GLOBAL KNOTFAB LIMITED

Notes forming part of the standalone financial statements

Note 20 (a) - Transition to Ind AS - Principle and reconciliations

Overall principle
These are the Company's first financial statement prepared in accordance with Ind AS, accordingly the Company has prepared the opening balance sheet as per Ind AS as at April 1, 2016 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous GAAP to Ind AS required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities. However, this principle is subject to the mandatory exceptions and certain optional exemptions availed by the Company as detailed below :

A. Mandatory exceptions
Estimates
The estimates as at April 1, 2016 and as at March 31, 2017 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Indian GAAP did not require estimation:
(i) Fair value through profit or loss (FVTPL) – unquoted mutual funds
(ii) Impairment of financial assets based on expected credit loss model
The estimates used by the Company to present these amounts are in accordance with the Ind AS which reflects conditions as at April 1, 2016, the date of transition to Ind AS and as at March 31, 2017. However the life of the assets have been revalued in the plant and machinery.

Derecognition of financial assets and financial liabilities
The Company has applied the derecognition requirements of financial assets and financial liabilities prospectively for transactions occurring on or after transition date.

Classification and measurement of financial instruments
(I) Financial Instruments: (Security deposits paid)
Financial assets / liabilities like security deposits paid has been classified and measured at amortised cost on the basis of the facts and circumstances that exist at the date of transition to Ind AS

(II) Impairment of financial assets
The Company has applied the impairment requirements of Ind AS 109 retrospectively; however, as permitted by Ind AS 101, it has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised in order to compare it with the credit risk at the transition date. Further, the Company has not undertaken an exhaustive search for information when determining, at the date of transition to Ind AS, whether there have been significant increases in credit risk since initial recognition, as permitted by Ind AS 101.

B. Optional exemptions

Deemed cost for property, plant and equipment
The Company has opted to measure all of its plant and machinery, land and building at the fair value and use that fair value as its deemed cost and has opted to measure all

Deemed cost for Intangible assets
The Company has opted to measure all of intangible assets at the previous carrying value and use that carrying value as its deemed cost.

Investment in equity shares of subsidiaries at deemed cost
The Company has opted to measure its investment in subsidiary at their previous GAAP carrying value in separate financial statement and use that carrying value as deemed cost.

Determining whether an arrangement contains a lease
Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Company has used Ind AS 101 exemption and assessed all arrangements based on conditions in place as at the date of transition

Designate of previously recognised financial instrument
The Company has elected this exemption and opted to designate financial asset at FVTPL as per Ind AS 109 based on facts and circumstances that exist as on transition date.

Reconciliation of Equity

`in Lakh

Particulars	Note	As at March 31, 2017 (End of last period presented under previous GAAP)	As at April 01, 2016 (Date of transition)
Total equity (shareholders' funds) under previous GAAP		**581.12**	**581.12**
Impact of fair valuation of tangible assets	(a)	-	-
Impact of measuring equity investments at fair value through profit and loss (FVTPL)	(b)	-	-
Amortisation of Capital subsidy	-	-	-
Processing fee on loan accounted for using effective interest rate	-	-	-
Impact of measuring security deposits given at amortised cost	-	-	-
Impact of Interest free loan at amortised cost	-	-	-
Gain on derivatives under MTM accounting	-	-	-
Tax adjustments	-	-	-
Total adjustment to equity		**-**	**-**
Total equity under Ind-AS		**581.12**	**581.12**

