Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

1 **General information**

Ingersoll-Rand (India) Limited (the 'Company') is a public limited company incorporated in 1921 under provisions of the Companies Act, 1913 and existing under the provisions of the Companies Act, 1956/ 2013. The Company's registered office is at Bengaluru and its principal place of business and manufacturing plant is located at Naroda, Ahmedabad. It is primarily engaged in the business of manufacturing and selling of industrial air compressors of various capacities and providing related services. The Company sells air compressors primarily in India and also exports the products to American, Asian and European countries. The equity shares of the Company are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

2 **Basis of preparation**

(i) Compliance with Ind AS

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the 'Act') [the Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Schedule III to the Act. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/ non current classification of assets and liabilities.

The financial statements were authorised for issue by the Company's Board of Directors on June 30, 2020.

(ii) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following:

(a) certain financial assets and liabilities that are measured at fair value;

(b) defined benefit plans - plan assets measured at fair value; and

(c) share-based payments measured at fair value on grant date.

(iii) Use of estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The area involving critical estimates or judgements is:

- Estimation of defined benefit obligation and fair value of plan assets — Note 20
- Useful life of fixed assets — Note 3.11
- Recognition and measurement of provisions and contingencies — Note 12 and 25
- Provision for tax — Note 24
- Deferred tax assets — Note 6
- Leases and lease classification — Note 3.5 and 32B
- Financial instrument — Note 28 and 30

(All amounts in Rupees Lakhs, unless otherwise stated)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

(iv) 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"). The financial statements are presented in Indian Rupee (INR), which is the Company's functional and presentation currency.

(v) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest Lakhs as permitted by Schedule III of Companies Act, 2013, unless otherwise stated.

3 Significant accounting policies

3.1 Segment reporting

In accordance with the requirements of Ind AS 108 - "Segment Reporting", the Company is primarily engaged in the business of manufacturing and selling of industrial air compressors of various capacities and providing related services (Air solutions) and has no other primary reportable segments. The Company's chief operating decision maker (CODM) reviews the performance of the Company as a whole as there are no operations other than Air solutions segment. Consequently, there is only one segment and hence no separate segment disclosures have been presented as such information is available in the financial statements.

3.2 Foreign exchange transactions and translations

Transactions in foreign currencies are recorded at prevailing rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Nonmonetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the statement of profit or loss.

3.3 Revenue recognition

Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

(a) Sale of goods:

Revenue from the sale of products is recognised at the point in time when control is transferred to the customer.

Revenue is measured based on the transaction price, which is the consideration, net of returns, trade allowances, rebates and liquidated damages etc. as specified in the contract with the customer. Additionally, revenue excludes taxes collected from customers, which are subsequently remitted to governmental authorities.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms. Other contract assets are classified as other assets.

Unearned and deferred revenue ("contract liability") is recognised when there is billings in excess of revenues. Advances received for goods and services are reported as liabilities until all conditions for revenue recognition are met.

(All amounts in Rupees Lakhs, unless otherwise stated)

(b) Sale of services:

Installation and commissioning revenue is recognised in the period in which the services are rendered. Service revenue from annual maintenance contract are recognised on time proportion basis over the period of contract.

Revenue from services are disclosed exclusive of tax.

(c) Business support and auxiliary services:

The Company provides business support and auxiliary services to certain fellow subsidiaries. Revenue from such services is recognised in the period in which the services are rendered. The recognition is based on the terms of the contract with the respective customers, which is on a cost-plus basis.

(d) Government grants - Export incentives:

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

(e) Interest income from deposits with banks is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable.

Interest income on loans granted are recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension) but does not consider the expected credit losses.

(f) Use of significant judgements in revenue recognition

- The Company's contracts with customers could include promises to transfer multiple goods to a customer. The Company assesses the goods promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.
- The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling price of each distinct good or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.

The Company has determined that the revenues as disclosed in Note 16 are disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

3.4 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(All amounts in Rupees Lakhs, unless otherwise stated)

Deferred income tax is provided in full, using the balance sheet approach, on temporary differences or timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, if any, only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current and deferred tax are recognised in statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.5 Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee:

The Company accounts for each lease component within the contract as a lease separately from nonlease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Company recognises the amount of the remeasurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the

(All amounts in Rupees Lakhs, unless otherwise stated)

measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

The Company has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, the modified retrospective approach method with exemption. The Company has made use of the following practical expedient available on transition to Ind AS 116, (a) not to reassess whether a contract is or contains a lease, accordingly the definition of lease in accordance with Ind AS 116 will continue to be applied to those leases entered or modified before April 1, 2019 (b) the Company has applied a single discount rate to a portfolio of leases of similar assets in similar economic environment, consequently, the Company has recorded the lease liability at the present value of remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and the right to use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet immediately before the date of transition to Ind AS (c) excluded the initial direct costs from measurement of the RoU asset (d) not to recognize RoU assets and lease liabilities for leases with less than twelve months of lease term and low-value assets on the date of initial application.

Refer note 3.5 - Significant accounting policies - Leases in the Annual report of the Company for the year ended March 31, 2019, for the policy as per Ind AS 17.

For transition, the Company has elected not to apply the requirements of Ind AS 116 leases for which the underlying asset is of low value on a lease-by-lease basis. The Company has used the practical expedient provided by the standard when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17 and therefore, has not reassessed whether a contract, is or contains a lease, at the date of initial application, relied on its assessment of whether leases are onerous, applying Ind AS 37 immediately before the date of initial application as an alternative to performing an impairment review, excluded initial direct costs from measuring the right of use asset at the date of initial application and used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

As a lessor:

Lease income from operating leases where the Company is a lessor is recognised as income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the Company's expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

3.6 Impairment of assets

Assessment is done whenever there is an event or change in circumstances as to where there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of asset, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/ cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each balance

(All amounts in Rupees Lakhs, unless otherwise stated)

sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.7 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials comprises cost of purchases. The cost of finished goods and work in progress includes raw materials, direct labour, other direct costs and appropriate portion of variable and fixed overhead expenditure, computed on normal capacity. Costs are assigned to individual items of inventory on a first-in first-out basis. Cost of inventories also include all others costs incurred in bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates, discounts and refundable duties and taxes. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.9 Other financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

a) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

(b) those measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of profit and loss.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30 details how the Company determines whether there has been a significant increase in credit risk.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

(All amounts in Rupees Lakhs, unless otherwise stated)

(iv) Derecognition of financial assets

A financial asset is derecognised only when the Company has transferred the rights to receive cash flows from the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Company has transferred an asset, it evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the Company has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

3.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3.11 Property, plant and equipment

Leasehold land is carried at historical cost and is amortised over the period of lease on straight line method. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(a) Depreciation methods, estimated useful life and residual value:

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful life as follows:

Asset	Management estimate of useful life	Useful life as per Schedule II
Leasehold land	99 years	NA
Buildings	25-40 years	30-60 years
Leasehold improvements	Useful life of assets in line with the lease term	NA
Plant and machinery	10-15 years	15 years
Plant and machinery - given on operating lease	2-5 years	NA
Computer systems	3-5 years	3-6 years
Electrical installations	10 years	10 years
Furniture, fixtures and equipment	3-5 years	10 years
Vehicles	5 years	8 years
Small tools	5-15 years	NA
Office equipment	5 years	5 years

(All amounts in Rupees Lakhs, unless otherwise stated)

The property, plant and equipment acquired under finance lease is depreciated over the asset's useful life or over the lease term, whichever is lower.

The useful life has been determined based on technical evaluation done by the internal expert which are different than those specified by Schedule II to the Act, in order to reflect the actual usage of the assets. The residual values are not more than 5% of the original cost of the asset.

The assets' residual values and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/ (losses).

(b) Research and development:

Capital expenditure on development is capitalised as intangible asset and depreciated in accordance with depreciation policy of the Company. Revenue expenditure incurred during the research phase is expensed as incurred.

Development expenditure incurred on an individual project is recognised as an intangible asset when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale.
- There is an intention to complete the asset.
- There is an ability to use or sell the asset.
- The asset will generate future economic benefits.
- Adequate resources are available to complete the development and to use or sell the asset.
- The expenditure attributable to the intangible asset during development can be measured reliably.

Amortisation of the asset begins when development is complete and the asset is available for use and it is amortised on straight line method over the estimated useful life. Expenditure that cannot be distinguished between research phase and development phase is expensed as incurred.

3.12 Intangible assets

Operating software is capitalised along with the related fixed assets. Other computer software is stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any, and are amortised on a straight line basis over their estimated useful life. Costs associated with maintaining software programmes are recognised as an expense as incurred.

The Company amortises intangible assets (Computer software) with a finite useful life using the straight-line method over 3-5 years, less the residual values and the useful life is reviewed at end of each reporting period, and adjusted if appropriate. The amortisation method and the estimated useful life of intangible assets are reviewed at each reporting period.

3.13 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 45 to 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(All amounts in Rupees Lakhs, unless otherwise stated)

3.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

3.16 Provisions and contingent liabilities

Provisions for legal claims, service warranties and others are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. In case of long term provisions, they are disclosed by discounting at the rate used to determine the present value, which is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation, that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

3.17 Employee benefits

Short term obligations:

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligation in balance sheet.

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

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The Company recognises a liability and an expense for bonuses. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Other long term employee benefit obligations:

(i) Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is determined by an independent actuary (using the projected unit credit method) at the end of each year.

(ii) The Company operates the following post-employment schemes:

(a) defined benefit plans such as gratuity and provident fund, which are managed by trusts.

(b) defined contribution plans - provident fund contributions to employees' provident fund organisation.

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

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. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement 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 net of the related tax effect. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Contribution towards provident fund for certain employees is made to the regulatory authorities. Such benefits are classified as defined contribution schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis. In respect of other employees, provident fund contributions are made to a Trust administered by the Company. 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 being 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 in the nature of voluntary retirement benefits are measured based on the number of employees expected to accept the offer, if any offer is made to encourage voluntary redundancy. These are recognised as and when incurred.

3.18 Share based payments

Share-based compensation benefits are provided to certain employees of the Company by the ultimate holding company (Ingersoll Rand plc upto 29 February 2020 and Ingersoll Rand Inc from 1 March 2020) in the form of employee option plan and restricted stock units (RSU) (equity settled transactions). The stock options vest rateably over a period of three to five years and expire at the end of ten years, subject to conditions related to termination of employment. The RSU will vest in equally over three to five years. Once they vest, each unit is converted into a share of stock at current value.

