EL Forge Limited [CIN: L34103TN1934PLC000669]

Notes to the Ind-AS financial statements for the year ended 31-03-2020

Notes No. 3.01, relating to Significant Accounting Policies, forming an integral part thereof

01. Company Over review

(01) EL Forge Ltd (the earlier name was Ellore Electric Supply Company limited) incorporated during 1934, and started its forging operations during 1963. The Company is engaged in the business of manufacturing Rough Steel Forgings i.e. fuel injection forgings, steering rods, tie rods, engine and gear boxes, starter items etc. for automobile industry. The company exports its products to the US, China, etc. It has a manufacturing unit at Appur Village, near Chennai.

(02) Established OME's are the major clients of the Company.

(03) The present installed capacity of forgings is 12000 TPA

(04) On Quality front, the Appur plant is ISO / TS 16949 -2009 accredited.

02. Basis of Accounting and Preparation of Financial Statements

(01) Basis of preparation and compliance with Ind AS

(a) The financial statements of the Company have been prepared and presented in accordance with the Generally Accepted Accounting Principles (GAAP) under the historical cost convention on accrual basis of accounting, except for Cash Flow Statement and Assets and Liabilities that have been measured on fair value basis. GAAP comprises of Indian Accounting Standards (Ind AS) as notified under Section 133 of the Act read together with Rule 4 of Companies (Indian Accounting Standards) Rules 2015 and Rule 4 of Companies (Indian Accounting Standards) Amendment Rules 2016 to the extent applicable, pronouncements of regulatory bodies applicable to the Company and other provisions of the Act. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to existing accounting standards requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an on-going basis.

(b) All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set-out in note C (19). Based on the nature of products and services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

(c) **Statement of Compliance**

The Financial Statements comprising Balance Sheet, Statement of Profit and Loss, Statement of changes in Equity, Cash Flow Statement, together with notes for the year ended March 31, 2020 have been prepared in accordance with Ind AS as notified above duly approved by the Board of Directors at its meeting held on July 29, 2020.

EL Forge Limited [CIN: L34103TN1934PLC000669]

Notes to the Ind-AS financial statements for the year ended 31-03-2020

Notes No. 3.01, relating to Significant Accounting Policies, forming an integral part thereof

(02) Basis of measurement

The Ind AS Financial Statements have been prepared on a going concern basis using historical cost convention and on an accrual method of accounting, measuring certain financial assets and liabilities, at Fair value as required by relevant Ind ASs. The Fair value measurement is described below:

(a) The Company does not have any financial instruments, such as, derivatives and accordingly, measures financial instrument, at fair value at each balance sheet date does not arise. Accordingly, the principle of Fair value, in respect of the above, has not been stipulated here.

(b) A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

(i) Fair value for measurement and /or disclosure purpose in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 17, and measurements that have some similarities to fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

(ii) The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

(i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

(d) For other fair value related disclosures refer Sl. No. 20 of Note No. 3.02 on Financial Statements.

(03) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). Indian rupee is the functional currency of the Company.

EL Forge Limited [CIN: L34103TN1934PLC000669]
Notes to the Ind-AS financial statements for the year ended 31-03-2020
Notes No. 3.01, relating to Significant Accounting Policies, forming an integral part thereof

The financial statements are presented in Indian Rupees (₹) which is the Company's presentation currency. All financial information presented in Indian Rupees has been rounded up to the nearest lakhs except where otherwise indicated.

(04) New Standards and interpretations not yet adopted

In Ministry of Corporate Affairs (MCA) vide notification dated 30 March 2019 has issued new standard, Ind AS 116 - Leases and also amended Ind AS 12 - Income taxes and Ind AS 19 Employee benefits.

a) Ind AS 116 - Leases

The standard replaces all existing lease accounting requirements and represents a significant change in accounting and reporting of leases, with more assets and liabilities to be reported on the Balance Sheet and a different recognition of lease costs. The company is currently evaluating the impact of the standard on the financial statements. The effective date of adoption of Ind AS 116 - Leases is annual period beginning from 1st April 2019. The standard permits the use of either the retrospective or cumulative effect transition method.

Under retrospective method, the Company retrospectively apply the standard to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors and under the cumulative effect transition method, the effect of applying the Standard is adjusted in the opening retained earnings and the comparatives will not be retrospectively adjusted.

The company will adopt cumulative transition method on adoption of Ind AS 116 and accordingly comparatives for the year ended March 2019 will not be adjusted. The Company also has elected to apply certain practical expedients on transition to Ind AS 116.

