128.90	72.60
	21,377.35	18,367.03
India	6,719.09	6,498.31
Outside India	14,658.26	11,868.72
	21,377.35	18,367.03

Contract balances

	March 31, 2020	March 31, 2019
Trade receivable	6,163.74	5,041.67
Retention money	139.18	1,223.46
Contract Asset		
Unbilled revenue	124.31	198.20
Contract Liability		
Advance from customers	4,386.76	3,083.26

Trade receivables and retention money are non-interest bearing. Refer note 9 for details on expected credit loss.

Unbilled revenue are initially recognised for revenue earned from transfer of goods and services but not billed to customer because the work completed has to meet requirements of various milestones as set out in the contract with customers. Upon fulfilling the milestones and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. Decrease in unbilled revenue is on account of billing of unbilled revenue in the current year.

Advance from customers pertain to balance received as advance from various parties as certain percentage of the order value. The same will be adjusted against the order on the basis of delivery and collection of receivables. Increase in contract liabilities is on account of advance received from customers towards new contracts.

There is no difference in the contract price negotiated and the revenue recognised in the statement of profit and loss for the current year. There is no significant revenue recognised in the current year from performance obligations satisfied in previous periods. Increase in contract liabilities is on account of advance received from customers towards new contracts.

Amounts included in contract liabilities at the beginning of the year recognised as revenue in the current year of Rs. 872.35 Lakhs (March 31, 2019: Rs. 655.42 Lakhs).

The transaction price allocated to the remaining performance obligations is Rs. 22,771.78 Lakhs (March 31, 2019: Rs. 24,374.44 Lakhs), which will be recognised as revenue over the respective project durations. Generally the project duration of contracts with customers is ranging 1 to 3 years.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

20. Other income

	March 31, 2020	March 31, 2019
Interest income on bank deposits	90.12	62.38
Interest on income tax refund	9.54	4.46
Net profit on sale of property, plant and equipment	-	16.26
Foreign exchange gain (net)	290.57	101.81
Liabilities no longer required written back	42.55	33.36
Miscellaneous income	3.95	5.51
	436.73	223.78

21. Cost of materials consumed

	March 31, 2020	March 31, 2019
Raw materials		
Opening Stock	1,897.92	2,265.63
Add: Purchases	9,817.11	5,428.54
Less: Closing Stock	(3,621.53)	(1,897.92)
	8,093.50	5,796.25
Consumables, stores and spares		
Opening Stock	145.81	161.15
Add: Purchases	838.42	741.54
Less: Closing Stock	(352.21)	(145.81)
	632.02	756.88
	8,725.52	6,553.13

22. Changes in inventories of work-in-progress

	March 31, 2020	March 31, 2019
Work-in-progress		
Opening Stock	2,063.36	1,766.39
Less: Closing Stock	(3,572.24)	(2,063.36)
	(1,508.88)	(296.97)

23. Employee benefits expenses

	March 31, 2020	March 31, 2019
Salaries & Wages	4,810.03	4,056.15
Contribution to provident and other funds	273.23	233.98
Staff welfare expenses	79.45	60.58
	5,162.71	4,350.71

24. Finance cost

	March 31, 2020	March 31, 2019
Interest expenses		
- Working capital	148.90	157.42
- On others	47.87	28.18
Other borrowing costs	278.52	260.42
	475.29	446.02

25. Depreciation and amortisation

	March 31, 2020	March 31, 2019
Depreciation on tangible assets	1,197.92	1,116.25
Amortisation on intangible assets	6.87	7.17
	1,204.79	1,123.42

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

26. Other expenses

	March 31, 2020	March 31, 2019
Sub-contractor charges	786.01	703.99
Production expenses	311.15	99.47
Power and fuel	723.51	646.84
Material testing charges	30.37	19.96
Repairs and maintenance		
Building	91.73	120.34
Machinery	229.81	173.46
Others	30.55	13.68
Insurance	63.92	49.50
Rates and taxes	96.75	76.20
Communication	13.60	15.16
Travelling and conveyance	57.00	74.89
Printing and stationary	13.92	15.41
Commission		0.16
Freight and forwarding	41.05	27.76
Business promotion	25.65	5.23
Provision for doubtful receivable and advances	147.82	
Legal and professional	333.15	146.45
Security charges	78.98	72.52
Payment to auditors (refer below)	18.50	6.20
Bad debts written off	18.24	96.14
Miscellaneous expenses	89.58	25.01
	3,201.29	2,388.37