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The fair value of options granted by the ultimate holding company's (Ingersoll Rand plc upto 29 February 2020 and Ingersoll Rand Inc from 1 March 2020) share based compensation plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

3.19 Dividends

Provision is made for the amount of dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.20 Earning per share

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

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

3.21 Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

4 Property, plant and equipment and Intangible assets

	Land - leasehold	Buildings	Leasehold improvements	Plant and machinery	Computer systems	Electrical installations	Furniture, fixtures and equipment	Vehicles	Small tools	Office equipment	Total tangible assets	Intangible assets - Computer software
Year ended March 31, 2019												
Gross carrying amount												
Opening gross carrying amount	61.30	6,214.24	334.80	5,079.72	1,360.98	1,657.83	325.57	31.32	202.93	170.07	15,438.76	-
Additions	-	10.84	133.99	161.76	256.20	58.48	35.97	-	28.27	83.63	769.14	-
Disposals / adjustments	-	-	-	(12.29)	-	-	(1.11)	-	(9.62)	-	(23.02)	-
Closing gross carrying amount	61.30	6,225.08	468.79	5,229.19	1,617.18	1,716.31	360.43	31.32	221.58	253.70	16,184.88	-
Accumulated depreciation												
Opening accumulated depreciation	-	513.00	334.80	1,058.36	654.52	468.53	101.01	11.75	30.60	138.22	3,310.79	-
Depreciation charge during the year	-	215.14	15.42	365.65	296.11	168.81	41.46	6.07	7.91	20.77	1,137.34	-
Disposals / adjustments	-	-	-	(3.76)	-	-	(0.97)	-	(5.13)	-	(9.86)	-
Closing accumulated depreciation	-	728.14	350.22	1,420.25	950.63	637.34	141.50	17.82	33.38	158.99	4,438.27	-
Net carrying amount as at March 31, 2019	61.30	5,496.94	118.57	3,808.94	666.55	1,078.97	218.93	13.50	188.20	94.71	11,746.61	-
Year ended March 31, 2020												
Gross carrying amount												
Opening gross carrying amount	61.30	6,225.08	468.79	5,229.19	1,617.18	1,716.31	360.43	31.32	221.58	253.70	16,184.88	-
Additions	-	-	-	279.41	155.80	14.29	17.67	-	96.53	138.19	701.89	47.03
Disposals / adjustments	-	-	-	(285.30)	(655.13)	(6.80)	(5.96)	(20.80)	-	(71.57)	(1,045.56)	-
Closing gross carrying amount	61.30	6,225.08	468.79	5,223.30	1,117.85	1,723.80	372.14	10.52	318.11	320.32	15,841.21	47.03
Accumulated depreciation												
Opening accumulated depreciation	-	728.14	350.22	1,420.25	950.63	637.34	141.50	17.82	33.38	158.99	4,438.27	-
Depreciation charge during the year	-	215.05	26.80	371.69	273.76	172.50	43.93	4.27	19.57	37.50	1,165.07	5.89
Disposals / adjustments	-	-	-	(247.45)	(412.30)	(6.80)	(5.74)	(11.85)	-	(8.52)	(692.66)	-
Closing accumulated depreciation	-	943.19	377.02	1,544.49	812.09	803.04	179.69	10.24	52.95	187.97	4,910.68	5.89
Net carrying amount as at March 31, 2020	61.30	5,281.89	91.77	3,678.81	305.76	920.76	192.45	0.28	265.16	132.35	10,930.53	41.14

Notes:

(1) The following assets given under operating lease have been included under property, plant and equipment:

	Plant and machinery Year ended	
	31-Mar-20	31-Mar-19
Gross carrying amount		
Opening gross carrying amount	253.78	237.00
Additions	-	16.78
Disposals / adjustments	(3.39)	-
Closing gross carrying amount	250.39	253.78
Accumulated depreciation		
Opening accumulated depreciation	192.19	176.80
Depreciation charge during the year	7.22	15.39
Disposals / adjustments	(1.53)	-
Closing accumulated depreciation	197.88	192.19
Net carrying amount	52.51	61.59

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

5 **Financial assets**

5.1 **Loans receivable**

	As at			
	March 31, 2020		March 31, 2019	
	Current	Non-current	Current	Non-current
Unsecured, considered good:				
Loans to fellow subsidiaries (refer note 35)	-	-	5,206.25	-
Security and other deposits	378.08	96.73	132.20	600.41
Total loans and advances	**378.08**	**96.73**	**5,338.45**	**600.41**

5.2 **Trade receivables**

	As at	
	March 31, 2020	March 31, 2019
(Unsecured)		
Considered good		
Receivables from related parties (refer note 35)	3,120.39	5,197.41
Others	11,104.33	11,566.96
Considered doubtful		
Others	437.51	322.43
(Less): Allowance for doubtful receivables	(437.51)	(322.43)
Total receivables	**14,224.72**	**16,764.37**
Current portion	14,224.72	16,764.37

Note: The Company’s exposure to credit and currency risks, and loss allowances are disclosed in note 30.

5.3 **Cash and cash equivalents**

	As at	
	March 31, 2020	March 31, 2019
Balances with banks		
- in current accounts	449.24	465.72
- in Export Earners’ Foreign Currency (EEFC) accounts	2,200.34	536.98
Deposits with original maturity of less than three months	13,183.00	10,507.00
Cheques on hand	12.29	-
Total cash and cash equivalents	**15,844.87**	**11,509.70**

5.4 **Bank balances other than above**

	As at	
	March 31, 2020	March 31, 2019
Unpaid dividend accounts	207.50	231.69
Total other bank balances	**207.50**	**231.69**

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

5.5 Other financial assets

	As at			
	March 31, 2020		March 31, 2019	
	Current	Non-current	Current	Non-current
Unsecured, considered good:				
From related parties (refer note 35)				
Unbilled revenues	-	-	103.77	-
Other receivables	112.30	-	282.56	-
From others				
Unbilled revenues	155.77	-	56.82	-
Interest accrued on deposits with banks	22.75	-	51.21	-
Security and other deposits	229.07	114.29	7.13	103.34
Total other financial assets	**519.89**	**114.29**	**501.49**	**103.34**

6 Deferred tax assets / (liabilities) - (net)

	As at	
	March 31, 2020	March 31, 2019
The balance comprises temporary differences attributable to:		
(A) Deferred tax assets arising from:		
Allowance for doubtful debts: trade receivables, advances and other receivables	139.98	162.75
Provisions: Warranties, employee benefits expenses and other provisions	209.41	438.58
Others	29.58	40.80
Total deferred tax assets	**378.97**	**642.13**
(B) Deferred tax (liabilities) arising from:		
Depreciation: Difference between carrying amount of Property, plant and equipment in the financial statements and the income tax return	(415.41)	(500.50)
Total deferred tax (liabilities)	**(415.41)**	**(500.50)**
Net deferred tax assets / (liabilities)	**(36.44)**	**141.63**

The Company has recognised deferred tax assets on allowances for bad and doubtful debts, difference in depreciation allowance and other tax deductible items. The Company has concluded that the deferred tax assets will be recoverable using the estimated future taxable income.

Movement in net deferred tax assets/ (liabilities)

	Depreciation	Provisions	Allowance for doubtful debts	Others	Total
As at March 31, 2018	**(343.01)**	**488.95**	**301.23**	**83.17**	**530.34**
(Charged)/ credited to profit or loss	(157.49)	(50.37)	(138.48)	(42.37)	(388.71)
As at March 31, 2019	**(500.50)**	**438.58**	**162.75**	**40.80**	**141.63**
(Charged)/ credited to profit or loss	85.09	(229.17)	(22.77)	(11.22)	(178.07)
As at March 31, 2020	**(415.41)**	**209.41**	**139.98**	**29.58**	**(36.44)**

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

7 Other current and non-current assets

	As at			
	March 31, 2020		March 31, 2019	
	Current	Non-current	Current	Non-current
Capital advances	-	24.34	-	21.34
Balance with government authorities	494.96	-	591.31	-
Indirect taxes paid under protest (refer note 25(i))	-	479.54	-	237.36
Prepaid expenses	297.20	-	304.78	68.46
Advances to suppliers				
Considered good	382.15	-	233.15	-
Considered doubtful	26.23	-	37.72	-
(Less): Provision for doubtful advances	(26.23)	-	(37.72)	-
Export incentives receivable				
Considered good	225.80	-	293.03	-
Considered doubtful	92.44	-	105.59	-
(Less): Provision for doubtful export incentives receivable	(92.44)	-	(105.59)	-
Other receivables				
Considered doubtful	99.98	-	99.98	-
(Less): Provision for doubtful other receivables	(99.98)	-	(99.98)	-
Total other current and non-current assets	**1,400.11**	**503.88**	**1,422.27**	**327.16**

8 Inventories

	As at	
	March 31, 2020	March 31, 2019
Raw materials	4,932.03	6,054.33
Work-in-progress	1,084.18	471.52
Finished goods	1,860.66	2,503.92
Traded goods	9.17	12.16
Total inventories	**7,886.04**	**9,041.93**
(a) Stock in transit (included above)		
Raw materials	997.52	1,371.14
Finished goods	81.22	361.59
Total stock in transit	**1,078.74**	**1,732.73**
(b) Details of inventories		
Work-in progress		
Air compressors	1,084.18	471.52
Total work-in progress	**1,084.18**	**471.52**
Finished goods		
Air compressors	1,860.66	2,503.92
Total finished goods	**1,860.66**	**2,503.92**

The total inventories are net of provision for obsolescence amounting to Rs.1,844.02 (March 31, 2019: Rs.1,505.65).

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

9 Income tax assets (net)

	As at	
	March 31, 2020	March 31, 2019
Advance income tax and tax deducted at source, net	890.47	416.42
Income-tax paid under protest (refer note 25(i)(e))	1,291.49	1,635.18
	2,181.96	2,051.60

Transfer pricing:

The Finance Act, 2001, has introduced, with effect from assessment year 2002-03 detailed Transfer Pricing regulations for computing the taxable income and expenditure from 'international transactions' between 'associated enterprises' on an 'arm's length' basis. Further, the Finance Act, 2012, has widened the ambit of transfer pricing provisions to cover specified domestic transactions. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant within the due date of filing the Return of Income.

For the year ended March 31, 2019, the Company had undertaken a study to comply with the said transfer pricing regulations for which the prescribed certificate of the Accountant has been obtained and this did not envisage any tax liability.

For the year ended March 31, 2020, the Company is in the process of carrying out a similar study to comply with the said transfer pricing regulations. However, based on the analysis of margins and considering that the terms of agreement with associated enterprises has not changed during the year, the Company is of the view that for the year ended March 31, 2020, the transactions with the said enterprises are on an arm's length basis.