The Company is in the process of evaluation of impact on account of adoption of IND AS 116 on the financial statements.

b) Ind AS 12 Income taxes - Uncertainty over Income Tax Treatments

The amendment clarifies the accounting for uncertainties in income taxes. The effective date for adoption of amendment is annual reporting periods beginning on or after April 1, 2019. The effect of amendment on Uncertainty over Income Tax Treatments is expected to be insignificant.

c) Ind AS 12 - Income taxes

The amendments to clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events that generated distributable profits were recognised.

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Notes to the Ind-AS financial statements for the year ended 31-03-2020
Notes No. 3.01, relating to Significant Accounting Policies, forming an integral part thereof

Effective date for application of this amendment is annual period beginning on or after 1 April 2019. The Company is currently evaluating the effect of this amendment on the financial statements."

d) Amendments in Ind AS 19 – Employee Benefits
MCA has amendments Ind AS 19 – "Employee Benefits" regarding plan amendments, curtailments and settlements. The amendments in Plan Amendment, Curtailment or Settlement are as follows;

a) If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re measurement are determined using the assumptions used for the re measurement;

b) In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

The above amendments are effective for annual periods beginning on or after April 1, 2019. The company has evaluated the requirements of amendment and the effect on the financial statement is expected to be insignificant.

03. Significant Accounting Policies
The Company has applied following accounting policies to all periods presented in the Ind AS Financial Statement.

(01) Revenue Recognition
The Company earns revenue from export/domestic of manufactured steel forgings, sale of product and services and right to receive export incentives from Government.

The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services excluding the amount collected on behalf of third parties. Refer note 11 significant accounting policies in the Company's 2018 annual report for the previous revenue recognition policies.

The revenue recognition in respect of the various streams of revenue is described as follows

Export/Domestic sale of steel forgings:-
Revenue is earned from manufacture and export/domestic sale of steel forgings. Revenue is recognised upon completion of obligation of the Company.

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Notes to the Ind-AS financial statements for the year ended 31-03-2020
Notes No. 3.01, relating to Significant Accounting Policies, forming an integral part thereof

Revenue is recognised at the transaction price agreed with the customer through a sale order received from the customers.

Sales of products and services:-
Revenue is earned from sale of products and services. Revenue is recognised upon completion of services or upon transfer of risk and reward of products to the customer.

Export Benefits or Incentives:-
Export incentive in the nature of duty draw back or "Duty Entitlement Pass Book" under "Duty Exemption Scheme", framed by the government, are recognised in the Statement of Profit & Loss when the right to receive credit as per terms of the scheme is established in respect of export made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised using effective rate of interest method.

(02) Property, Plant and Equipment
Property, Plant and Equipment is stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Amounts paid as advances towards the acquisition of Property, Plant and Equipment is disclosed separately under other non-current assets as capital advances and the cost of assets not put to use as on Balance Sheet date are disclosed under "Capital work-in-progress'.

Gains and losses on 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 / other expenses" in the Statement of Profit and Loss.

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Notes to the Ind-AS financial statements for the year ended 31-03-2020
Notes No. 3.01, relating to Significant Accounting Policies, forming an integral part thereof

Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Statement of Profit or Loss.

Depreciation
Depreciation is recognized in the Statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Management's estimated useful lives for the years ended March 31, 2020 and 2019 were as follows:

		Estimated useful life (in years)	Useful life prescribed by Schedule II (in years)
General Plant & Machinery	-	20 years	15 years
Buildings - others	-	30 years	30 years
Office Equipment's	-	5 years	5 years
Furniture and Fixtures	-	10 years	10 years

(03) Loans and Borrowings

(a) After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (hereinafter referred as EIR) method. Gains and losses are recognised in statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

(b) Amortized 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 amortization is included as finance costs in the statement of profit and loss.

(04) Borrowing Costs

Borrowing costs are interest and other costs (including exchange difference relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Interest expense is recognised using effective interest method.

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Notes No. 3.01, relating to Significant Accounting Policies, forming an integral part thereof

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as expenses in the period in which they are incurred. To the extent the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowings costs eligible for capitalization by applying a capitalization rate to the expenditure incurred on such asset. The capitalization rate is determined based on the weighted average of borrowing costs applicable to the borrowings of the Company which are outstanding during the period, other than borrowings made specifically towards purchase of the qualifying asset. The amount of borrowing costs that the Company capitalizes during a period does not exceed the amount of borrowing costs incurred during that period.