Payment to auditors

	March 31, 2020	March 31, 2019
Statutory audit	17.00	6.00
Other services	1.50	
Out of pocket expenses	-	0.2
	18.50	6.20

Corporate Social Responsibility (CSR)

The gross amount to be spent by the Group on Corporate Social Responsibility (CSR) during the year is Rs. 20.83 lakhs (March 31, 2019: Rs. NIL). The Group has not spent any amount for CSR activities during the year.

27. Tax expense

a) Income tax expense

Tax expense for the year is as follows:

Statement of profit and loss:

Profit or loss section

	March 31, 2020	March 31, 2019
Current income tax:		
Current income tax charge	984.68	61.66
Deferred tax:		
Relating to origination and reversal of temporary differences	422.41	140.82
Actual tax expense accounted in books	1,407.08	202.48
Adjustments in respect of current income tax of previous year	14.37	33.12
Income tax expense reported in the statement of profit or loss	1,421.45	235.60

OCI section

	March 31, 2020	March 31, 2019
Net loss/(gain) on remeasurements of post-employment benefit obligations	(338.22)	65.28
Income tax credit to OCI	98.49	(19.01)

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

27. Tax expense (contd.)

b) Reconciliation of effective tax rate:

	March 31, 2020	March 31, 2019
Profit Before Tax (A)	4,553.36	4,155.51
Enacted tax rate in India (B)	29.12%	29.12%
Expected tax expenses (C = A*B)	1,325.94	1,210.08
Actual tax expense accounted in books	1,407.08	202.48
Difference (Note A)	(81.14)	1,007.60

Note A

	March 31, 2020	March 31, 2019
Expenses disallowed under Income Tax Act, 1961 (net)	(88.73)	(7.30)
Set off of carry forward business losses	-	1,017.82
Others	7.59	(2.92)
Total	(81.14)	1,007.60

28. Earnings per share (EPS)

	March 31, 2020	March 31, 2019
Profit attributable to equity holders for basic and diluted EPS	3,131.91	3,919.91
Weighted average number of equity shares (No.) for basic and diluted EPS	2,81,94,261	2,82,14,132
Earnings per share - Basic and diluted	11.11	13.89

29. Gratuity and other post-employment benefit plans

The Employees' Gratuity Fund Scheme managed by a trust is a defined benefit gratuity plan which is administered through group gratuity scheme with Life Insurance Corporation of India. Every employee who has completed five years or more of service gets gratuity on departure at 15 days last drawn salary for each completed year of service subject to a maximum of Rs. 20 lakhs. The following tables summarise the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for gratuity benefit. Amount included are rounded off to two decimals.

Particulars	March 31, 2020	March 31, 2019
Statement of profit and loss		
Net employee benefit expense (recognised in employee benefits expense)		
Current service cost	77.41	56.01
Interest cost on benefit obligation	80.49	83.14
Interest (income) on Plan Assets	(75.67)	(66.00)
Net benefit expense	82.23	73.16
Amount recognised in statement of other comprehensive income (OCI)		
Remeasurements - Due to Financial Assumptions	80.36	23.25
Remeasurements - Due to Experience Adjustments	191.56	(48.60)
Return on Plan Assets	2.92	12.21
	274.83	(13.13)
Balance sheet		
Defined benefit obligation	1,409.60	1,124.51
Fair value of plan assets	1,038.07	1,012.91
Liability	371.53	111.59
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	1,124.51	1,067.88
Interest cost	80.49	83.14
Current service cost	77.41	56.01
Remeasurements - Due to Financial Assumptions	80.36	23.25
Remeasurements - Due to Experience Adjustments	191.56	(48.60)
Benefit Payments from Plan Assets	(144.72)	(57.19)
Closing defined benefit obligation	1,409.60	1,124.51