Note 20 (b) - First - time Ind - AS adoption

i. Effect of Ind AS adoption on Balance sheet

`in Lakh

Particulars	Note	As at March 31, 2017 (End of last period presented under previous GAAP)			As at April 01, 2016 (Date of transition)		
		Previous GAAP *	Effect of transition to Ind-AS	Ind-AS	Previous GAAP *	Effect of transition to Ind-AS	Ind-AS
I. ASSETS							
1 Non - current assets							
(a) Property, Plant and Equipment	(a)	110.11	-	110.11	142.69	-	142.69
(b) Capital work-in-progress		-	-	-	-	-	-
(d) Other Intangible assets		-	-	-	-	-	-
(f) Financial Assets							
(i) Investments		18.45	-	18.45	6.25	-	6.25
(ii) Loans		-	-	-	-	-	-
(iii) Other financial assets		8.21	-	8.21	7.99	-	7.99
(h) Tax Assets (net)		-	-	-	-	-	-
(i) Other non current assets		-	-	-	-	-	-
		136.77	**-**	**136.77**	**156.93**	**-**	**156.93**
2 Current assets							
(a) Inventories		62.36	-	62.36	12.36	-	12.36
(b) Financial Assets							
(i) Investments		-	-	-	-	-	-
(ii) Trade receivables		133.31	-	133.31	57.57	-	57.57
(iii) Cash and cash equivalents		13.28	-	13.28	44.25	-	44.25
(iv) Bank balances other than (iii) above		-	-	-	-	-	-
(v) Loans		2.85	-	2.85	6.57	-	6.57
(vi) Other financial assets		-	-	-	-	-	-
(d) Other current assets		-	-	-	-	-	-
		211.80	**-**	**211.80**	**120.75**	**-**	**120.75**
Total Assets		**348.57**	**-**	**348.57**	**277.68**	**-**	**277.68**
II. EQUITY AND LIABILITIES							
1 Equity							
(a) Equity Share Capital		581.12	-	581.12	581.12	-	581.12
(b) Other Equity		(462.46)	-	(462.46)	(610.87)	-	(610.87)
		118.66	**-**	**118.66**	**(29.75)**	**-**	**(29.75)**
2 Liabilities							
Non - current liabilities							
(a) Financial Liabilities							
(i) Borrowings		144.37	-	144.37	149.53	-	149.53
(ii) Other financial liabilities		-	-	-	-	-	-
(b) Provisions		-	-	-	-	-	-
(c) Deferred tax liabilities (Net)		-	-	-	-	-	-
(d) Other non current liabilities		-	-	-	-	-	-
		144.37	**-**	**144.37**	**149.53**	**-**	**149.53**
3 Current liabilities							
(a) Financial Liabilities							
(i) Borrowings		-	-	-	-	-	-
(ii) Trade payables		75.31	-	75.31	149.46	-	149.46
(iii) Other financial liabilities		-	-	-	-	-	-
(b) Other current liabilities	(b)	10.21	-	10.21	8.43	-	8.43
(c) Provisions		-	-	-	-	-	-
(d) Current Tax Liabilities (net)		-	-	-	-	-	-
		85.52	**-**	**85.52**	**157.89**	**-**	**157.89**
Total Equity and Liabilities		**348.55**	**-**	**348.55**	**277.67**	**-**	**277.68**

* The previous GAAP numbers have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

ii. Effect of Ind-AS adoption on the Statement of profit and loss for the year ended March 31, 2017

`in Lakh

Particulars	Note	For the year ended March 31, 2017 (Latest period presented under previous GAAP)		
		Previous GAAP	Effect of transition to Ind-AS	Ind-AS
I Revenue from operations		608.84	-	608.84
II Other income	(c)	56.64	-	56.64
III Total revenue (I + II)		**665.48**	**-**	**665.48**
IV Expenses:				
(a) Cost of materials consumed		395.72	-	395.72
(c) Changes in inventories of FG, stock-in-trade and work in progress		(46.99)	-	(46.99)
(d) Excise duty on sale of goods		-	-	-
(e) Employee benefits expense		83.12	-	83.12
(f) Finance costs		0.27	-	0.27
(g) Depreciation and amortisation expense		31.46	-	31.46
(h) Other expenses		53.49	-	53.49
Total expenses (IV)		**517.07**	**-**	**517.07**
V Profit before tax (III - IV)		148.41	-	148.41
VI Tax expense:				
(a) Current tax		-	-	-
(b) Deferred tax charge / (credit)		-	-	-
		-	**-**	**-**
VII Profit for the year (V - VI)		**148.41**	**-**	**148.41**
VIII Other comprehensive income (OCI)				
Items that will not be reclassified to profit or loss				
Remeasurements of the defined benefit liabilities / (asset)		-	-	-
Income tax relating to items that will not be reclassified to profit or loss		-	-	-
Total other comprehensive income for the year		**-**	**-**	**-**
IX Total other comprehensive income for the period		**148.41**	**-**	**148.41**

iii. Reconciliation of total comprehensive income for the year ended March 31, 2017

`in Lakh

Particulars	Note	For the year ended March 31, 2017 (Latest period presented under previous GAAP)
Profit as per previous GAAP		**148.41**
Adjustments :		
Remeasurements of the defined benefit liabilities / (asset)		-
		-
Impact of Interest free loan at amortised cost		-
Impact of fair valuation of tangible assets		-
Impact of change in life of tangible assets		-
Impact of measuring equity investments at fair value through profit and loss (FVTPL)		-
Deferred government under EPCG scheme (net of depreciation)		-
Impact of measuring security deposits at amortised cost (net of unwinding income)		-
		-
Gain on derivatives under MTM accounting		-
Deferred tax		-
Total effect of transition to Ind-AS		**-**
Profit for the year as per Ind-AS		**148.41**
Other comprehensive income for the year (net of tax)		-
Total comprehensive income under Ind-AS		**148.41**