10 Equity share capital and other equity

		Number of shares (in Lakhs)	Amount
10.1	**Equity share capital**		
	Authorised equity share capital		
	As at April 1, 2018	320.00	3,200.00
	Change during the year	-	-
	As at March 31, 2019	320.00	3,200.00
	Change during the year	-	-
	As at March 31, 2020	**320.00**	**3,200.00**
(i)	**Movements in equity share capital**		
	As at April 1, 2018	315.68	3,156.80
	Change during the year	-	-
	As at March 31, 2019	315.68	3,156.80
	Change during the year	-	-
	As at March 31, 2020	**315.68**	**3,156.80**

The above includes 31,301,500 (March 31, 2019: 31,301,500) shares allotted as fully paid-up by way of bonus shares by capitalisation of share premium and general reserves during the financial year ended March 31, 1992.

(ii) Terms and rights attached to equity shares

Equity shares have a par value of Rs. 10. They entitle the holder to participate in dividends, and to share in the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

		Amount as at March 31, 2020	Amount as at March 31, 2019
(iii)	**Equity shares held by holding company**		
	Ingersoll-Rand Company, USA, the immediate holding company (Upto November 19, 2019)	-	2,336.00
	Ingersoll-Rand Industrial US Inc., USA, the immediate holding company (w.e.f. November 20, 2019)	2,336.00	-
	Total	**2,336.00**	**2,336.00**

		As at March 31, 2020	As at March 31, 2019
(iv)	**Details of shareholders holding more than 5% shares in the Company**		
	Number of Equity Shares:		
	Ingersoll-Rand Company, USA, the immediate holding company (Upto November 19, 2019)	-	23,360,000
	Percentage of holding	0%	74%
	Ingersoll-Rand Industrial US Inc., USA, the immediate holding company (w.e.f. November 20, 2019)	23,360,000	-
	Percentage of holding	74%	0%

(v) **Shares reserved for issue under options**

There are no shares of the Company reserved for issue under any option.

(vi) **Aggregate number of shares allotted as fully paid up by way of bonus shares/ pursuant to contract(s) without payment being received in cash:**

During the period of five years immediately preceding March 31, 2020, no shares have been allotted as fully paid up by way of bonus shares or pursuant to contract(s) without payment being received in cash.

10.2 Other equity

		As at March 31, 2020	As at March 31, 2019
	General reserve	30,301.90	30,301.90
	Retained earnings	4,286.56	8,111.25
	Other reserves	367.65	285.82
	Total other equity	**34,956.11**	**38,698.97**
(i)	**General reserve**		
	Opening balance	30,301.90	30,301.90
	Add: Change during the year	-	-
	Closing balance	**30,301.90**	**30,301.90**
(ii)	**Retained earnings**		
	Opening balance	8,111.25	79,182.57
	Net profit for the year	8,460.07	8,093.12
	Items of other comprehensive income recognised directly in retained earnings - remeasurements of post-employment benefit obligations, net of tax	(487.12)	(6.10)
	Dividends and tax thereon	(11,797.64)	(79,158.34)
	Closing balance	**4,286.56**	**8,111.25**

(All amounts in Rupees Lakhs, unless otherwise stated)

		As at	
		March 31, 2020	March 31, 2019
(iii)	**Other reserves**		
	Opening balance	285.82	206.99
	Employee stock option compensation	81.83	78.83
	Closing balance	**367.65**	**285.82**

Nature and purpose of other reserves

Notes:

General reserve

General reserve was created when the Company declared dividend to share holders as per the provisions of Companies Act, 1956. The reserve is utilised in accordance with the provisions of the Act.

Other reserve

This reserve relates to share based compensation received by the employees from Ingersoll Rand plc, the ultimate holding company. Refer note 20(c).

11.1 Other financial liabilities

	As at			
	March 31, 2020		March 31, 2019	
	Current	Non-current	Current	Non-current
Unpaid dividends (refer note below)	213.29	-	237.50	-
Employee benefits payable	557.29	-	542.75	-
Creditors for capital goods:				
- payable to related parties (refer note 35)	2.28	-	22.45	-
- payable to others	118.74	-	33.11	-
Total other financial liabilities	**891.60**	**-**	**835.81**	**-**

Note: As at the year end, there are no amounts due for payment to the Investor Education and Protection Fund under Section 125 of the Companies Act, 2013.

11.2 Borrowings - lease liability

	As at			
	March 31, 2020		March 31, 2019	
	Current	Non-current	Current	Non-current
Borrowings - lease liability (refer note 32B(c))	362.09	431.10	-	-
	362.09	**431.10**	**-**	**-**

12 Provisions

	As at			
	March 31, 2020		March 31, 2019	
	Current	Non-current	Current	Non-current
Litigations/ disputes	53.48	-	66.22	-
Warranties	260.89	12.72	221.14	14.99
Provision for sales tax	260.73	-	414.60	-
Total provisions	**575.10**	**12.72**	**701.96**	**14.99**

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

Movements in each class of provision during the financial year, are set out below:

	Litigations/ disputes	Warranties	Provision for sales tax
As at March 31, 2019	66.22	236.13	414.60
Charged/ (credited) to profit or loss:			
- additional provisions recognised / (written back)	-	293.69	(255.87)
- amounts utilised	(12.74)	(256.21)	102.00
As at March 31, 2020	**53.48**	**273.61**	**260.73**

Provision for Litigations/ disputes

Provision for litigations/ disputes relates to certain employees compensation with respect to termination of employment. Such provision is recognised based on estimates made by the Company.

Provision for Warranties

Warranties against manufacturing and other defects, as per terms of contract(s) with the customer, are provided for based on estimates made by the Company. It is expected that this provision will be settled in the remaining unexpired warranty period ranging from twelve to eighteen months.

Provision for sales tax

Provision for sales tax relates to non-submission of statutory forms by customers to the Company. It is expected that this provision will be settled as and when the tax assessments are completed.

13 Employee benefit obligations

	As at			
	March 31, 2020		March 31, 2019	
	Current	Non-current	Current	Non-current
Compensated absences	335.03	-	309.35	-
Gratuity [refer note 20(a)]	76.56	-	96.83	-
PF trust [refer note 20(a)]	23.12	467.73	-	-
Total employee benefit obligations	**434.71**	**467.73**	**406.18**	**-**

14 Trade payables

	As at	
	March 31, 2020	March 31, 2019
Current:		
Total outstanding dues of micro enterprises and small enterprises (refer Note 29)	595.61	1,003.68
Total outstanding dues of creditors other than micro enterprises and small enterprises		
- Acceptances	1,591.45	1,899.21
- Trade payables	6,992.89	6,660.28
- Trade payables to related parties (refer note 35)	2,197.97	3,222.55
Total trade payables	**11,377.92**	**12,785.72**

Note: The Company's exposure to currency and liquidity risks related to trade payables is disclosed in note 30.

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

15 **Other current and non-current liabilities**

	As at			
	March 31, 2020		March 31, 2019	
	Current	Non-current	Current	Non-current
Contract liabilities				
Income received in advance	1,075.31	-	1,333.13	-
Advance from customers	1,001.45	-	705.48	-
Statutory dues including provident fund and tax deducted at source	216.07	-	691.91	-
Others - Interest payable to MSMED (refer note 29)	225.78	-	156.58	-
Lease equalisation reserve	-	-	-	114.18
Total other current liabilities	2,518.61	-	2,887.10	114.18

16 **Revenue from operations**

	Year ended	
	March 31, 2020	March 31, 2019
Sale of finished goods	59,140.28	64,429.70
Sale of services		
Installation, commissioning and maintenance	4,396.14	3,712.76
Business support and auxiliary services	5,995.52	4,572.00
Other operating revenue		
Recovery of freight, insurance and packing expenses	424.07	530.64
Export incentives	459.52	499.85
Sale of scrap	71.68	82.58
Lease rentals - equipment	75.05	79.94
Total revenue from operations	70,562.26	73,907.47

Notes:

(a) As per the requirements of Ind AS 115, the Company disaggregates revenue based on line of business and geography (Refer Note 33).

(b) Information about major customers:

Revenue from one customer i.e Ingersoll-Rand Company, USA are Rs. 8,162.08 for the year ended 31 March 2020 (2018-19: Rs. 11,046.43) which contributes more than 10% of the Company total revenue

(c) Contract balances:

	As at	
	March 31, 2020	March 31, 2019
Trade receivables	14,224.72	16,764.37
Contract liabilities		
Income received in advance	1,075.31	1,333.13
Advance from customers	1,001.45	705.48

(All amounts in Rupees Lakhs, unless otherwise stated)

(d) Changes in Unearned and deferred revenue are as follows:

	Income received in advance As at	
	March 31, 2020	March 31, 2019
Balance at the beginning of the year	1,333.13	1,247.59
Revenue recognised that was included in the unearned and deferred revenue at the beginning of the year	(1,201.72)	(1,126.45)
Increase due to invoicing / advance received during the year, excluding amounts recognised as revenue during the year	943.90	1,211.99
Balance at the end of the year	1,075.31	1,333.13

	Advance from customers As at	
	March 31, 2020	March 31, 2019
Balance at the beginning of the year	705.48	892.43
Revenue recognised that was included in the unearned and deferred revenue at the beginning of the year	(705.48)	(868.10)
Increase due to invoicing / advance received during the year, excluding amounts recognised as revenue during the year	1,001.45	681.15
Balance at the end of the year	1,001.45	705.48

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the Company's performance completed to date, typically those contracts where invoicing is on time and material, unit price basis and no information is provided about remaining performance obligations at March 31, 2020 that have an original expected duration of one year or less, as allowed by Ind AS 115.

17 Other income

	Year ended	
	March 31, 2020	March 31, 2019
Interest Income on:		
Deposits with banks	814.84	964.37
Loans to fellow subsidiaries	78.87	656.57
Recharge of expenses to fellow subsidiaries	1,280.28	1,350.31
Recharge of expenses to others	6.90	-
Sub lease rentals from office facilities	353.35	340.06
Net gain/ (loss) on disposal of property, plant and equipment	174.29	-
Unwinding of discount on interest on loans to fellow subsidiaries	-	25.31
Unwinding of discount on security deposits	76.62	43.66
Consideration received for transfer of employees to fellow subsidiary	828.00	-
Miscellaneous	0.03	12.13
Total other income	3,613.18	3,392.41

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

18 **Cost of materials consumed**

	Year ended	
	March 31, 2020	March 31, 2019
Raw materials at the beginning of the year	6,054.33	5,198.36
Add: Purchases of raw materials	36,968.13	42,148.84
(Less): Raw materials at the end of the year	(4,932.03)	(6,054.33)
Cost of raw materials consumed during the year	38,090.43	41,292.87
Packing materials consumed	431.23	604.79
Total cost of materials consumed	**38,521.66**	**41,897.66**

Notes:

(i) Includes provision for inventory obsolescence Rs. 338.37 (March 31, 2019: Rs. 108.65).