(05) Inventories

Inventories are valued at the lower of cost and net realisable value except scrap and by products which are valued at net realisable value. Costs incurred in bringing the inventory to its present location and condition are accounted for as follows:

(a) Raw materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

(b) Finished goods and work in progress: Cost includes direct labour and an appropriate share of fixed and variable production overheads. Fixed production overheads are allocated on the basis of normal capacity of production facilities. Cost is determined on moving weighted average basis.

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

Obsolete inventories are identified and written down to net realisable value. Slow moving and defective inventories are identified and provided to net realisable value.

(06) Impairment of Non-financial assets

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment if any indication of impairment exists. The following intangible assets are tested for impairment each financial year even if there is no indication that the asset is impaired:

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Notes No. 3.01, relating to Significant Accounting Policies, forming an integral part thereof

(a) an intangible asset that is not yet available for use; and (b) an intangible asset that is amortised over a period exceeding ten years from the date when the asset is available for use.

If the carrying amount of the assets exceeds the estimated recoverable amount, impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Statement of Profit and Loss, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

Reversal of impairment loss

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, to the extent the amount was previously charged to the Statement of Profit and Loss. In case of revalued assets such reversal is not recognised.

(07) Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Minimum Alternate Tax (MAT) is accounted as current tax when the Company is subjected to such provisions of the Income Tax Act. However, credit of such MAT paid is available when the Company is subjected to tax as per normal provisions in the future. Credit on account of MAT is recognized as an asset based on the management's estimate of its recoverability in the future.

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Notes to the Ind-AS financial statements for the year ended 31-03-2020
Notes No. 3.01, relating to Significant Accounting Policies, forming an integral part thereof

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:
(i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and
(ii) differences relating to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future.
(iii) Arising due to taxable temporary differences arising on the initial recognition of goodwill, as the same is not deductible for tax purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred taxation arising on investments in subsidiaries and associates is recognized except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation on temporary differences arising out of undistributed earnings of the equity method accounted investee is recorded based on the management's intention. If the intention is to realize the undistributed earnings through sale, deferred tax is measured at the capital gains tax rates that are expected to be applied to temporary differences when they reverse. However, when the intention is to realize the undistributed earnings through dividend, the company’s share of the income and expenses of the equity method accounted investee is recorded in the statement of income, after considering any taxes on dividend payable by the equity method accounted investee and no deferred tax is set up in the books as the tax liability is not with the company.

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Notes to the Ind-AS financial statements for the year ended 31-03-2020
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(08) 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.

(09) Employee benefit schemes

Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, performance incentives and compensated absences which are expected to occur in next twelve months. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

Compensated absences:

Compensated absences accruing to employees and which can be carried to future periods but where there are restrictions on availment or encashment or where the availment or encashment is not expected to occur wholly in the next twelve months, the liability on account of the benefit is determined actuarially using the projected unit credit method.

Post-employment benefits

(a) Defined contribution plan

Retirement benefits, in form of superannuation, are a defined contribution scheme. The Company has no obligation, other than the contribution payable to the superannuation fund. The Company recognizes contribution payable to the superannuation scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised 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 recognised as an asset to the extent that the pre-payment will lead to a reduction in future payment or a cash refund.

Gratuity

The Company has a defined benefit plan (the "Gratuity Plan"). The Gratuity Plan provides a lump sum payment to employees who have completed five years or more of service at retirement, disability or termination of employment, being an amount based on the respective employee's last drawn salary and the number of years of employment with the Company. Presently the Company's gratuity plan is unfunded.

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The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets if any. This cost is included in employee benefit expense in the statement of profit and loss. The liability or asset recognised in the balance sheet in respect of gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets if any. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and are never reclassified to profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit and loss as past service cost.

Provident Fund
Eligible employees of the Company receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a portion to the Balco Provident Fund Trust. The trust invests in specific designated instruments as permitted by Indian law. The remaining portion is contributed to the Government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is administered by the Government.

The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

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Post-retirement medical benefits (PRMB)

The Company has framed a scheme with a view to provide medical benefits to the regular employees of the Company and their spouses subsequent to their retirement on completion of tenure including retirement on medical grounds and voluntary retirement on contributory basis. Based on actuarial valuations conducted as at year end, a provision is recognised in full for the benefit obligation over and above the funds held in the plan assets. In case where there is no plan asset, full provision is recognised in the balance sheet.

(10) Provisions

Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A provision for onerous contract is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(11) Foreign currency transactions

Foreign currency transactions are recorded on initial recognition in the functional currency, using the exchange rate prevailing at the date of transaction.

