26. NOTES ON FINANCIAL STATEMENTS FOR THE YEAD ENDED ON MARCH 31, 2017

1. Debtors, Creditors and loans & advances are subject to confirmation. Payment made to creditors and other liabilities, payment received from debtors etc. are as certified by the management.

2. In the opinion of the Board of Directors and to the best of their knowledge and belief, the realizable value of current assets including loans and advances, in ordinary course of business are not less than the value stated in the balance sheet as at March 31, 2017.

3. The Company has a 100% subsidiary Company i.e. India Forge Auto Products Pvt. Ltd. with a paid up equity capital of ₹10 lakhs.

4. Value of imports calculated on CIF basis ₹14 lakh (Previous year: ₹ 2 lakh).

5. Value of imported / indigenous raw materials / components / stores & spares consumed:
   Raw Materials: ₹ 6,510 lakhs (100% indigenous); Previous year: ₹ 6,898 lakhs (100% indigenous)
   Stores & spares: ₹ 668 lakhs (100% indigenous); Previous year: ₹ 695 lakhs (100% indigenous)

6. Steel forgings and assemblies is the only reportable segment of operation of the Company.

7. Details of opening & closing stock, purchases & sales (₹ in lakhs):

Class of goods	2016-2017					2015-2016				
	Sales	Closing Stock Finished Goods	Opening Stock Finished Goods	Closing Stock Work-in-Progress	Opening Stock Work-in-Progress	Sales	Closing Stock Finished Goods	Opening Stock Finished Goods	Closing Stock Work-in-Progress	Opening Stock Work-in-Progress
Steel forging and assemblies	**12,602**	**Nil**	**Nil**	**311**	**208**	**12,986**	**Nil**	**Nil**	**208**	**199**
Job work	**95**	**Nil**	**Nil**	**Nil**	**Nil**	**46**	**Nil**	**Nil**	**Nil**	**Nil**
Scrap	**628**	**Nil**	**Nil**	**Nil**	**Nil**	**679**	**Nil**	**Nil**	**Nil**	**2**
Others	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
Total	**13,325**	**Nil**	**Nil**	**311**	**208**	**13,710**	**Nil**	**Nil**	**208**	**201**

8. Consequent to the Guidance on implementing Accounting Standard-15 "Employee Benefits" which clarifies the applicability of the Accounting Standard, gratuity liability and leave encashment liability has been determined by an Actuarial Valuer as at the date of the Balance Sheet. The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service receives gratuity on leaving the Company @ 15 days' salary (last drawn salary) for each completed year of service. The Company, as a prudent practice, has provided liability for leave encashment on the basis of actuarial valuation for unutilized leave balance as at Balance Sheet date.

   The following table summarizes the components of net benefit/expense recognized in the profit and loss and the funded status and amounts recognized in the balance sheet for the respective plan:

STATEMENT OF PROFIT AND LOSS:

Particulars	Leave Liability		Gratuity	
	2016-2017 ₹ in lakhs	2015-2016 ₹ in lakhs	2016-2017 ₹ in Lakh	2015-2016 ₹ in lakhs
Net employee benefit expenses (recognized in employee cost)				
Current service cost	22	20	18	16
Interest cost on benefit obligation	3	2	10	10
Expected return on plan assets	-	-	-	-
Net actuarial (gain)/loss recognized in the year	(14)	(2)	1	(6)
	-	-	-	-
Net benefit expenses	10*	20*	28**	20**
Total : Employee Benefits Expense				

*₹ 7 lakhs (previous year: ₹ 4 lakh) paid during the year.

**₹ 10 lakhs (previous year: ₹ 8 lakhs) paid during the year

CHANGES IN PRESENT VALUE OF OBLIGATION

Particulars	Leave Liability		Gratuity	
	2016-2017 ₹ in lakhs	2015-2016 ₹ in lakhs	2016-2017 ₹ in lakhs	2015-2016 ₹ in lakhs
Present value of obligation as at the beginning of the year	42	26	142	130
Interest cost	3	2	10	10
Current service	22	20	18	16
Past Service cost	-	-	-	-
Benefit paid	(7)	(4)	(10)	(8)
Actuarial (gain)/loss on obligations	(14)	(2)	1	(6)
Present value of obligations as at the end of the year	45	42	161	142

AMOUNT TO BE RECOGNIZED IN BALANCE SHEET:

Particulars	Leave Liability		Gratuity	
	2016-2017 ₹ in lakhs	2015-2016 ₹ in lakhs	2016-2017 ₹ in lakhs	2015-2016 ₹ in lakhs
Present value of obligations at the end of I.V.P.	45	42	161	142
Fair value of Plan Assets	-	-	-	-
Funded Status	(45)	(42)	(161)	(142)
Unrecognized Past Service Cost	-	-	-	-
Amount not recognized as an asset	-	-	-	-
Net Asset/(Liability) recognized in the balance sheet	45	42	161	142

PRINCIPAL ACTUARIAL ASSUMPTIONS:

Particulars	Leave Liability		Gratuity	
	2016-2017	2015-2016	2016-2017	2015-2016
Discount Rate (p.a.)	7.40%	7.85%	7.40%	7.85%
Salary Escalation Rate (p.a.)	8.00%	8.00%	8.00%	8.00%

9. Deferred tax asset ₹ 70 lakhs (net) as on March 31, 2017 has mainly arisen on account of depreciation, and provision for gratuity and leave encashment.