19 **Changes in inventories of work-in-progress, stock-in-trade and finished goods**

	Year ended	
	March 31, 2020	March 31, 2019
(a) Opening inventories		
Work-in progress	471.52	478.65
Finished goods	2,503.92	2,094.58
Traded goods	12.16	7.30
Total opening balance	**2,987.60**	**2,580.53**
(b) Closing inventories		
Work-in progress	1,084.18	471.52
Finished goods	1,860.66	2,503.92
Traded goods	9.17	12.16
Total closing balance	**2,954.01**	**2,987.60**
Total changes in inventories of work-in-progress, stock-in-trade and finished goods	33.59	(407.07)

20 **Employee benefits expense**

	Year ended	
	March 31, 2020	March 31, 2019
Salaries, wages and bonus	11,332.12	10,758.71
Post-employment benefits:		
Contribution to provident fund and other funds (refer notes below)		
Defined benefit plan	334.04	291.30
Defined contribution	157.00	146.76
Gratuity (refer notes below)	156.93	157.06
Compensated absences	190.10	98.51
Employee share based payments expense	81.83	78.83
Staff welfare expenses	382.74	442.68
Total employee benefits expense	**12,634.76**	**11,973.85**

(All amounts in Rupees Lakhs, unless otherwise stated)

20 Employee benefits expense (Contd.)

(a) Defined benefit plan:

Gratuity: The Company operates a gratuity plan, which is a defined benefit plan, through the "Ingersoll-Rand Employees Gratuity Trust". Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972 subject to a maximum of Rs. 20. It is payable at the time of separation from the Company or retirement, whichever is earlier. The benefits vest after five years of continuous service. In case of employees who joined the Company prior to April 1, 2006, the benefits given by the Company are more favourable to the employees than the Payment of Gratuity Act, 1972 depending upon the length of service. The board of trustees is responsible for the administration of the plan assets and investment strategy.

Provident Fund: Provident fund for certain eligible employees is managed by the Company through the "Ingersoll-Rand Employees Provident Fund Trust". In line with the Provident Fund and Miscellaneous Provisions Act, 1952, the plan guarantees interest at the rate notified by the Provident Fund authorities. The contribution are made to the fund at the rate of 12% of basic salary by the employer and employee, and this amount together with the interest accumulated thereon are payable to employees at the time of their separation from the Company or retirement, whichever is earlier. 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 being 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.

The below disclosures under provident fund are restricted only to the defined benefit obligation and plan assets relating to guaranteed interest rate earning and shortfall thereof, if any, as provided by an independent actuary.

(i) Change in defined benefit obligations

	Gratuity		Provident Fund			
	March 31, 2020	March 31, 2019	March 31, 2020			March 31, 2019
			Interest Guarantee	PF Corpus	Total	Interest Guarantee
Balance at the beginning of the year	2,029.86	1,949.44	18.26	7,743.10	7,761.36	7.85
Add: Current service cost	160.71	153.37	0.69	334.04	334.73	1.45
Add: Interest cost	146.99	137.20	1.37	679.96	681.33	0.59
Add: Actuarial (gain)/ loss - experience	(94.83)	(2.21)	2.81	1.19	4.00	(1.38)
Add: Actuarial (gain)/ loss - financial assumptions	70.96	22.23	192.97	-	192.97	9.75
Add: Transfer in / (out)	(225.51)	10.17	-	-	-	-
Add: Employee contribution	-	-	-	1,487.15	1,487.15	-
(Less): Benefits paid directly by the Company	(4.82)	-	-	-	-	-
(Less): Benefits paid from plan assets	(135.29)	(240.34)	-	(1,215.26)	(1,215.26)	-
Balance at the end of the year	1,948.07	2,029.86	216.10	9,030.18	9,246.28	18.26

(All amounts in Rupees Lakhs, unless otherwise stated)

20 Employee benefits expense (Contd.)

(ii) Change in plan assets

	Gratuity		Provident Fund			
	March 31, 2020	March 31, 2019	March 31, 2020			March 31, 2019
			Interest Guarantee	PF Corpus	Total	Interest Guarantee
Fair value of plan assets at the beginning of the year	1,933.03	1,771.13	150.14	7,743.10	7,893.24	130.23
Add: Interest income	150.76	133.50	11.26	679.96	691.22	9.77
Add: Contributions	150.00	250.00	-	334.04	334.04	-
Add: Return on plan assets greater/ (lesser) than discount rate	(18.89)	10.64	(161.41)	1.19	(160.22)	10.14
Add: Transfer in / (out)	(208.10)	8.10	-	(274.76)	(274.76)	-
Add: Employee contribution			-	1,487.15	1,487.15	-
(Less): Benefits paid	(135.29)	(240.34)	-	(1,215.26)	(1,215.26)	-
Balance at the end of the year	1,871.51	1,933.03	(0.01)	8,755.42	8,755.41	150.14
Actual return on plan assets (%)	6.50	7.50	8.50			9.00

(iii) Assets and Liabilities recognised in the Balance Sheet

	Gratuity (#)		Provident Fund (#) (*)	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Present value of defined benefit obligation	1,948.07	2,029.86	9,246.28	18.26
Less: Fair value of plan assets	1,871.51	1,933.03	8,755.41	150.14
Amounts recognised as liability/ (asset)	76.56	96.83	490.87	-
Recognised/ Disclosed under:				
Short term provision (refer note 13)	76.56	96.83	23.14	-
Long term provision (refer note 13)	-	-	467.73	-
Total	**76.56**	**96.83**	**490.87**	**-**

(*) Surplus relating to provident fund is not recognised as the plan assets belong to the Trust and the realisability is restricted.

(#) The net liability/ (asset) above relates to wholly funded plans.

(All amounts in Rupees Lakhs, unless otherwise stated)

20 Employee benefits expense (Contd.)

Reconciliation of Net Balance Sheet Position

	Gratuity		Provident Fund (*)			
	March 31, 2020	March 31, 2019	March 31, 2020			March 31, 2019
			Interest Guarantee	PF Corpus	Total	Interest Guarantee
Net defined benefit asset/ (liability) at end of prior period	(96.83)	(178.31)	131.90	-	131.90	122.40
Less: Current service cost	(160.71)	(153.37)	(0.69)	(334.04)	(334.73)	(1.45)
Add: Net interest on net defined benefit (liability)/ asset	3.78	(3.69)	9.89	-	9.89	9.18
Add: Amount recognised in other comprehensive income	4.98	(9.37)	(357.20)	(274.76)	(631.96)	-
Add: Acquisition (cost)/ credit	17.41	(2.09)	-	-	-	1.76
Add: Contributions	150.00	250.00	-	334.04	334.04	-
Add: Benefits paid directly by the Company	4.82	-	-	-	-	-
Net defined benefit asset/ (liability) at end of the year	(76.55)	(96.83)	(216.10)	(274.76)	(490.86)	-

(*) Surplus relating to provident fund is not recognised as the plan assets belong to the Trust and the realisability is restricted.

(iv) Expense recognised in the Statement of Profit and Loss

	Gratuity		Provident Fund (*)			
	March 31, 2020	March 31, 2019	March 31, 2020			March 31, 2019
			Interest Guarantee	PF Corpus	Total	Interest Guarantee
Current service cost	160.71	153.37	0.69	1,821.19	1,821.88	1.45
Add: Net interest on net defined benefit liability/ (asset)	(3.78)	3.69	(9.89)	-	(9.89)	(9.18)
Add: Immediate recognition of (gains)/ losses - other long term employee benefit plans	-	-	-	-	-	(1.76)
(Less): Employee Contribution	-	-	-	(1,487.15)	(1,487.15)	-
Total expense/ (surplus) recognised in statement of profit or loss	156.93	157.06	(9.20)	334.04	324.84	-

(*) Surplus relating to provident fund is not recognised as the plan assets belong to the Trust and the realisability is restricted.

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

20 Employee benefits expense (Contd.)

Remeasurements

	Gratuity		Provident Fund			
	March 31, 2020	March 31, 2019	March 31, 2020			March 31, 2019
			Interest Guarantee	PF Corpus	Total	Interest Guarantee
(Gains)/ losses from experience assumptions	(94.83)	(2.22)	2.81	1.19	4.00	(1.38)
(Gains)/ losses from demographic and financial assumptions	70.96	22.23	192.97	-	192.97	9.75
Return on plan assets (greater)/less than discount rate	18.89	(10.64)	161.41	(1.19)	160.22	(10.14)
Other adjustment - difference between the market value and the book value of the Investment	-	-	-	274.76	274.76	-
Total Expense/ (Income) recognised in other comprehensive income	(4.98)	9.37	357.19	274.76	631.95	-

(v) Major Category of Assets as a % of total Plan Assets

	Gratuity		Provident Fund	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Cash (including Special Deposits)	1.49%	2.83%	6.21%	6.99%
Government Securities	35.92%	43.87%	50.80%	47.44%
Corporate bonds	62.59%	53.30%	42.99%	45.57%
Others	0.00%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%

(vi) The weighted average duration of the defined benefit obligation is 8 years old (2019:9 years). The expected maturity analysis of undiscounted gratuity and provident fund benefits is as follows:

	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Between 5 - 10 years	Total
Gratuity					
March 31, 2020	280.81	288.67	814.88	1,234.85	2,619.21
March 31, 2019	308.25	280.82	794.64	1,445.85	2,829.56
Provident Fund					
March 31, 2020	2.23	2.06	5.99	12.33	22.61
March 31, 2019	2.23	2.06	5.99	12.33	22.61

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

20 Employee benefits expense (Contd.)

(vii) Significant Actuarial Assumptions

	Gratuity		Provident Fund	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Discount rate per annum	6.50%	7.50%	6.50%	7.50%
Expected rate of Return on Plan Assets	6.50%	7.50%	8.50%	9.00%
Expected salary increase per annum	(#)	(#)	(#)	(#)
Attrition rate	12.50%	10.00%	12.50%	10.00%

(#) Hourly employees: 6% for three years and 5% thereafter, Others: 7.50% (2019: 10% for next two years and 8% thereafter).

Notes:

(a) The estimates of future salary increases, considered in actuarial valuation, takes into account, inflation, seniority, promotions and other relevant factors, such as demand and supply in the employment market.

(b) The expected rate of return on assets is determined based on the assessment made at the beginning of the year on the return expected on its existing portfolio, along with the estimated increment to the plan assets and expected yield on the respective assets in the portfolio during the year.

(c) The discount rate is based on the prevailing market yield on Government securities as at the Balance Sheet date for the estimated term of obligation.

(d) Provident Fund Trust set-up by the Company guarantees the interest rate earning and any shortfall thereof, would be met by the Company. The above plan assets, defined benefit obligations and benefit for future period is relating to the interest rate guarantee only.