Measurement of foreign currency items at the balance sheet date

Foreign currency monetary assets and liabilities denominated in foreign currencies are translated at the functional currency at the exchange rate prevailing at the reporting date.

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.

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Notes to the Ind-AS financial statements for the year ended 31-03-2020

Notes No. 3.01, relating to Significant Accounting Policies, forming an integral part thereof

Exchange differences

Exchange differences arising on settlement or translation of monetary items are recognized as income or expense in the period in which they arise with the exception of exchange differences on gain or loss arising on translation of non-monetary items measured at fair value which 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).

(12) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its equity shares. Basic EPS is calculated by dividing the profit and loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit and loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential equity shares.

(13) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Revenue and expenses are identified to segments on the basis of their relationship to the operating activities of the segment. Inter segment revenue are accounted for based on the cost price. Revenue, expenses, assets and liabilities which are not allocable to segments on a reasonable basis, are included under "Unallocated revenue/ expenses/ assets/ liabilities".

(14) Cash Flow Statement

Cash flows are reported using indirect method as set out in Ind AS -7 "Statement of Cash Flows", whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

(15) Research and development

Revenue expenditure towards research and development is charged to the statement of profit and loss in the year it is incurred. Capital expenditure on research and development related to property, plant and equipments is included in the cost of related property, plant and equipments.

(16) Leases

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

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Notes to the Ind-AS financial statements for the year ended 31-03-2020
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Assets taken on finance lease:
A finance lease is recognized as an asset and a liability at the commencement of lease, at lower of the fair value of leased asset or the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets taken on operating lease:
Assets taken on operating leases are not recognized on the Company's Balance Sheet. Payments made under operating leases are recognized in the Statement of Profit and Loss on a straight-line basis over the term of the lease.

Subsequent to initial recognition, the security deposit is measured at amortized cost using the effective interest method with the carrying amount increased over the lease period up to the refundable amount. The amount of increase in the carrying amount of deposit is recognized as interest income. The lease prepayment is amortized on a straight line basis over the lease term as lease rental expense.

(17) Use of Estimates and Judgments
The preparation of the financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates under different assumptions and conditions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are elaborated in note No. 05,06, 09, 10,11,12 14 and 15 of the Notes on Financial Statements, shown in the immediately succeeding notes.

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Notes to the Ind-AS financial statements for the year ended 31-03-2020

Notes No. 3.01, relating to Significant Accounting Policies, forming an integral part thereof

(18) Estimation of uncertainty relating to global health pandemic of COVID-19

Recoverability of receivables, carrying amount of Property, Plant and Equipment and certain investments have all been assessed based on the information available within the company and external sources such as credit reports and economic forecasts. The company has performed impairment testing and assessed that the carrying amount of these assets will be recovered.

The impact of global health pandemic may be different from the date of approval of Financial Statements.

The company has assessed the external environment, short term and long term liquidity position, companys mitigative actions regarding material uncertainties related to global health pandemic of COVID-19 and on that basis of assessment, the company expects theseuncertainties do not cast significant doubt upon the ability of the company to continue as going concern.

(19) **Current /Non Current Classification**

I As asset is classified as current if:

a) It is expected to be realized or sold and consumed in the Company's normal operating cycle.
b) It is held primarily for the purpose of trading;
c) It is expected to be realized within twelve months after the reporting period or
d) It is cash or a cash equivalent unless it is 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.

II An liability is classified as current if

a) It is expected to be settled in normal operating cycle;
b) It is held primarily for the purpose of trading;
c) It is expected to be settled with twelve months after reporting period;
d) It has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

The operating cycle is the time between acquisition of assets for processing and their realization in cash and cash equivalents. The Company's normal operating cycle is 45 days to 60 days.

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Notes to the Ind-AS financial statements for the year ended 31-03-2020

Notes No. 3.02 on Financial Statements as at 31-03-2020, relating to other information, forming an integral part thereof

01. Denomination

All the figures are rounded off to nearest Lakh

02. Re-Grouping of Amounts

Previous year's figures have been regrouped wherever necessary to confirm to current year classification/ grouping.

03. Contingent Liabilities & Commitments

Claims against the company not acknowledged as debt (Amount in Rs. Lakh)

Sl. No.	Particulars	As at 31-03-2020	As at 31-03-2019
01	E.S.I under Appeal	0.77	0.77
02	Demands raised by SIPCOT for the Leasehold	13.00	13.00
03	Demand from Income Tax	132.74	132.74
04	Demand from Central Excise & service tax	21.43	21.43
05	Pending contract on account of Completion of CWIP	30.00	25.00

04. Confirmation of Balance

The Company has sent letters for confirmation of Balance as at 31-03-2020 but only some of the parties have responded. In the opinion of the management the current assets and Loans and Advances will be recovered in full, in the normal course of business.