Note : Under previous GAAP, total comprehensive income was not reported. Therefore, the above reconciliation starts with profit under the previous GAAP.

iv. Effect of Ind-AS adoption on the Statement of cash flows for the year ended March 31, 2017

`in Lakh

Particulars	Note	For the year ended March 31, 2017 (Latest period presented under previous GAAP)		
		Previous GAAP	Effect of transition to Ind-AS	Ind-AS
Net cash flows from operating activities	(d)	(32.74)	-	(32.74)
Net cash flows from investing activities	(d)	6.94	-	6.94
Net cash flows from financing activities	(d)	(5.16)	-	(5.16)
Net increase (decrease) in cash and cash equivalents		**(30.96)**	**-**	**(30.96)**
Cash and cash equivalents at the beginning of the period		44.25	-	44.25
Effect of exchange rate changes on the balance of cash and cash equivalents held in		-	-	-
Cash and cash equivalents at the end of the period		**13.29**	**-**	**13.29**

v. Analysis of cash and cash equivalents as at March 31, 2017 and as at April 1, 2016 for the purpose of statement of cash flows under Ind-AS

`in Lakh

Particulars	As at March 31, 2017 (End of last period presented under previous GAAP)	As at April 1, 2016 (Date of transition)
Cash and cash equivalents for the purpose of statement of cash flows as per previous GAAP	**13.29**	**44.25**
Cash and cash equivalents for the purpose of statement of cash flows under Ind-AS	**13.29**	**44.25**

Note : -

(a) Property, plant and equipment
The Company has elected to recognise its Property, plant and equipment (PPE) at fair value as on April 01, 2016 and use that as its deemed cost as of transition date. As on the transition date, such fair value adjustment resulted in no change in the value of PPE.

(b) Investments
Under the previous GAAP, investments were measured at lower of cost or market value. Under Ind AS 40, these financial assets have been classified as FVTPL. On the transition date these financial assets have been measured at their fair value which is equal to the cost as per previous GAAP, resulting in no change in carrying amount as on March 31. 2017.

(c) Other comprehensive income
Under previous GAAP, there was no concept of other comprehensive income. Under Ind AS, specified items of income, expense, gains, or losses are required to be presented in other comprehensive income.

(d) The transition from Indian GAAP to Ind-AS had no significant impact on cash flows generated by the Company.

GLOBAL KNITFAB LIMITED

Notes forming part of the financial statements

Note A - General information and significant accounting policies

Detail of Contingent Liabilities

Gurantee Provided by the company for the amount of Rs. 3.40 Lakhs.

Note A.1 - General information

Global Knitfab Limited ('the Company') is a limited Company incorporated in India having registered office at SCO 333 334 SECTOR 35 B CHANDIGARH UT Chandigarh.

The Company's operations and principal activities includes manufacturing & trading of Hosiery Goods.

Note A.2 - Statement of compliance

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Section 133 of the 2013 Act read with the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the 2013 Act. Upto the year ended March 31, 2017, the Company prepared the financial statements in accordance with the requirements of previous GAAP, which includes standards notified under the Companies (Accounting Standards) Rules, 2006 and other relevant provisions of the 2013 Act. These are the Company's first Ind AS financial statements. The date of transition to the Ind AS is April 1, 2016. Refer Note 47 for details of first-time adoption exceptions and exemptions availed by the Company

Note A.3 - Significant Accounting Policies

I. Basis of preparation and presentation

The financial statements have been prepared on accrual basis under the historical cost basis except for certain financial instruments which are measured at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of Ind AS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2 or value in use in Ind AS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3 inputs are unobservable inputs for the asset or liability.

II. Revenue recognition

Sale of goods : Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, net of returns and allowances and trade discounts.
Sales include excise duty but exclude sales tax, value added tax, central goods and service tax, state goods and service tax and integrated goods and service tax.
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the goods nor it exercises effective control over the goods and the amount of revenue can be measured reliably. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales arrangements.

Other income : Interest income from a financial asset is recognised when it is probable that the economic benefit 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 rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Other operating income : Export entitlements are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

III. Property, Plant and Equipment

i. Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any.

Plant and machinery and building have been measured at fair value at the date of transition to Ind-AS. The Company have opted for such fair valuation as deemed cost as at the transition date i. e. April 01, 2016.

All other items of property, plant and equipment have been carried at the previous carrying value as at 01 April, 2016.