(viii) Sensitivity analysis

	Gratuity		Provident fund	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Effect on DBO due to 1% increase in discount rate	(96.28)	(109.99)	-	-
Effect on DBO due to 1% decrease in discount rate	106.37	122.98	-	-
Effect on DBO due to 1% increase in salary escalation rate	100.64	116.51	-	-
Effect on DBO due to 1% decrease in salary escalation rate	(94.71)	(108.33)	-	-
Effect on DBO due to 1% increase in withdrawal rate	0.73	(77.28)	-	-
Effect on DBO due to 1% decrease in withdrawal rate	(0.88)	(84.02)	-	-
Effect on DBO due to 0.5% increase in Expected Return on Exempt Fund	-	-	(157.16)	NA
Effect on DBO due to 0.5% decrease in Expected Return on Exempt Fund	-	-	255.39	NA

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(All amounts in Rupees Lakhs, unless otherwise stated)

20 Employee benefits expense (Contd.)

(ix) Expected contribution to the funds in the next year

	Year ended	
	March 31, 2020	March 31, 2019
Gratuity	100.00	100.00
Provident fund (including employees' contribution)	900.00	1,100.00

(b) Defined contribution plans

Amount recognised in the Statement of profit and loss

	March 31, 2020	March 31, 2019
(i) Provident fund paid to the authorities	40.64	37.14
(ii) Pension fund paid to the authorities	106.96	100.89
(iii) Others	9.40	8.73
	157.00	146.76

Risk Exposure

Through its defined benefit plan, the Company is exposed to a number of risks. The most significant risks are:

(a) Gratuity

(i) Interest rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

(ii) Salary inflation risk : Higher than expected increases in salary will increase the defined benefit obligation.

(iii) Demographic risk : This is the risk of variability of results due to factors like mortality, withdrawal, disability and retirement. The effect of these on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and attrition rate.

(b) Provident fund

(i) Interest rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

(ii) Fund return risk : Lower the return on fund, higher the expected shortfall, if Employees Provident Fund Organisation (EPFO) declared return continues to be on the higher side, it will increase the defined benefit obligation.

(iii) Demographic risk : On an increase in membership, there will be an increase in the defined benefit obligation.

(iv) Investment risk: The Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the employee benefit plans. Within this framework, the Company's ALM objective is to match assets to the obligations by investing in long-term interest bearing securities with maturities that match the benefit payments as they fall due. A large portion of assets consists of government and corporate bonds. The Company believes that investment in government and corporate bonds offer the best returns over the long term with an acceptable level of risk.

(d) Share-based payments

Incentive Stock Option Plan of 2007 ("2007 plan")

On June 6, 2007, the shareholders of the ultimate holding company approved the Incentive Stock Plan of 2007, which authorises the holding company to issue stock options and other share-based incentives. All the share based incentives vests equally over a period of three years and expire at the end of ten years, subject to conditions related to termination of employment.

(All amounts in Rupees Lakhs, unless otherwise stated)

20 Employee benefits expense (Contd.)

Incentive Stock Option Plan of 2013 ("2013 plan")

On June 6, 2013, the shareholders of the ultimate holding company approved the Incentive Stock Plan of 2013, which authorises the holding company to issue stock options and other share-based incentives. All the share based incentives vests equally over a period of three years and expire at the end of ten years, subject to conditions related to termination of employment.

Incentive Stock Option Plan of 2018 ("2018 plan")

On June 7, 2018, the shareholders of the ultimate holding company approved the Incentive Stock Plan of 2013, which authorises the holding company to issue stock options and other share-based incentives. All the share based incentives vests equally over a period of three years and expire at the end of ten years, subject to conditions related to termination of employment.

2017 Omnibus Incentive Plan ("2017 plan")

In May 2017, the Board of the ultimate holding company approved the 2017 Plan, which authorises the ultimate holding company to grant stock-based compensation awards to employees, directors and advisers. All the share based incentives vests over a period of four or five years and expire ten years from the date of grant.

A Employee option plan

Certain executives of the Company are eligible to participate in the employee share based payment plans of Ingersoll-Rand plc, the ultimate holding company. The share based plans are assessed, managed and administered by the ultimate holding company. Under the plan, participants are granted options which vests over three years of service from the grant date. Once vested, the options remain exercisable till ten years from the date of grant.

Set out below is a summary of options granted under the plan:

Particulars	As at March 31, 2020 Number of options	As at March 31, 2019 Number of options
Opening balance	15,599	14,565
Granted during the year	-	2,123
Exercised during the year (Note 1)	-	(1,090)
Related to employees of Climate ETC Technologies and Services Pvt Ltd	(5,803)	-
Related to New IR employees which are already vested as on 29 Feb 2020	(8,210)	-
Redeemed in Feb 2020	(1,586)	-
Reissued during March 2020 under 2017 plan	6,190	-
Fresh issue during March 2020 under 2017 plan	2,771	-
Closing balance	**8,961**	**15,599**

Note 1: There were no options exercised during the year 2019-2020.

Note 2: No options expired or were forfeited during the periods covered in the above table.

(All amounts in Rupees Lakhs, unless otherwise stated)

20 Employee benefits expense (Contd.)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Plan	Grant Date	Expiry date	Exercise price USD	Share options As at March 31, 2020	Share options As at March 31, 2019
2007 plan	22-Feb-13	22-Feb-16	41.91	-	167
2013 plan	25-Feb-14	25-Feb-17	59.83	-	1,439
2013 plan	03-Feb-15	03-Feb-18	67.06	-	2,332
2013 plan	10-Feb-16	10-Feb-19	50.00	-	3,205
2013 plan	07-Feb-17	07-Feb-20	80.21	-	3,215
2013 plan	06-Feb-18	05-Feb-21	90.07	-	3,118
2018 plan	05-Feb-19	04-Feb-22	101.29	-	2,123
2017 plan	01-Mar-20		24.87	6,190	-
2017 plan	25-Mar-20		24.87	2,771	
				8,961	15,599
Weighted average remaining contractual life of options outstanding at the end of period				10 years	7.5 years

Fair value of options granted

The fair value at grant date of options granted during the year ended March 31, 2020 was USD 10.16 per option (March 31, 2019: USD 15.51). The fair value at grant date is determined using the Black Scholes model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The value of options have been translated to Rupees at the year end closing rate.

The model inputs for options granted during the year ended March 31, 2020 are listed below.

Particulars	As at March 31, 2020	As at March 31, 2019
Grant date	01/25-Mar-20	05-Feb-19
Expiry date	01/25-Mar-23	04-Feb-22
Share price at grant date (USD)	32.80	100.86
Expected price volatility of the company's shares	24.8% - 31.8%	21.64%
Expected dividend yield	0.00%	2.00%
Risk-free interest rate	1.7% - 2.6%	2.48%

B Restricted stock units

Restricted stock units (RSU) are share equivalents that are awarded to certain employees with a promise to issue actual shares to holders of the RSU at vesting. The RSU will vest in one-third installment over three years. Once they fully vest, each unit may be converted into a share at current value over an exercisable period of ten years.

(All amounts in Rupees Lakhs, unless otherwise stated)

20 Employee benefits expense (Contd.)

Set out below is a summary of RSU's granted under the plan:

Particulars	As at March 31, 2020		As at March 31, 2019	
	Weighted average fair value of shares (in USD)	Number of RSU's	Weighted average fair value of shares (in USD)	Number of RSU's
Opening balance	31.78	2,211	67.09	1,638
Granted during the year	27.82	-	90.07	1,453
Exercised during the year (Note 1)	-	-	64.88	(880)
Related to employees of Climate ETC Technologies and Services Pvt Ltd	-	(500)	-	-
Related to New IR employees which are already vested as on 29 Feb 2020	-	(355)	-	-
Redeemed during Feb 2020	-	(1,356)	-	-
Reissued during March 2020	29.31	5,300	-	-
Fresh issue in March 2020 under 2017 plan	-	1,073	-	-
Closing balance	-	6,373	-	2,211

Note 1: The weighted average share price at the date of exercise of options exercised during the year ended March 31, 2020 was USD 140.81 (March 31, 2019: USD 100.28).

Note 2: No RSUs have expired during the periods covered in the above table.

RSU's outstanding at the end of the year have the following expiry date and exercise price:

Plan	Grant Date	Expiry date	Exercise price USD	Share options As at March 31, 2020	Share options As at March 31, 2019
2013 plan	10-Feb-16	10-Feb-19	49.49	-	-
2013 plan	07-Feb-17	07-Feb-20	78.70	-	259
2013 plan	06-Feb-18	05-Feb-21	95.24	-	499
2018 plan	02-Jan-19	01-Jan-22	100.98	-	91
2018 plan	05-Feb-19	04-Feb-22	100.98	-	303
2017 plan	01-Mar-20		29.31	5,300	
2017 plan	25-Mar-20		29.31	1,073	
				6,373	1,151
Weighted average remaining contractual life of RSUs outstanding at the end of period				10 years	9.35 years

C **Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised in statement of profit and loss under employee benefit expense were as follows:

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Employee option plan	21.08	27.76
Restricted stock units	60.75	51.07
Total	81.83	78.83

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

21 Depreciation and amortisation expense

	Year ended	
	March 31, 2020	March 31, 2019
Depreciation on property, plant and equipment	1,165.07	1,137.34
Amortisation of right-of-use assets [refer note 32B(b)]	655.15	-
Amortisation on intangible assets	5.89	-
Total depreciation and amortisation expense	**1,826.11**	**1,137.34**

22 Other expenses

	Year ended	
	March 31, 2020	March 31, 2019
Rent (refer note 32)	143.19	934.55
Rates and taxes	210.00	137.07
Insurance	182.45	154.50
Power and fuel	448.51	451.19
Repairs and maintenance:		
Buildings	142.09	183.94
Plant and machinery	184.77	210.21
Others	2.34	1.23
Engineering services - product design, development, etc.	83.89	7.57
Information technology infrastructure	433.01	393.47
Cost contribution (Management fees) (refer note 35)	984.46	724.31
Directors commission	42.00	48.00
Communication	254.81	250.40
Travel and conveyance	1,147.71	1,279.97
Freight, insurance and handling	586.32	637.62
Dealer commission	105.06	112.83
Advertising	5.55	61.79
Warranty	293.69	185.88
Legal and professional fees	930.09	871.34
Contractor charges	826.85	792.57
Net foreign exchange (gain)/ loss	(256.84)	(1.87)
Net (gain) / loss on disposal of property, plant and equipment	-	12.93
Provision/ (write back) for doubtful debts (net)	115.08	(192.22)
Provision for doubtful advances (net)	(24.64)	23.29
Bad debts written off	168.95	104.99
Payments to auditors:		
Statutory audit fees	26.50	26.50
Tax audit fees	2.50	2.50
Limited reviews	33.00	33.00
Certification fees	1.00	1.00
Out of pocket expenses	3.00	3.00
Expenditure towards Corporate Social Responsibility (CSR) activities [refer note (a) below]	250.77	218.48
Miscellaneous expenses	857.29	927.27
Total other expenses	**8,183.40**	**8,597.31**

(All amounts in Rupees Lakhs, unless otherwise stated)