05. Miscellaneous Expenditure

The company written off deferral interest during the year.

06. Non-Provision for diminution in the value of Investments

The company has not provided for decline in the market value (or net realizable value) of investment made in the shares of companies as decided by the management, in view of the loss incurred by the company.

07. Disclosure of amount due to MSME

(01) Our company has no dealings with MSME organizations (as per Micro, Small and Medium Enterprises Development Act, 2006) ; and hence we have not filed MSME returns with MCA.

(02) As a matter of caution we have written to all suppliers to confirm if they would come under the classification of MSME. None of them have confirmed the same and hence we can conclude that our company dues are not to MSME's.

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(03) Accordingly, disclosure of details of amount due to in respect of Micro, Small and Medium Enterprises, vide Notification dated 11th October, 2018, issued by Ministry of Corporate Affairs, are not applicable to the Company for the year under report.

08. Netting off Interest Income

Interest Expenses is shown after setting off interest receipts (Income) amounting to Rs. 0.09 Lakh, including TDS amounting to Rs.Nil (Previous year Rs.5.84 Lakh, including TDS amounting to Rs.0.58).

09. Non-Payment of Group Gratuity Fund

The Retirement Benefit Funds towards gratuity are administered by LIC under Group Gratuity Scheme. There is a short fall of the amounts provided by the Company to Gratuity Scheme

10. Non-Disclosure of the details under Employees Benefits, AS-15 (Revised)

(01) The Company has opened a Gratuity Scheme with Life Insurance Corporation of India (LIC), for settling any amount due on account of Gratuity. Under the aforesaid Scheme, the company has to contribute annual premium, based on the amount arrived by LIC. Due to continuous operating loss during the earlier years, the Company has not made the payment of Gratuity premium to Life Insurance Corporation of India (LIC). However, required provision on this account has been made in the books of account, in consistent with mercantile method of accounting followed by the company. The management is of the view that liability provided for in the books of account up to the year end is sufficient, to meet the liability on account of gratuity.

(02) An amount of Rs.209.95 Lakh (Previous year Rs.178.36 Lakh) has been outstanding in respect of the above fund as on 31-03-2020, as per the books of the company. Due to non-payment of annual premium on account of gratuity, the estimated return from the fund or scheme may not be ascertained or determined. Accordingly, no disclosure has been made, in terms of AS-15. The Company is taking sincere steps to make the payment of the amount due and is in the process of adopting AS-15 (Revised), any implications arising there from including the valuation of future liability on actual basis and determination of plan assets will be done in due course.

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11. Penalty and Interest

Non-payment or delayed payment of statutory due (Relating to earlier years) has attracted interest and penalty. The amount of interest / late fees, has been arrived by the Management of the Company, based on the information available with them. The amount outstanding as at 31-03-2020 was Rs.100.63 Lakh,. (Previous year Rs. 197.73 Lakh), has been provided in the books of account. The amount charged may be different from the amount, which may be demanded subsequently by the authorities concerned.

12. Pending Litigation.

The amount due to some suppliers, who have filed suit before the National Company Law Tribunal/ (NCLT) the Honorable Madras High Court, has been fully settled.

Sl. No.	Name of the creditor	As at 31-03-2020	As at 31-03-2019	Status of Claim
1.	Easy Access Financial Services Ltd.	3075000	21540000	Payment being made as per Memorandum of Settlement.
2.	Performance Products & Services	868761	868761	With interest toalling to Rs.19,21,534/- filed in NCLT for recovery of dues. Not yet come up for hearing
3 .	Bhushan Power and Steel Ltd	17408912	17408912	Filed in NCLT for recovery of dues. Case to be heard.
4.	PCK Buderus (India) Special Steels Pvt Ltd	6299924	6299924	With interest. Case filed in High Court of Judicature at Madras and attached the land at Appur Villege to secure repayment of the amount.

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13. Investor Education & Protection Fund

(01) Whenever the company declares dividend, it transfers the amount equivalent to an earmarked account, meant for the same, by opening an account with a bank. An unpaid amount, if any, lying in the aforesaid amount shall be transferred to Investor Education & Protection Fund, by taking Demand Draft, from the Bank.