Cost is inclusive of inward freight, duties and taxes and incidental expenses related to acquisition or construction. All upgradation / enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss. Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of property, plant and equipment are depreciated in a manner that amortizes the cost (or other amount substituted for cost) of the assets after commissioning, less its residual value, over their useful life.

ii. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets.
The Company has a policy of capitalizing insurance spares having value more than or equal to `10 Lakh.

iii. Capital work-in-progress
Projects under which tangible fixed assets are not yet ready for their intended use are carried at cost, comprising direct cost, related incidental expenses.
Projects under which tangible fixed assets are not yet ready for their intended use are carried at cost, comprising direct cost, related incidental expenses and attributable

IV. Intangible assets :

i. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.
Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful lives of the intangible assets is 3 years.

The Company has elected to continue with the carrying value of all of its intangibles assets recognised as on April 01, 2016 measured as per the previous GAAP and use that carrying value as its deemed cost as of transition date.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.
Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement

V. A. Depreciation / amortisation

i Depreciation has been provided on following assets at cost of assets less their residual values on straight line method on the basis of estimated useful life of assets determined by the Company which are different from the useful life as prescribed in Schedule II of the 2013 Act. The estimated useful life of the those assets have been assessed based on technical assessment, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc. and are as under:

Asset	Useful Life
Plant and machinery (continuous process plant)	15 years

Depreciation/amortization for all remaining assets is computed on a straight line method, at the rates based on the revised useful life mentioned below, which is equal to the corresponding rates prescribed in the Schedule II of the Act.

Asset	Useful Life
Buildings	30-60 years
Furniture and Fixtures	10 years
Plant and machinery	15 years
Vehicles	8-10 years
Computers	3-6 years
Leasehold improvements	Lower of the lease period or estimated Useful life
Office Equipments	5 years
Intangible assets (Computer Software)	3 years
Roads	10 years

ii. Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

B. Impairment
(i) Financial assets
The Company recognizes loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime expected credit loss.

(ii) Non - financial assets
Tangible and intangible assets
Property, plant and equipment and intangible assets are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis to determine the extent of the impairment loss (if any). An impairment loss is recognised in the statement of profit or loss. The Company review/assess at each reporting date if there is any indication that an asset may be impaired.

VI. Foreign Currency Transactions
Transactions in foreign currency are recorded on initial recognition at the exchange rate prevailing at the time of transaction.
Monetary items (i.e. receivables, payables, loans etc.) denominated in foreign currency are reported using the closing exchange rate on each balance sheet date.
The exchange differences arising on the settlement of monetary items or on reporting these items at rates different from rates at which these were initially recorded / reported in previous financial statements are recognised as income / expense in the period in which they arise.
Exchange differences pertaining to long term foreign currency loans obtained or re-financed on or before March 31, 2017 : Exchange differences on long- term foreign currency monetary items relating to acquisition of depreciable assets are adjusted to the carrying cost of the assets and depreciated over the balance useful life of the assets.

Exchange differences pertaining to long term foreign currency loans obtained or re-financed on or after April 1, 2017 : The exchange differences pertaining to long term foreign currency loans obtained or re-financed on or after April 1, 2017 is charged off or credited to statement of profit and loss.

VII. Financial Instruments
Initial recognition
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial asset or financial liabilities, as appropriate, on initial recognition.
Investments in subsidiary are carried at cost at the time of initial recognition in the financial statements.

Subsequent measurement
(i) Financial assets carried at amortised cost : A financial asset is subsequently measured at amortised cost if it is held in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
(ii) Financial assets carried at fair value through other comprehensive income (FVTOCI): A financial asset is subsequently measured at FVTOCI if it is held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.
(iii) Financial assets carried at fair value through profit or loss (FVTPL): A financial asset which is not classified in any of the above categories (i.e. amortised cost or through other comprehensive income) are subsequently measured at fair value through profit or loss.
(iv) Investment in subsidiary: Investment in subsidiary is carried at cost less impairment, if any, in the separate financial statements.
(v) Financial liabilities : Financial liabilities are subsequently measured at amortized cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

VIII. Impairment of investments
The Company reviews its carrying value of long term investments in equity shares of subsidiary carried at cost / amortized cost at the end of each reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for.

IX. Inventories
The bases of determining costs for various categories of inventories are as follows:-

Finished goods	- At lower of cost and net realisable value
Raw material and components	- At lower of cost and net realisable value
Work in progress	- Material cost plus appropriate share of labour and other overheads including excise duty on finished goods

Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges. Work-in-progress and finished goods include appropriate proportion of overheads and, where applicable, excise duty.