22 Other expenses (Contd.)

	Year ended March 31, 2020	Year ended March 31, 2019
Notes:		
(a) **CSR expenditure:**		
Gross amount required to be spent by the Company during the year	250.77	218.48
Amount spent during the year on:		
(i) Construction/ acquisition of any asset		
In Cash	-	-
Yet to be paid in cash	-	-
(ii) On purposes other than (i) above		
In Cash	250.77	218.48
Yet to be paid in cash	-	-
	250.77	218.48
(b) **Expenses capitalised as a part of Capital Work-in-Progress**		
Salaries and wages (specifically attributable to construction / installation of fixed assets)	-	-
Total	-	-

23 Finance costs

	Year ended March 31, 2020	Year ended March 31, 2019
Unwinding of discount on provisions	-	6.68
Interest expense on lease liability [refer note 32B(c)]	192.16	-
Others (Including writeback of provision for Interest on MSMED)	67.85	42.33
Total finance costs	260.01	49.01

24 Tax expenses

	Year ended March 31, 2020	Year ended March 31, 2019
(a) Tax expenses		
Current tax		
Current tax on profits for the year	2,875.75	4,311.27
Adjustments for current tax of prior periods	(109.54)	(48.31)
Total current tax expense	2,766.21	4,262.96
Deferred tax		
Decrease/ (increase) in deferred tax assets	263.16	231.22
(Decrease)/ increase in deferred tax liabilities	(85.09)	157.49
Total deferred tax expense/(benefit)	178.07	388.71
Tax expenses	2,944.28	4,651.67

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

24 Tax expenses (Contd.)

(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

	Year ended	
	March 31, 2020	March 31, 2019
Profit before tax expense	11,404.35	12,744.79
Tax at the Indian tax rate of 25.17% (2018-19: 34.944%)	**2,870.25**	**4,453.54**
Tax effect of amounts which are not deductible (taxable) in calculating taxable Income:		
Expenditure towards Corporate Social Responsibility (CSR) activities	31.56	38.17
Employee share-based payments expense	20.59	27.55
Finance costs	65.78	14.79
Effect of change in tax rate on closing balance of net deferred tax asset	39.62	-
Reversal of earlier year Sales tax provision	-	92.31
Adjustments for tax of prior periods	(109.54)	(48.31)
Expenses allowable on payment basis as per Income Tax Act	-	44.90
Other items	26.02	28.72
Tax expenses	**2,944.28**	**4,651.67**

Pursuant to The Taxation Laws (Amendment) Ordinance 2019, promulgated on 20 September 2019, the Company exercised the option permitted u/s 115BAA of the Income Tax Act, 1961 to compute income tax at the revised rate (i.e. 25.17%) from the current financial year. Accordingly the Company had recognised provision for income tax and remeasured its deferred tax assets (net) basis the tax rate prescribed in the aforesaid section.

25 **Contingent liabilities and commitments**

(to the extent not provided for)

	As at	
	March 31, 2020	March 31, 2019
(i) Contingent liabilities		
(a) Claims against the Company not acknowledged as debts	154.49	74.21
(Claims filed against the Company by customers/ vendors/ employees claiming damages for non-performance of contractual obligation/ defective supply of products/ termination of employment, which is disputed by the Company and the matters are lying under appeal with various forums)		
(b) Value added tax/ Sales tax matters in dispute	558.38	268.92
[Relates to demand on account of non-submission of statutory forms to the department substantiating the levy of concessional tax rate to customers. In connection with a dispute, the Company has furnished a Bank guarantee of Rs. 372.30 (March 31, 2019: Rs. 252.15)]. The Company has paid Rs. 437.90 (March 31, 2019: Rs. 175.34) 'under protest' to the relevant statutory authorities this regard].		
(c) Central excise matters in dispute	1,863.07	2,386.47
(Relates to adjustment on account of levy of additional duty and related demands made by the Excise department / Service tax department, which is disputed by the Company and are lying under appeal with various forums). The Company has paid Rs. Nil (March 31, 2019: Rs. 20.37) 'under protest' to the relevant statutory authorities in this regard].		

(All amounts in Rupees Lakhs, unless otherwise stated)

25 Contingent liabilities and commitments (Contd.)

		As at	
		March 31, 2020	March 31, 2019
(d)	**Service tax matters in dispute**	1,711.17	1,461.20
	(Relates to demand on account of input credits denied by the Service tax department, which is disputed by the Company and the matter is lying under appeal with the Custom Excise and Service Tax Appellate Tribunal). The Company has paid Rs. 41.64 (March 31, 2019: Rs. 41.64) 'under protest' to the relevant statutory authorities in this regard].		
(e)	**Income tax matters**	2,805.03	2,474.30
	[Relates to transfer pricing and other adjustments (including interest thereon) made by the Income Tax Department for the assessment years 2003-04 to 2007-08, 2009-10 to 2014-15 and 2017-18, which is disputed by the Company and the matters are lying under appeal with various forums and certain final orders are awaited. The Company has paid Rs. 1,291.49 (March 31, 2019: Rs. 1,635.18) 'under protest' to the relevant statutory authorities in this regard].		
(f)	**Provident fund matters**	-	-
	In light of judgment of Honorable Supreme Court dated 28th February 2019 on the definition of "Basic Wages" under the Employees Provident Funds & Misc. Provisions Act, 1952 and based on Company's evaluation, there are significant uncertainties and numerous interpretative issues relating to the judgement and hence it is unclear as to whether the clarified definition of Basic Wage would be applicable prospectively or retrospectively. The amount of the obligation therefore cannot be measured with sufficient reliability for past periods and hence has currently been considered to be a contingent liability.		
	Note: Considering the very nature of the disputes and the dependency on decisions pending with various forums, it is not practicable for the Company to estimate the timing of the cash outflows at this stage with respect to the above contingent liabilities. In all the above cases interest has been included till the date of order.		
(ii)	**Guarantees**		
	Guarantees given by banks on behalf of the Company for contractual obligations of the Company. The necessary terms and conditions have been complied with and no liabilities have arisen.	4,981.51	3,225.50
(iii)	**Commitments**		
	Capital commitments		
	Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:		
	Property, plant and equipment	171.76	111.33

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

26 **Earnings per share**

		Year ended	
		March 31, 2020	March 31, 2019
(a)	**Basic and Diluted earnings per share**		
	Attributable to the equity shareholders of the Company		
	Total basic and diluted earnings per share attributable to the equity shareholders of the Company	26.80	25.64
(b)	**Reconciliations of earnings used in calculating earnings per share**		
	Basic and Diluted earnings per share		
	Profit attributable to the equity holders of the company used in calculating basic earnings per share:	8,460.07	8,093.12
(c)	**Weighted average number of shares used as the denominator**		
	Weighted average number of equity shares used as the denominator in calculating basic and diluted earnings per share	31,568,000	31,568,000

27 **Offsetting financial assets and financial liabilities**

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements as at March 31, 2020 and March 31, 2019. The column 'net amount' shows the impact on the Company's balance sheet if all set-off rights were exercised.

	Effects of offsetting on the Balance Sheet		
	Gross amounts	Gross amounts setoff in the Balance Sheet	Net amounts presented in the Balance Sheet
March 31, 2020			
Financial assets			
Trade receivables	14,616.64	(391.92)	14,224.72
Total	**14,616.64**	**(391.92)**	**14,224.72**
Financial liabilities			
Trade payables	11,769.84	(391.92)	11,377.92
Total	**11,769.84**	**(391.92)**	**11,377.92**
March 31, 2019			
Financial assets			
Trade receivables	17,157.02	(392.65)	16,764.37
Total	**17,157.02**	**(392.65)**	**16,764.37**
Financial liabilities			
Trade payables	13,178.37	(392.65)	12,785.72
Total	**13,178.37**	**(392.65)**	**12,785.72**

Offsetting arrangements

Trade receivables and payables:

The Company gives volume based rebates and also issues credit notes on account of delays, defective, etc. Under the terms of the supply agreements, these amounts payable by the Company are offset against receivables from the customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet.

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

28 **Fair value measurements**

Financial instruments by category

	As at March 31, 2020 Amortised cost	As at March 31, 2019 Amortised cost
Financial assets		
Loans - Non current	96.73	600.41
Trade receivables	14,224.72	16,764.37
Cash and cash equivalents	15,844.87	11,509.70
Other bank balances	207.50	231.69
Loans - Current	378.08	5,338.45
Other financial assets - Current	519.89	501.49
Other financial assets - Non Current	114.29	103.34
Total financial assets	31,386.08	35,049.45
Financial liabilities		
Borrowings - lease liability	793.19	-
Other financial liabilities	891.60	835.81
Trade payables	11,377.92	12,785.72
Total financial liabilities	13,062.71	13,621.53

29 **Dues to micro and small enterprises**

The Ministry of Micro, Small, and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small enterprises should mention in their correspondences with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable of such enterprises as at 31 March 2020 and 31 March 2019 has been made in the financial statement based on information received and available with the Company. The dues to such enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006 is stated as under:

	Year ended March 31, 2020 Current	Year ended March 31, 2019 Current
The Company has certain dues to suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act') to the extent such enterprises are identified by the Company:		
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	595.61	1,003.68
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end for the year	3.18	6.49
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	7,353.81	3,248.33

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

29 **Dues to micro and small enterprises (Contd.)**

	Year ended March 31, 2020 Current	Year ended March 31, 2019 Current
Interest paid, other than under Section 16 for MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	101.14	67.43
Further interest remaining due and payable for earlier years	121.46	82.66
The Company has identified small enterprises and micro enterprises, as defined under the MSMED Act by requesting confirmation from vendors to the letters circularised by the Company.		

30 **Financial Risk Management**

The Company's activities expose it to market risk, liquidity risk and credit risk. The Company's risk management is carried out by the management under the policies approved of the Board of Directors that help in identification, measurement, mitigation and reporting all risks associated with the activities of the Company. These risks are identified on a continuous basis and assessed for the impact on the financial performance. Information on risks and the response strategy is escalated in a timely manner to facilitate timely decision making. Risk response strategy is formulated for key risks by management.

The below note explains the sources of risk which the Company is exposed to and how the Company manages the risk in the financial statements.

A **Credit risk**

Credit risk arises from cash and cash equivalents, loans to fellow subsidiaries, security deposits carried at amortised cost and deposits with banks, as well as credit exposures to customers including outstanding receivables.

(i) **Credit risk management**

Credit risk is managed and assessed on an ongoing basis. Only high rated banks are accepted for banking transactions and placement of deposits. For other financial assets, the Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

A : High quality assets, negligible credit risk.

B : Low quality assets, high credit risk.

C : Doubtful assets, credit-impaired.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is any significant increase in credit risk, the Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers below indicators to assess credit risk :

1. Internal credit rating.
2. External credit rating (to extent available).
3. Any significant change in business, financial or economic conditions that are expected to cause a significant change in the payer's ability to meet its obligations, including changes in operating results and payment status.