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

29. Gratuity and other post-employment benefit plans (contd.)

Particulars	March 31, 2020	March 31, 2019
Changes in the fair value of plan assets		
Opening fair value of plan assets	1,012.91	766.31
Interest Income	75.67	66.00
Remeasurements - Return on Assets	(2.92)	(12.21)
Contributions by employer	97.12	250.00
Benefit Payments from Plan Assets	(144.72)	(57.19)
Closing fair value of plan assets	1,038.07	1,012.91
Actual return on plan assets		
Interest Income	75.67	66.00
Remeasurements - Return on Assets	(2.92)	(12.21)
Actual return on plan assets	72.75	53.79
The principal assumptions used in determining gratuity obligation		
Discount rate	6.71%	7.65%
Rate of increase in compensation	5.00%	5.00%
Employee attrition rate	5.00%	5.00%

Expected contribution for the Group during the next year would be Rs. 160.25 Lakhs (March 31, 2019: Rs. 55.80 Lakhs)

Disclosure related to indication of effect of the defined benefit plan on the entity's future cash flow

Year	March 31, 2020	March 31, 2019
1 year	133.40	116.85
2-5 years	633.19	528.92
6-10 years	729.06	607.18

The weighted average duration of the defined benefit obligation is 9.98 years (March 31, 2019: 9.78 years).

Sensitivity analysis:

A quantitative sensitivity analysis for significant assumption is as shown below:

Year	March 31, 2020	March 31, 2019
(a) Effect of 1% change in assumed discount rate		
- 1% increase	(85.20)	(71.81)
- 1% decrease	96.20	64.12
(b) Effect of 1% change in rate of increase in compensation		
- 1% increase	104	72.18
- 1% decrease	(94.50)	(79.61)
(c) Effect of 1% change in assumed attrition rate		
- 1% increase	8.94	11.94
- 1% decrease	(9.94)	(10.81)

Defined contribution plans

The Group made Provident Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised Rs. 283.77 Lakhs (March 31, 2019: Rs. 185.70 Lakhs) for Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Group are at rates specified in the rules of the schemes.

30. Distribution made on dividend

	March 31, 2020	March 31, 2019
Cash dividends on equity shares declared and paid		
Final dividend @ Rs. 5 each (March 31, 2019 : Rs. 3 each)	1,410.71	846.42
Tax on final equity dividend	289.98	173.98

31. Capital and other commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for: Rs. 1,427.32 Lakhs (March 31, 2019: Rs. Nil).

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

32. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the recognition and measurement principles of Ind AS requires management to make judgements, estimates and assumptions that affect the reported balances of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. There are no significant areas involving a high degree of judgement or complexity.

Estimates and assumptions

i. Defined benefit plans (gratuity benefits)

The cost of the defined benefit gratuity plan and the present value of the gratuity 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 and mortality rates. 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 for plans operated in India, the management considers the interest rates of government bonds. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases are based on expected future inflation. Further details about gratuity obligations are given in Note 29.

(ii) Taxes

Deferred tax asset, comprising of Minimum Alternative Tax (MAT) credit is recognised to the extent that it is probable that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward and sufficient taxable profit will be available against which the MAT credit can be utilised. Significant management judgement is required to determine the amount of MAT credit that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(iii) Depreciation of property, plant and equipment

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at based on the useful lives and residual values of all its property, plant and equipment estimated by the management. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of property, plant and equipment.

33. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and cash equivalent. The Group is exposed to credit risk, market risk and liquidity risk. The Group has a risk management policy and its management is supported by a risk management committee that advises on risk and appropriate financial risk governance framework for the Group. The risk management committee provides assurance to the Group's management that the risk activities are governed by appropriate policies and procedures and that risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables), cash and bank balances and other financial assets. The Group deals with parties which has good credit rating/worthiness given by external rating agencies or based on groups internal assessment. The major customers are usually the Government parties and export customers.