X. Employee Benefits
The Company has various schemes of employee benefits such as provident fund, gratuity and leave encashment, which are dealt with as under:

i. **Defined Contribution plan** - Company's contribution paid/payable during the year to provident fund are recognized in the statement of profit and loss.

ii. Defined benefit plan - The liability recognized in respect of gratuity is the present value of defined benefit obligation at the end of the reporting period less the fair value of plan assets. The Company makes contribution to the trust namely " India Limited Employee Group Gratuity Trust" for Employees Gratuity Scheme. The defined benefit obligation is calculated annually by actuary using the Projected Unit Credit Method. Re-measurement comprising actuarial gains and losses and return on plan assets (excluding net interest) are recognized in the other comprehensive income for the period in which they occur and is not reclassified to profit or loss.

iii. **Compensated absences** - Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees.

iv. Liability on account of short term employee benefits, comprising largely of compensated absences and performance incentives, is recognised on an undiscounted accrual basis during the period when the employee renders service.

XI. Contingent liabilities and provisions
Contingent assets are not recognised. However, when realisation of income is virtually certain, then the related asset is no longer a contingent asset, and is recognised as an asset.

Contingent liabilities are disclosed after evaluation of the facts and legal aspects of the matter involved, in line with the provisions of Ind AS 37. The Company records a liability for any claims where a potential loss probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosures in the financial statements but does not record a liability in its financial statements unless the loss becomes probable.

Provisions are recognised when the Company has a present obligation (legal/constructive) as a result of a past event, for which it is probable that a cash outflow may be required and are liable estimate can be made of the amount of the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its

XII. Leases
Lease payments under operating leases are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Company's benefit. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Financial lease transactions entered are considered as financial arrangements and the leased assets are capitalised on an amount equal to the present value of future lease payments and corresponding amount is recognised as a liability. The lease payments made are apportioned between finance charge and reduction of outstanding liability in

XIII. Earnings per share
Basic earnings / (loss) per share is calculated by dividing the net profit / (loss) for the current year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average share considered for calculating basic earnings / (loss) per share, and also the weighted average number of shares, which would have been issued on the conversion of all dilutive potential equity shares.

XIV. Income taxes
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss i.e. in other comprehensive income. 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.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Company.

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax relating to items recognised outside statement of profit and loss is recognised outside statement of profit and loss i.e. in other comprehensive income.
Deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit

XV. Use of estimates and judgement
The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(i) Useful lives and residual value of property, plant and equipment and intangible assets:
Useful life and residual value are determined by the management based on a technical evaluation considering nature of asset, past experience, estimated usage of the asset,

vendor's advice etc. and same is reviewed at each financial year end.

(ii) Impairment of investments :
The Company has reviewed its carrying value of long term investments in equity of subsidiary carried at cost at the end of each reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for.

(iii) Deferred tax assets :
The Company has reviewed the carrying amount of deferred tax assets including MAT credit entitlement at the end of each reporting period and reduced to the extent that it

XVI. Government grant and subsidies
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants related to assets are presented in the balance sheet as deferred income and is recognised in profit or loss on a systematic basis over the expected useful life of the related assets.
The grant which is received to compensate the import cost of assets subject to an export obligation as prescribed in the EPCG Scheme is recognised as income in the statement of profit and loss should be linked to fulfilment of associated export obligations.

The benefit of a government loan at a below-market rate of interest is treated as government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates and are presented in the balance sheet as deferred income.

XVII. Borrowing costs
Borrowing costs include interest and amortisation of ancillary costs incurred. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the statement of profit and loss as and when incurred. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset up to the date of capitalisation of such asset are added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the statement of profit and loss during extended periods when active development activity on the qualifying assets is interrupted.

XVIII. Derivative Contracts
The Company enters into derivative contracts in the nature of foreign currency forward contracts with an intention to manage its exposure to foreign currency rate risks. Further details of derivative financial instruments are disclosed in note 39.
The Company uses derivative financial instruments, such as forward currency contracts to manage its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

XX. Operating Cycle
Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

XXI. Recent accounting pronouncement issued but not yet effective upto the date of issuance of financial statements
In March 2018, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Amendment Rules, 2018, notifying Ind AS 115, 'Revenue from Contracts with Customers' (a new revenue standard) and Appendix B to Ind AS 21, 'Foreign Currency Transactions and Advance Consideration'. These amendments are applicable to the Company from April 1, 2018.

Ind AS 115 obliges the Company to book its revenue from customers on the 5 step model. The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.
The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

Appendix B to Ind AS 21, Foreign Currency Transactions and Advance Consideration
Appendix B to Ind AS 21, Foreign currency transactions and advance consideration clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.
The Company is evaluating the requirements of this notification and the effect on the financial statements is being evaluated.