(All amounts in Rupees Lakhs, unless otherwise stated)

30 Financial Risk Management (Contd.)

Macro economic information (such as regulatory changes, legal changes, interest rate changes) are incorporated as a part of the internal rating model.

Default of a financial asset is when the counterparty fails to make contractual payments within 365 days of when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

(ii) Provision for expected credit losses

The Company provides for expected credit loss based on the following:

Internal rating	Category	Description	Basis for recognition of expected credit loss provision		
			Loans	Security deposits	Trade receivables
A	High quality assets	Assets where the counter-party has strong capacity to meet the obligations and where the risk of default is negligible or nil.	12- month expected credit loss	12- month expected credit loss	Life-time expected credit loss
B	Low quality assets	Assets where there is a moderate probability of default. In general, assets where contractual payments are more days than past due are categorised as low quality assets. Also includes assets where the credit risk of counter-party has increased significantly though payments may not be more than past due.	Life-time expected credit loss	Life-time expected credit loss	Life-time expected credit loss
C	Doubtful assets	Assets are fully provided or written off when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or failing to engage in a repayment plan with the Company. The Company categorises a loan or receivable for write off when a debtor fails to make contractual payments more than past due. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.	Asset is fully provided for or written off.		

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

30 **Financial Risk Management (Contd.)**

Expected credit losses for loans and security deposits:

Particulars		Asset group	Internal rating	Estimated gross carrying amount at default	Expected probability of default	Expected credit loss	Carrying amount net of impairment provision
Year ended March 31, 2020							
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased since its initial recognition	Loans	A	474.81	0%	-	474.81
Year ended March 31, 2019							
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased since its initial recognition	Loans	A	5,938.86	0%	-	5,938.86

Expected credit loss for trade receivables under simplified approach.

Customer category	Public sector undertaking	Direct customers	Distributors	Total
Year ended As at March 31, 2020				
Gross carrying amount	2,455.30	9,303.89	2,903.04	14,662.23
Expected loss rate	11.95%	1.53%	0.08%	2.98%
Expected credit loss (loss allowance provision)	293.30	142.03	2.18	437.51
Carrying amount of trade receivables (net of impairment)	2,162.00	9,161.86	2,900.86	14,224.72
Year ended As at March 31, 2019				
Gross carrying amount	2,336.57	11,740.11	3,010.12	17,086.80
Expected loss rate	10.42%	0.67%	0.02%	1.89%
Expected credit loss (loss allowance provision)	243.50	78.36	0.57	322.43
Carrying amount of trade receivables (net of impairment)	2,093.07	11,661.75	3,009.55	16,764.37

Reconciliation of loss allowance provision - Trade receivables

Particulars	As at	
	March 31, 2020	March 31, 2019
Opening provision for loss allowance	322.43	514.65
Add: Additional provision	284.03	(87.23)
Less: Utilisation/ (reversal)	(168.95)	(104.99)
Closing provision	437.51	322.43

B. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying business, the Company maintains flexibility in funding by maintaining surplus cash in short-term deposits. Management monitors the rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows.

(All amounts in Rupees Lakhs, unless otherwise stated)

30 **Financial Risk Management (Contd.)**

Maturities of financial liabilities:

Contractual maturities of financial liabilities	Less than 12 months	More than 12 months	Total
As at March 31, 2020			
Borrowings - lease liability (refer note 32B(c))	362.09	431.10	793.19
Trade payables	11,377.92	-	11,377.92
Other financial liabilities	891.60	-	891.60
Total	12,631.61	431.10	13,062.71
As at March 31, 2019			
Borrowings - lease liability (refer note 32B(c))	-	-	-
Trade payables	12,785.72	-	12,785.72
Other financial liabilities	835.81	-	835.81
Total	13,621.53	-	13,621.53

C **Market risk**

Foreign currency risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency (Rupees). The risk is measured through a forecast of highly probable foreign currency cash flows.

The Company exposure to foreign currency risk at the end of the reporting period expressed in Rupees is as follows:

Particulars	Currency	As at March 31, 2020		As at March 31, 2019	
		Foreign currency	Indian rupees	Foreign currency	Indian rupees
Financial assets					
Trade receivables	USD	41.98	3,162.67	73.32	5,070.50
Trade receivables	EUR	-	0.09	2.60	202.25
Bank balance (EEFC)	USD	29.21	2,200.35	7.77	536.98
Financial liabilities					
Trade payables	USD	35.77	2,694.78	54.48	3,767.66
Trade payables	EUR	1.83	151.73	3.13	242.90
Trade payables	JPY	54.00	37.83	12.72	7.95
Trade payables	GBP	0.08	7.93	0.26	23.17

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

30 **Financial Risk Management (Contd.)**

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

	Year ended	
	March 31, 2020	March 31, 2019
Sensitivity on profit after tax		
USD sensitivity		
INR/ USD - Increase by 1% (March 31, 2019: 1%)	3.50	8.48
INR/ USD - Decrease by 1% (March 31, 2019: 1%)	(3.50)	(8.48)
EUR sensitivity		
INR/ EUR - Increase by 1% (March 31, 2019: 1%)	(1.13)	(0.26)
INR/ EUR - Decrease by 1% (March 31, 2019: 1%)	1.13	0.26

31 **Capital Management**

A **Risk management**

The Company's objectives when managing capital are to:

(i) safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and;

(ii) maintain an optimal capital structure to reduce the cost of capital.

The Company does not have any exposure towards debt except lease liability. Management regularly monitors rolling forecasts of liquidity position and cash on the basis of expected cash flows. In addition, the Company projects cash flows in major currencies and considers the level of liquid assets necessary to meet these.

B **Dividends**

	As at	
	March 31, 2020	March 31, 2019
(i) Equity shares		
(a) Interim dividend for the financial year 2019-20 of Rs. 3.00 (March 31, 2019: Rs. 3.00) per fully paid equity share	947.04	947.04
(b) The directors have declared a special dividend of Rs. 25 (March 31, 2019: Rs. Nil) as second interim dividend	7,892.00	-
(ii) Dividends not recognised at the end of the reporting period		
The directors have recommended the payment of a final dividend of Rs. Nil per fully paid equity share (March 31, 2019: Rs. 3.00). This dividend is subject to the approval of shareholders in the ensuing annual general meeting.	-	947.04

32 **Operating leases and Ind AS 116**

A **Operating leases**

The Company has certain operating leases for office facilities (short term leases). Such leases are generally with the option of renewal against increased rent and premature termination of agreement on mutual consent of both the parties.

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

32 Operating leases and Ind AS 116 (Contd.)

Rental expenses relating to operating leases:

	Year ended	
	March 31, 2020	March 31, 2019
Total rental expense relating to short term operating leases	143.19	934.55
Minimum lease payments in relation to short term operating lease	54.46	804.98

	As at	
	March 31, 2020	March 31, 2019
Commitments for minimum lease payments in relation to short term operating leases are payable as follows:		
Within one year	105.74	650.12
Later than one but not later than five years	12.90	1,399.58
Later than five years	-	-
	118.64	2,049.70

B Ind AS 116

(a) Impact on transition to Ind AS 116

On transition to Ind AS 116, the Company recognized right-of-use assets and lease liabilities. The impact on transition is summarized below:

Particulars	Amount
Right of use assets – property, plant and equipment	2,079.46
Deferred tax asset	2.56
Lease liabilities	2,086.78

(b) The Company leases office premises facilities. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date. For certain leases, the Company is restricted from entering into any sub-lease arrangements.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to lease hold properties.

		Buildings
i.	Balance as at 1 April 2019	-
ii.	Addition on adoption of Ind AS 116	2,079.46
iii.	Additions to right of use asset	867.41
iv.	Amortisation for the year	(655.15)
v.	De-recognition of right of use assets	(1,802.54)
vi.	Accumulated depreciation on "v" above	288.49
vii.	**Balance as at 31 March 2020**	**777.67**

(c) Lease liabilities

Maturity analysis – contractual discounted cash flows

		Contractual cash flows			
	Carrying amount	Total	Total 0-1 years	1-5 years	5 years and above
Lease liabilities - current	362.09	429.39	429.39	-	-
Lease liabilities - non current	431.10	468.28	-	468.28	-

Notes to the Financial Statements

(All amounts in Rupees Lakhs, unless otherwise stated)

32 **Operating leases and Ind AS 116 (Contd.)**

The following is the movement in lease liabilities during the year ended 31 March 2020:

Particulars		Buildings
i.	Balance as at 1 April 2019	-
ii.	Addition on adoption of Ind AS 116	2,086.78
iii.	Additions	867.41
iv.	Finance cost accrued during the period	192.16
v.	De-recognition	(1,644.50)
vi.	Payment of lease liabilities	(708.66)
vii.	**Balance as at 31 March 2020**	**793.19**

33 **Segment Information:**

Description of segments and principal activities

The Company's chief operating decision maker (CODM) consists of the managing director and the chief financial officer. The Company's chief operating decision maker (CODM) reviews the performance of the Company as a whole. Consequently, there is only one segment Air Solutions. Accordingly, there are no additional disclosure to be provided under Ind AS 108, other than those already provided in the financial statements.

Geographical information

Particulars	Total	
	March 31, 2020	March 31, 2019
Revenue		
India	51,962.76	54,382.61
Outside India		
United States	15,499.17	15,138.54
Ireland	1,395.78	1,527.64
Bangladesh	630.37	1,349.70
Srilanka	647.02	499.22
Singapore	292.68	751.15
Others	134.48	258.61
	70,562.26	73,907.47
Non-Current assets (excluding deferred tax assets)		
India	14,759.72	14,993.14
Outside India	-	-
	14,759.72	14,993.14

(All amounts in Rupees Lakhs, unless otherwise stated)

34 Events occurring after the reporting period

(a) Gardner Denver Holdings Inc. completed the merger of Industrial Segment of Ingersoll Rand plc at the end of the day on 29 February 2020. The combined group globally is now named Ingersoll Rand.

(b) Ingersoll Rand Inc. along with Ingersoll Rand U.S. Holdco Inc. and Ingersoll Rand Industrial U.S. Inc. has made an offer of INR 642.63 per fully paid-up equity share to the public shareholders of the Company to acquire upto 8,207,680 fully paid-up equity shares, constituting 26% of the fully diluted voting equity share capital of the Company. This Offer is mandatory in compliance with Regulations 3(1), 4 and 5(1) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. The Letter of Offer has been electronically dispatched to all the public shareholders of the Company holding equity shares as on identified date and who have registered their mail ids with the Depositories/Company. There would be no physical dispatch of the Letter of Offer in accordance with Relaxation Circular issued by SEBI. The period for tendering of equity shares has commenced on 22 June 2020 and will close on 3 July 2020.