Exposure to credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was (i) Rs. 6,427.23 (March 31, 2019: Rs. 6,463.33), being the total of the carrying amount of balances with trade receivables (including retention money and unbilled revenue) (ii) cash and bank balances (excluding cash on hand) of Rs. 2,413.08 (March 31, 2019: Rs. 2,019.57) and (iii) other financial assets of Rs. 141.90 (March 31, 2019: Rs. 136.36). The measurement of impaired credit for carrying amount of the above financial assets is ascertained using the expected credit loss model (ECL) approach. The Group is considerate of the fact the majority of the collection is receivable from export customers or the government companies where there are no significant risk of bad debts. The sale for the current year include two customers (sale value of Rs. 13,749.37 and Rs. 2,307.58 respectively) (March 31, 2019: Rs. 11,283.36 and Rs. 2,418.90 respectively) where individual sale made to parties were more than 10% individually of total revenue. The total amount receivable from top 2 customer is Rs. 4,302.74 (March 31, 2019 : Rs. 4501.63).

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

33. Financial risk management objectives and policies (contd.)

The cash and bank balances (excluding cash on hand) of Rs. 2,413.08 (March 31, 2019: Rs. 2,019.57) are held with banks having good credit rating.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

	Within 1 year	1 to 5 years	After 5 years	Total
March 31, 2020				
Borrowings	2,913.33	-	-	-
Trade payables	3,076.46	-	-	-
	5,989.79	-	-	-
Year ended March 31, 2019				
Borrowings	1587.13	-	-	-
Trade payables	597.83	-	-	-
	2,184.96	-	-	-

Foreign currency exchange rate risk

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss. The risks primarily relate to fluctuations in US Dollar as against the functional currency of the Group. The Group evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks.

The year end unhedge foreign currency exposures is as under:

	March 31, 2020	March 31, 2019
Trade receivables	3,826.46	3,329.55
Borrowings	1,688.74	-
Trade payables	864.05	5.05

Exchange rate as at March 31, 2020 and March 31, 2019 are Rs. 75.39 /USD and Rs. 69.32 / USD respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

	Change in exchange rate		Effect on profit before tax	
	Increase	Decrease	Increase/(Decrease)	
March 31, 2020	1%	1%	12.74	(12.74)
March 31, 2019	1%	1%	29.94	(29.94)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk because funds are borrowed at both fixed and floating interest rates. Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rate. The borrowings of the Group are principally denominated in rupees and US dollars with a mix of fixed and floating rates of interest. The Group has exposure to interest rate risk, arising principally on changes in base lending rate and LIBOR rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Group's profit for the year ended March 31, 2020 would decrease / increase by Rs. 13.94 Lakhs (March 31, 2019: Rs. 14.11 Lakhs).

34. Capital management

For the purpose of the Group's capital management, capital includes issued equity capital and other equity reserves attributable to the equity holders of the Group. The primary objective of the Group's capital management is to maximise the shareholder value.

The entity manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the entity may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The entity monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

34. Capital management (contd.)

The entity's policy is to keep the gearing ratio minimal. The entity includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents.

	March 31, 2020	March 31, 2019
Current Borrowings	2,913.33	1,587.13
Less: Cash and cash equivalents	(501.69)	(1,076.75)
Net debt	2,411.64	510.38
Equity	22,508.09	23,498.41
Capital and net debt	24,919.73	24,008.79
Gearing ratio	9.68%	2.13%

35. During the year ended March 31, 2019, the Holding Company has sold land on which the Group made a profit of Rs. 129.38 Lakhs. The same has been treated as exceptional item.