(02) In compliance of the above, the dividend amount, relating to Financial Year 2007-08, has been transferred to an account lying with a nationalized bank. An amount of Rs.3.74 Lakh (Previous Year Rs.3.74 Lakh), remaining unpaid, in that account. The company has taken steps to obtain demand draft to transfer the same to Investor Education & Protection Fund. Since the bank has not issued Demand Draft, the company is not in a position to transfer the same to Investor Education & Protection Fund.

14. Asset Reconstruction Companies

(01) The amount, due to Edelweiss Asset Reconstruction Company Ltd has been settled in full during the Year.

15. Shakespeare Forgings Ltd, in UK

(1) There has been a change in the shareholding pattern of Shakespeare Forgings Ltd (SFL), UK, the Wholly Owned Subsidiary of the company till February 2015. Due to market and environmental requirements, infusement additional funds had become obligatory at Shakespeare Forgings Ltd. As our Company was not in a position to accommodate this, the wholly owned subsidiary raised the necessary funds by issuing fresh equity on 02.02.2015. Without additional funds Shakespeare Forgings Ltd would have been forced to curtail its operations in a major way, which might have led to additional financial burden for your Company.

(02) By issuing further shares, the shareholding of the Company in SFL has been reduced to 37.50% from 100% with effect from 02.02.2015.

(03) Even though the Company owns more than 20% of the capital of SFL, the consolidation accounts has not been prepared incorporating the financials of the SFL, since the company does not have any significant control.

(04) The Company does not have any other subsidiary or Joint venture or Associate Company, within the meaning of the Companies Act, 2013.

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(05) Further, the company has not visualized any diminution in the value of investment; and is in a near future can liquidate the investment.

(2) Related Party Disclosure, as per AS-18

The related parties' details are disclosed as follows:

(01) List of Related Parties

(01) Related Parties
(a) Promoters
(i) Mr.V.Srikanth
(ii) Mr. K.V.Ramachandran
(b) Subsidiaries, Associates and Joint Venture: Nil
(c) Key Managerial Personnel
Mr.K.R.Srihari (Son of Mr.K.V.Ramachandran, Vice Chairman & Managing Director)

(02) Transaction Amount (In Rs. Lakh)

Particulars	**FY 2019-20**	**FY 2018-19**
(01) On account of Salaries		
Mr.K.R.Srihari	29.05	22.26
(02) Transaction with Related Parties		
(a) On Account of Interest		
(i) Director's Relatives	5.47	5.47

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(3) Segment Reporting

The Company has two business segment (1) Manufacture and sale of steel forgings.(2) Land and Development described as "Other Operating Income" (Amount in Rs. Lakh)

Sl. No.	Particulars	For the Year 2019-20	For the Year 2018-19
01	Segment Revenue		
	Forgings	3280.33	4976.55
	Land & Developments	0.00	0.00
	Total Revenue	3280.33	4976.55
02	Segment Results [Profit/ Loss (-)]		
	Forgings	-873.83	-582.85
	Land & Developments	0.00	0.00
	Net Profit/ Loss (-) before Interest	-873.83	-582.85
03	Interest cost	19.87	61.49
03	Other Income	5.37	8.19
04	Unallocable Items	949.37	2962.12
04	Net Profit/ Loss (-)	61.04	2325.97

The Company is engaged in the business of manufacturing of Auto Ancillary part (Manufacture and sale of steel forgings). It is one of the reportable segments, as per AS 17. As the exports are mainly to Developed Countries, geographical risk is not different from domestic market and hence no separate secondary segment disclosure is required, in respect of the aforesaid reportable segments.

(4) Excising the option of conversion
The Company has issued 12,11,123 number of optionally convertible preference shares (OCCRPS), during the financial year 2011-12. These shares have been issued by the company and fully subscribed by the banks (Who has extended loan to the company). Among other terms, the issue has given an option to convert the preference shares into equity shares, in three consecutive financial years 2016-17, 2017-18 and 2018-19. Till the date of approval of the financial statements, the company has not received any intimation, regarding the aforesaid option.

(5) Payments to directors (other than managing director and executive director)

Particulars	Year ended March 31, 2020	Year ended, March 31, 2019
Sitting fees	0.11	0.17

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(6) Financial instruments

(01) Financial instruments by category

The carrying value and fair value of financial instruments by each category as at March 31, 2020 were as follows: (Amount Rs. In lakhs)

Particulars	Financial assets/ liabilities at amortized costs	Financial assets/ liabilities at FVTPL	Financial assets/ liabilities at FVTOCI	Total carrying value	Total fair value
Assets					
Investments			373.84	373.84	373.84
Trade receivables	328.17			328.17	328.17
Cash and cash equivalents	18.49			18.49	18.49
Other financial assets	92.07			92.07	92.07
Liabilities					
Borrowings from banks	0.00			0.00	0.00
Borrowings from others	954.73			954.73	954.73
Trade payables	8401.91			8401.91	8401.91
Other financial liabilities	513.83			513.83	513.83