10. Contingent Liabilities: Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent. Contingents not provided for are as below:
    a) Outstanding Bank Guarantees ₹ 59.92 lakhs (Previous Year: ₹ 60.35 lakhs).
    b) Disputed demand contested by Company in respect of Excise Duty ₹ 21.95 Lakhs (Previous Year: ₹ 21.95 lakhs).
    c) Disputed demand contested by Company in respect of Sales Tax/Central Sales Tax ₹ 128 lakhs (Previous Year: 128 Lakhs).
    d) Disputed demand contested by Company in respect of Income Tax ₹ 0.28 lakh (Previous year: Nil).
    e) Claim by Narayani Ispat Private Limited, a supplier of the Company of ₹106 lakhs contested by the Company in the court of law (Previous Year: ₹106 Lakhs).

11. Earnings per Share: Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The basis adopted for calculation of the basic and diluted earnings per equity share is as stated below:

Particulars	**2016-2017**	2015-2016
Profit/(Loss) after taxation (₹ in lakhs)	**638**	410
Weighted average number of equity shares outstanding during the year	**29,78,803**	29,78,803
Basic & diluted earnings per share (in ₹)	**21.43**	13.75
Nominal Value per share (in ₹)	**10**	10

12. Foreign Exchange Earning/Outgo: (₹ in lakhs)

Particulars	**2016-2017**	2015-2016
Earning		
FOB value of exports	**2,279**	2,217
Outgo		
Travelling expenses	**94**	60
Import of professional services	**14**	9
Import of Consumable Goods	**Nil**	2

13. Related party disclosure as per AS-18:

Holding Company	NA
Subsidiaries	India Forge Auto Products Pvt. Ltd.
Fellow Subsidiaries	NA
Associates	NA
Key Management Personal (KMP) & relatives of KMP	KMP: Mr. Samir Sood & Mr. Dipak Raj Sood, Mr. Sesh Subramaniam, Relatives of KMP: Mrs. Sonal Sood
Enterprises over which KMP or relatives of KMP have significant influence	Sudtrac Linkages Pvt. Ltd. Precision Machtech Pvt. Ltd.

Related Party Transaction:

Nature of Transaction	Subsidiaries (₹ in lakhs)	Key Management and relative of Key Management Personnel (₹ in lakhs)	Enterprises over which Key Management Personnel or relatives have significant influence (₹ in lakhs)	Total (₹ in lakhs)
Purchase of goods	Nil	Nil	164	164
Sale of goods	Nil	Nil	470	470
Unsecured loan given/repaid	1	Nil	Nil	1
Unsecured loan taken/refund received	Nil	Nil	Nil	Nil
Payment of interest on loan	Nil	Nil	Nil	Nil
Rent Paid	Nil	Nil	3	3
Rent Received	Nil	Nil	2	2
Purchase of fixed assets	Nil	Nil	Nil	Nil
Job work charges received	Nil	Nil	38	38
Job work charges paid	Nil	Nil	46	46
Expenses recovered	Nil	Nil	Nil	Nil
Expenses recoverable	Nil	Nil	Nil	Nil
Director's remuneration	Nil	282	Nil	282
Salary	Nil	27	Nil	27

14. Miscellaneous income includes Export Incentive of 46 lakhs (Previous Year: ₹ 36 lakhs).

15. Details of Specified Bank Notes (SBN) held and transacted during the period from 8th November 2016 to 30th December 2016:

(Amount in Rs.)

Particulars	SBNs*	Other Denomination Notes	Total
Closing Cash on hand as on 08.11.2016	6,20,000	5,11,824	11,31,824
(+) Permitted Receipts	-	43,436	43,436
(-) Permitted Payments	-	10,26,367	10,26,367
(-) Amount Deposited in Banks	6,20,000	71,530	6,91,530
(+) Amount Withdrawn from Banks	-	12,18,500	12,18,500
Closing Cash on hand on 30.12.2016	-	6,75,863	6,75,863

*for this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of finance, Department of economic Affairs number S.O. 3407 (E), dated the 8th November 2016

16. Details of remuneration paid to auditors: (in lakhs)

Particulars	**2016-2017**	2015-2016
For Audit Fees	**5.00**	0.15
For Taxation Matters	**4.91**	0.00
For Company Law Matter	**0.40**	0.00
For Expenses Reimbursement	**0.31**	0.00

17. Pre-shipment credit facility (PCFC) of Rs.147 lakhs (amount outstanding as at March 31, 2017) with Citi Bank against exports is secured by way of pledge of mutual funds belonging to the Company and Mr. Dipak Raj Sood, Vice-chairman along-with personal guarantee of Mr. Dipak Raj Sood.