36. Related party disclosures

Names of related parties and description of relationship

(a) Enterprises over which Key managerial personnel described in (b) below are able to exercise significant influence

Samuha Engineering Industries Limited

(b) Key managerial personnel

P. Jayaprakash Reddy, Director
K. Satyanarayana Reddy, Director
P. Srinivas Reddy, Managing Director
M. Anushman Reddy, Director
Devesh Dhar Dwivedi, Chief Operating Officer *
Abhaya Shankar, Chief Executing Officer **
Sudipto Bhattacharya, Chief Financial Officer ***

* Chief financial officer upto August 31, 2020

** resigned w.e.f May 09, 2020

*** Chief financial officer w.e.f September 01, 2020

(c) Relatives of key management personnel

A. Praveen Kumar Reddy
A. Pranay Kumar Reddy
M. Anushman Reddy

Transactions and balances with related parties

Particulars	March 31, 2020	March 31, 2019
Remuneration		
P. Jayaprakash Reddy	-	72.00
K. Satyanarayana Reddy	-	72.00
M. Anushman Reddy	21.45	3.60
Devesh Dhar Dwivedi	25.11	-
Abhaya Shankar	73.85	-
A. Praveen Kumar Reddy	12.00	10.60
A. Pranay Kumar Reddy	15.23	3.09
Professional charges		
P. Jayaprakash Reddy	66.40	-
K. Satyanarayana Reddy	48.00	-
P. Srinivas Reddy	80.00	48.00
Buy back of equity shares		
P. Jayaprakash Reddy (number)	14,54,541	-
Balances receivable/(payable)		
Samuha Engineering Industries Limited	2.92	2.92

* As the future liability for gratuity and leave encashment is provided on actuarial basis for the Holding Company as a whole, the amount pertaining to the individual is not ascertainable and, therefore, not included above.

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

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

37. Fair values

There are no significant financial assets and liabilities measured at fair value through profit or loss.

The fair value of the financial assets and liabilities measured at amortised cost approximates their carrying amounts as at the balance sheet date.

38. Summary of net assets and profits

Net Assets

Name the entity	Net Assets*			
	March 31, 2020		March 31, 2019	
	% age	Amount	% age	Amount
A. Holding Company	100.00%	22,508.09	100.00%	23,498.41
B. Subsidiary				
Magnatar Industries Private Limited	0.00%	1.00	-	-
Total	100.00%	22,509.09	100.00%	23,498.41
Consolidation Adjustments	0.00%	(1.00)	0.00%	-
Net Amount	100.00%	22,508.09	100.00%	23,498.41

Share of profit

Name the entity	Net Assets*			
	March 31, 2020		March 31, 2019	
	% age	Amount	% age	Amount
A. Holding Company	100%	3,131.91	100%	3,919.91
B. Subsidiary				
Magnatar Aero Space Private Limited	0%	-	-	-
Total	100.00%	3,131.91	100.00%	3,919.91
Consolidation Adjustments	0.00%	-	0.00%	-
Net Amount	100.00%	3,131.91	100%	3,919.91

The disclosure above represents separate information for each of the consolidated entities before elimination of inter-company transactions. The net impact on elimination of inter-company transactions/ profits/ consolidation adjustments have been disclosed separately. Based on the group structure, the management is of the view that the above disclosure is appropriate under requirements of the Companies Act, 2013.

*The subsidiary have been incorporated during the year, hence previous year numbers does not include numbers of the subsidiary company.

39. The Group is closely monitoring the impact of COVID-19 pandemic on all aspects of its business, including how it will impact its customers, employees, vendors and business partners. The Group based on the information available to date, both internal and external, considered the uncertainty relating to the COVID-19 pandemic in assessing its impact. Based on the current estimates, the Group expects to fully recover the carrying amount of assets and does not foresee any significant material adverse impact on its operations. As the outbreak continues to evolve, the Group will continue to closely monitor any material changes to future economic condition.

40. The figures of previous year have been regrouped/reclassified, where necessary, to conform to this year's classification.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm registration number: 101049W/E300004

Chartered accountants

per Navneet Rai Kabra

Partner

Membership no: 102328

Place: Hyderabad

Date: September 08, 2020

For and on behalf of the Board of Directors of

MTAR Technologies Private Limited

P. Srinivas Reddy

Managing Director

DIN: 00359139

Devesh Dhar Dwivedi

Chief Operating Officer

Place: Hyderabad

Date: September 08, 2020

K. Vamshidhar Reddy

Director

DIN: 01133873

Sudipto Bhattacharya

Chief Financial Officer



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