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The carrying value and fair value of financial instruments by each category as at March 31, 2020 were as follows: (Amount Rs. In lakhs)

Particulars	Financial assets/ liabilities at amortized costs	Financial assets/ liabilities at FVTPL	Financial assets/liabilities at FVTOCI	Total carrying value	Total fair value
Assets					
Investments	-		373.84	373.84	373.84
Trade receivables	465.71			465.71	465.71
Cash and cash equivalents	37.08			37.08	37.08
Other financial assets	89.62			89.62	89.62
Liabilities					
Borrowings from banks/ ARCS	2379.49			2379.49	2379.49
Borrowings from others	655.40			655.40	655.40
Trade payables	8557.73			8557.73	8557.73
Other financial liabilities	531.92			531.92	531.92

Details of financial assets pledged as collateral
The carrying amount of financial assets as at March 31, 2020 and 2019 that the Company has provided as collateral for obtaining borrowing and other facilities from the bankers are as follows: (Amount Rs. In lakhs)

Particulars	Year ended March 31, 2020	Year ended, March 31, 2019
Trade receivables	328.17	465.71
Cash and cash equivalents	18.49	37.08
Other financial assets	92.07	89.62
Total	**438.73**	**592.41**

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c. Interest income/(expenses), gains/(losses) recognized on financial assets and liabilities

Particulars	Year ended March 31, 2020	Year ended, March 31, 2019
(a) Financial assets at amortised cost		
Interest income on other financial assets	0.09	5.84
(d) Financial liabilities at amortised cost		
Interest expenses on borrowings from banks, others and overdrafts	-19.78	-60.42

(02) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established a risk management policy to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management systems are reviewed periodically to reflect changes in market conditions and the Company's activities. The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the risk management framework. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

"Credit risk:
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables, treasury operations and other activities that are in the nature of leases."

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Notes to the Ind-AS financial statements for the year ended 31-03-2020

Notes No. 3.02 on Financial Statements as at 31-03-2020, relating to other information, forming an integral part thereof

Exposure to credit risk

The gross carrying amount of financial assets, net of any impairment losses recognized represents the maximum credit exposure. The maximum exposure to credit risk as at March 31, 2020 and 2019 was as follows:(Amount Rs. In lakhs)

	Year ended March 31, 2020	Year ended, March 31, 2019
Other investments	373.84	373.84
Trade receivables	328.17	465.71
Cash and cash equivalents	18.49	37.08
Other financial assets	92.07	89.62
Total	**812.57**	**966.25**

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired other than trade receivables. The age analysis of trade receivables have been considered from the date of invoice. The ageing of trade receivables, net of allowances that are past due, is given below: (Amount Rs. In lakhs)

Period (in days)	Year ended March 31, 2020	Year ended, March 31, 2019
Past due 181 - 360 days	12.28	6.15
More than 360 days	4.97	1.86

Financial assets that are neither past due nor impaired

Cash and cash equivalents, other assets, other receivables and finance lease receivables are neither past due nor impaired. The total trade receivables that are not past due as at March 31, 2020 amounts to ₹ 310.92 (March 31, 2019: ₹ 457.48) and impairment has not been recorded on the same.

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As at March 31, 2018 (Amount Rs. in Lakh)

	Carrying amount	Contractual cash flows	0-12 months	1-3 years	3-5 years
Non-derivative financial liabilities					
Borrowings from banks/ARCS	4031.01	0.00	0.00	0.00	0.00
Borrowings from others	9282.17	0.00	0.00	0.00	0.00
Trade payables	2554.32	0.00	0.00	0.00	0.00
Other financial liabilities	517.68	0.00	0.00	0.00	0.00
Total	16385.18	0.00	0.00	0.00	0.00

Market risk:
Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign exchange rates and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables. The Company is exposed to market risk primarily related to foreign exchange rate risk (currency risk), interest rate risk and the market value of its investments. Thus the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Currency risk:
The Company's has a limited risk in exposure to foreign currency.