18. CSR Expenditure:

    (A) Gross Amount required to be spent- Rs. 7.87 lakhs (Previous year: Nil)
    (B) Amount spent during the year on:
    Construction/ Acquisition of any assets: Nil
    On purpose other than above: Rs. 5.58 lakhs

19. Previous year figure has been regrouped/rearrange wherever considered necessary to correspond with the current year's classification/disclosure.

As per our report annexed,
For Chachan & Lath
CHARTERED ACCOUNTANTS
(Registration No.015012N)

Dipak Raj Sood
Vice Chairman
(DIN: 01516073)

Naresh Kumar Lath
Partner
M. No.094378
Date: September 04, 2017

Samir Sood
Managing Director
(DIN: 02627166)

R. Subramanian
Secretary

SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2017

1. Basis for preparation of Accounts:
The financial statements of the Company have been prepared to comply with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the 2013 Act") read with Companies (Accounts) Rules, 2014 as amended. The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

2. Use of Estimates:
The preparation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of the revenue and the expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

3. Revenue Recognition:
Sale of Goods: Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales returns, sales tax, value added tax etc.

Export Incentives are recognized when right to receive credit as per prevalent scheme is established in respect of the exports made and when there is no significant uncertainty regarding realization of such claim.

Dividend income is accounted for on receipt basis.

Revenue in respect of other income is recognized when there is reasonable certainty of its ultimate realization/collection.

4. Impairment of Assets:
Carrying amount of cash generating units/assets is reviewed for impairment. Impairment, if any, is recognized where the carrying amount exceeds the recoverable amount being the higher of net realizable price and value in use.

5. Fixed Assets:
Fixed Assets are valued at their cost of acquisition less depreciation and impairment losses. Cost comprises the purchase price, non-cenvatable taxes and any attributable costs of bringing the assets to their working condition for their intended use. Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalized.

6. Depreciation:
Depreciation on certain assets has been provided on Straight line method and others on Written down value method as per the useful life prescribed in Schedule II to the Companies Act, 2013. On tangible fixed assets added/disposed of during the year, depreciation is charged on pro-rata basis from the date of addition/till the date of disposal. Depreciation in respect of tangible assets costing less than Rs.5000/- is provided at 100%.
Machinery spares that can be used only in connection with an item of fixed asset and their use is expected to be irregular are capitalized. Replacement of such spares is charged to revenue.
No depreciation is provided on land.

7. Inventory Valuation:
Inventories are valued at lower of cost and net realizable value.

For valuation of stock of raw material and bought-out components and forgings, cost is taken as per the first in first out method. Cost includes taxes, and duties (other than duties and taxes for which CENVAT/VAT credit is available), freight and other direct expenses.

For valuation of work-in-progress, cost includes material, direct labour, overheads (other than selling and administrative) etc.

For valuation of finished goods, cost includes material, direct labour, overheads (other than selling and administrative), excise duty and cess, wherever applicable.

8. Retirement/Post Retirement Benefits:
Short-term employee benefits, in respect of reimbursement of medical allowance/expenses, the liability has been fully provided on undiscounted basis, in accordance with the schemes in force.

The contribution to Provident Fund (defined contribution plan), as per the provision of the Employees' Provident Funds and Miscellaneous Provision Act, 1952, is recognized as expense, charged to Statement of Profit & Loss and remitted to the Provident Fund Commissioner. The Company has no other obligations than the monthly contributions.

The Company's liability towards retirement benefits, in the form of gratuity (defined benefit plan) and leave encashment benefits payable as per Company's scheme are charged to Statement of Profit & Loss on the basis of actuarial valuation made at the end of each financial year by an independent actuary.

Actuarial gain/loss is recognized in the Statement of Profit & Loss in the year in which they arise.

9. Taxes on Income:
Current tax is provided as per the provisions of the Income Tax Act, 1961.

Deferred tax arising on account of timing difference, being the difference between taxable income & accounting income that originate in one period and are capable of reversal in one or more subsequent periods, are recognized at the income tax rates enacted or substantially enacted as on the Balance Sheet date.

10. Foreign Exchange transaction:
Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rate prevailing on the Balance Sheet date. Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year or reported in the previous financial statements, are recognized as income or expense in the year in which they arise.

11. Investment:
Current Investment are valued at current value or cost whichever is less. Long term Investment is stated at cost less provision for permanent diminution in value, if any.

12. Provisions and Contingent Liability:
The Company creates a provision when there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligations. A disclosure of contingent liability is made when there is a possible obligation or a present obligation that will probably not require outflow of resources or where a reliable estimate of the obligation cannot be made.

13. Earnings Per Share:
Earnings per share (EPS) is computed by dividing the net profit / (loss) after tax for the year attributable to the equity shareholders by weighted average number of equity shares outstanding during the year.

14. Cash and Cash Equivalents:
Cash and cash equivalents comprises cash on hand, balances with banks, fixed deposits with banks and margin money with banks against the performance guarantees.

15. Cash Flow Statement:
Cash flow are reported using the indirect method, where by profit / (loss) before extra-ordinary item and tax is adjusted for the effects of transaction of non-cash nature. The cash flow from operating, investing and financing activities of the Company are segregated based on the available information.