The Company's exposure to foreign currency risk as at March 31, 2020 was as follows:
(Euro in lakhs)

Cash and cash equivalents	Trade receivables	Trade payables	Foreign currency demand loan	Net Balance Sheet exposure
EUR	0.27	0.00	0.00	0.27

The Company's exposure to foreign currency risk as at March 31, 2019 was as follows:

Cash and cash equivalents	Trade receivables	Trade payables	Foreign currency loans	Net Balance Sheet exposure
EUR	0.13	0.00	0.00	0.13

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Interest rate risk:
Interest rate risk is the risk that an upward movement in interest rates would adversely affect the borrowing costs of the Company.

Profile
At the reporting date the interest rate profile of the Company's interest –bearing financial instruments were as follows:((Amount Rs. In lakhs)

Particulars	**March 31, 2020**	**March 31, 2019**
Fixed rate instruments		
Financial assets		
- Fixed deposits with banks	0.00	0.00
Financial liabilities		
- Borrowings from banks/ ARCS	1211.12	2614.55
- Borrowings from others	8401.91	8557.73
Variable rate instruments		
Financial liabilities		
- Borrowings from banks	0.00	0.00
- Bank overdrafts	0.00	0.00

Notes No. 3.02 on Financial Statements as at 31-03-2020, relating to other information, forming an integral part thereof

(03) Capital management

The Company's capital comprises equity share capital, share premium, retained earnings and other equity attributable to equity holders. The primary objective of Company's capital management is to maximise shareholders value. The Company manages its capital and makes adjustment to it in light of the changes in economic and market conditions. The Company does so by adjusting dividend paid to shareholders. The total capital as on March 31, 2020 is ₹ -5224.60 (Previous Year: ₹ -5285.65).

The Company monitors capital using gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises of long term and short term borrowings less cash and bank balances. Equity includes equity share capital and reserves that are managed as capital. The gearing at the end of the reporting period was as follows: (Amount Rs. In lakhs)

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Particulars	March 31, 2020	March 31, 2019
Debt	1211.12	2614.55
Less: cash and bank balances	18.49	37.08
Net debt (A)	1192.63	2577.47
Equity (B)	-5224.60	-5285.65
Net debt to Equity ratio [A/ B]	-0.22	-0.48

No changes were made in the objectives, policies or processes for managing capital of the Company during the current and previous year.

(04) Contribution towards Corporate Social Responsibility

Our company does not fall under the criteria laid for Corporate Social Responsibility under section 135 of the Companies Act, 2013 and hence the section is not applicable to the Company for the year under audit report.

(7) Additional information/ details

Following are additional information, to the extent applicable to the company, for the year under report. Rs. in Lakh

Sl.No.	Particulars	As at 31-03-20	As at 31-03-19
01	Expenditure in foreign currency on account of		
	Travelling	0	0
	Membership & Subscription	0	0
02	Foreign Exchange Earnings (Export-FOB Value)	143.98	108.91

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Notes to the Ind-AS financial statements for the year ended 31-03-2020

Notes No. 3.02 on Financial Statements as at 31-03-2020, relating to other information, forming an integral part thereof

Sl.No.	Particulars	As at 31-03-20	As at 31-03-19
03	Earning per Shares		
	(01) Net Profit/ Loss (-) after Tax	61.04	2325.96
	(02) Adjusted Net Profit/ Loss (-) after Tax	61.04	2325.96
	(03) Number of Shares		
	For basic EPS	20,324,304	20,324,304
	For Diluted EPS	20,324,304	20,324,304
	(04) EPS (in Rs., Face Value of Rs.10/-)		
	Basic EPS	0.30	11.44
	Diluted EPS	0.30	11.44
04	Raw Martial Consumed (Amount)		
	Total	1778.06	3000.00
	Indigenous	1778.06	3000.00
	Imported	0	0
05	Raw Martial Consumed (in Percentage)		
	Total	100.00	100.00
	Indigenous	100.00	100.00
	Imported	0.00	0.00
06	Stores & Spares Consumed (Amount)		
	Total	129.05	162.10
	Indigenous	129.05	162.10
	Imported	0.00	0.00
07	Stores & Spares Consumed (in Percentage)		
	Total	100.00	100.00
	Indigenous	100.00	100.00
	Imported	0.00	0.00

Signatories to all Notes on Financial Statements (Standalone)

As per our Annexed Report
For L Mukundan and Associates
Chartered Accountants
Firm Registration No.010283S

L MUKUNDAN
Membership No. 204372
Partner
Place: Chennai
Date: 29/07/2020

On Behalf of Board
V. Srikanth (DIN 0076856)
Chairman

K.V.Ramachandran(DIN:00322331),
Vice Chairman & Managing Director

R. Sowmithri (DIN: 00280988)
Executive Director (Finance) & Company Secretary
Place: Chennai
Date: 29/07/2020