(c) The Company has assessed the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of Receivables, Inventories and other assets / liabilities. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of the pandemic, the Company, as at the date of approval of these Annual Financial Statements has used available internal and external sources of information. The Company believes that the pandemic is not likely to have a significant impact on the recoverability of the carrying value of its assets. The Company is closely monitoring the developments and possible effects that may result from the current pandemic on its financial condition, liquidity and operations and is actively working to minimise the impact of this unprecedented situation. As the situation is continuously evolving, the eventual impact may be different from the estimates made as of the date of approval of these Annual Financial Statements.

35 Related party transactions

(a) Parent entities

Name	Type	Place of incorporation	Ownership interest	
			March 31, 2020	March 31, 2019
Ingersoll-Rand plc.	Ultimate holding company (upto 29-Feb-2020)	Ireland	-	-
Ingersoll-Rand Company	Immediate holding company (upto 19-Nov-2019)	USA	-	74%
Ingersoll-Rand Inc.	Ultimate holding company (from 01-Mar-2020)	USA	-	-
Ingersoll-Rand Industrial US Inc.	Immediate holding company (from 20-Nov-2019)	USA	74%	-

(b) Key management personnel compensation

	Year ended	
	March 31, 2020	March 31, 2019
Salaries and other employee benefits	303.96	395.75
Contribution to provident fund	11.16	11.04
Employee share-based payment	30.90	28.83
Total compensation	346.02	435.62

(All amounts in Rupees Lakhs, unless otherwise stated)

35 Related party transactions (Contd.)

(c) Transactions with related parties

	Year ended				
	March 31, 2020			March 31, 2019	
	Holding company (Upto 19 Nov 2019)	Holding company (From 20 Nov 2019)	Fellow subsidiaries	Holding company	Fellow subsidiaries
Sales and purchases of goods and services					
Sale of finished goods	6,239.10	1,392.31	3,674.34	10,951.03	1,923.71
Business support and auxiliary services	-	169.42	5,826.10	95.40	4,476.60
Recovery of freight, insurance and packing expenses	-	-	11.58	2.89	6.98
Purchase of raw materials, components and traded goods	-	-	9,390.09	-	10,235.21
Other transactions					
Recharge of expenses to fellow subsidiaries	-	-	1,280.28	-	1,350.31
Sale of property, plant and equipment	-	-	402.00	-	-
Consideration received for transfer of employees to fellow subsidiary	-	-	828.00	-	-
Recharge of salary	-	-	9.40	-	6.10
Rent received	-	-	336.85	-	340.06
Purchase of property, plant and equipment	-	-	16.68	-	135.64
Expenses recharged by other companies:					
(i) Cost contribution (Management fees)	626.72	-	357.74	724.31	-
(ii) Professional fees	-	-	448.28	-	417.05
(iii) Travel	-	-	4.51	-	3.35
(iv) IT infrastructure	47.78	-	10.28	49.41	-
(v) Salary	-	-	4.60	-	-
(vi) Staff welfare	13.66	-	2.24	11.18	-
(vii) Repairs and maintenance - plant & machinery	-	-	18.26	-	16.56
(viii) Contractor charges	-	-	1.08	-	-
(ix) R&D expenses	-	-	7.04	-	-
(x) Other miscellaneous expenses	9.56	-	110.25	15.41	132.93
Interest income on intercorporate loans given	-	-	78.87	-	656.57
Contributions made to gratuity fund	-	-	150.00	-	250.00
Contributions made to provident fund	-	-	334.04	-	291.30
Dividend paid	1,401.60	5,840.00	-	48,588.80	-
Repayment of loan given	-	-	5,206.25	-	8,750.00

(All amounts in Rupees Lakhs, unless otherwise stated)

35 Related party transactions (Contd.)

(d) Balances with related parties

	As at	
	March 31, 2020	March 31, 2019
The following balances are outstanding at the end of the reporting period in relation with transactions with related parties:		
Holding company (From 20 Nov 2019)		
Trade receivables	2,988.34	3,649.62
Trade payables	7.89	233.85
Fellow subsidiaries		
Trade receivables	132.05	1,547.79
Other receivables	112.30	282.56
Unbilled revenues	-	103.77
Intercorporate Loans receivable	-	5,206.25
Trade payables	2,190.08	2,988.69
Creditors for capital goods	2.28	22.45

(e) Remuneration paid to key management personnel

	Year ended	
	March 31, 2020	March 31, 2019
Remuneration Paid:		
Amar Kaul, Chairman and Managing Director		
Salaries and other employee benefits	212.54	256.76
Contribution to provident fund	7.69	6.51
Employee share-based payment	30.90	25.97
Vikas Goel, CFO (Upto 19-July-2019)		
Salaries and other employee benefits	35.95	138.99
Contribution to provident fund	1.36	4.53
Employee share-based payment	-	2.86
Preeti Mohanty, CFO (From 01-October-2019)		
Salaries and other employee benefits	55.47	-
Contribution to provident fund	2.11	-
Employee share-based payment	-	-

Note: The above does not include provision for gratuity and compensated absences that are calculated for the Company as a whole.

35 Related party transactions (Contd.)

(f) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties

	Year ended March 31, 2020	Year ended March 31, 2019
Sales and purchases of goods and services		
(a) Sale of finished goods		
- Ingersoll-Rand Company, USA (from 20-Nov-2019 to 29-Feb-2020)	1,922.99	-
- Ingersoll-Rand International Limited, Ireland (upto 29-Feb-2020)	1,277.44	1,444.70
- Ingersoll-Rand Industrial Ireland Limited, Ireland	106.92	-
- Ingersoll Rand Air Solutions Hibon SARL, France	55.85	128.34
- Ingersoll Rand Singapore Enterprises Pte Ltd, Singapore	196.63	307.28
(b) Business support and auxiliary services		
- Trane U.S. Inc, USA (upto 29-Feb-2020)	5,775.35	4,089.23
(c) Recovery of freight, insurance and packing expenses		
- Ingersoll-Rand International Limited, Ireland (upto 29-Feb-2020)	9.75	6.63
- Ingersoll-Rand Industrial Ireland Limited, Ireland	1.67	-
(d) Purchase of raw materials, components and traded goods		
- Ingersoll-Rand International Limited, Ireland (upto 29-Feb-2020)	6,500.92	7,851.22
- Ingersoll-Rand Industrial Ireland Limited, Ireland	930.39	-
- Ingersoll-Rand (China) Industrial Equipment Manufacturing Co. Limited, China	1,592.18	1,960.92
Other transactions		
(a) Recharge of expenses to fellow subsidiaries		
- Ingersoll-Rand Technologies and Services Private Limited, India	663.09	749.36
- Ingersoll-Rand Climate Solutions Private Limited, India (Upto 29-Feb-2020)	1,423.95	583.48
- Climate ETC Technology Services Pvt Ltd, India (Upto 29-Feb-2020)	75.55	-
- Ingersoll-Rand International (India) Private Limited, India	30.67	17.48
(b) Sale of property, plant and equipment		
- Ingersoll-Rand Climate Solutions Private Limited, India (Upto 29-Feb-2020)	402.00	-
(c) Consideration received for transfer of employees		
- Climate ETC Technology Services Pvt Ltd, India (Upto 29-Feb-2020)	828.00	-
(d) Recharge of salary		
- Ingersoll-Rand Technologies and Services Private Limited, India	9.40	6.10
(e) Rent received		
- Ingersoll-Rand Technologies and Services Private Limited, India	55.45	43.15
- Ingersoll-Rand Climate Solutions Private Limited, India (Upto 29-Feb-2020)	280.17	296.91
(f) Purchase of property, plant and equipment		
- Ingersoll-Rand Technologies and Services Private Limited, India	16.06	131.72

35 Related party transactions (Contd.)

	As at	
	March 31, 2020	March 31, 2019
(g) Expenses recharged by other companies		
- Ingersoll-Rand Company, USA (from 20-Nov-2019 to 29-Feb-2020)	370.26	-
- Ingersoll-Rand Technologies and Services Private Limited, India	160.37	184.77
- Ingersoll-Rand International (India) Private Limited, India	390.75	373.75
(h) Interest income on intercorporate loans given		
- Ingersoll-Rand Technologies and Services Private Limited, India	-	104.27
- Ingersoll-Rand Climate Solutions Private Limited, India (Upto 29-Feb-2020)	78.87	552.30
(i) Contributions made to gratuity fund		
- Ingersoll-Rand Employees Gratuity Trust, India	150.00	250.00
(j) Contributions made to provident fund		
- Ingersoll-Rand Employees Provident Fund Trust, India	334.04	291.30
(k) Repayment of loan given		
- Ingersoll-Rand Technologies and Services Private Limited, India	-	8,750.00
- Ingersoll-Rand Climate Solutions Private Limited, India (Upto 29-Feb-2020)	5,206.25	-
Balances with related parties:		
(a) Trade receivables		
- Ingersoll-Rand Industrial Ireland Limited, Ireland	109.04	214.15
- Trane U.S. Inc, USA (Upto 29-Feb-2020)	-	1,093.38
- Ingersoll Rand Singapore Enterprises Pte Ltd, Singapore	11.40	165.41
(b) Other receivables		
- Ingersoll-Rand Climate Solutions Private Limited, India (Upto 29-Feb-2020)	-	131.70
- Ingersoll-Rand Technologies and Services Private Limited, India	104.96	145.44
(c) Unbilled revenues		
- Ingersoll-Rand Climate Solutions Private Limited, India (Upto 29-Feb-2020)	-	103.77
(d) Intercorporate Loans receivable		
- Ingersoll-Rand Climate Solutions Private Limited, India (Upto 29-Feb-2020)	-	5,206.25
(e) Trade payables		
- Ingersoll-Rand Industrial Ireland Limited, Ireland	1,515.33	2,075.94
- Ingersoll-Rand (China) Industrial Equipment Manufacturing Co. Limited, China	490.99	487.79
(f) Creditors for capital goods		
- Ingersoll-Rand Technologies and Services Private Limited, India	2.28	22.45

35 **Related party transactions (Contd.)**

(g) Terms and conditions

(1) Transaction relating to dividends was on the same terms and conditions that applied to other shareholders.

(2) The loans to fellow subsidiaries were for periods of 5 years repayable at the end of the term at interest rate of 1% above bank interest rate. The average interest rate on the loans to fellow subsidiaries during the year was 10.70% (March 31, 2019: 10.70%).

(3) Management services were bought from the immediate holding company and fellow subsidiaries on a cost to cost basis.

(4) Export of IT services to immediate holding company and fellow subsidiaries company is on cost-plus basis.

(5) All transactions including sale of goods were made on normal commercial terms and conditions and at arm's length price.

(6) All outstanding balances are unsecured and are repayable in cash.

36 The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 31 March 2020.

37 **Prior year figures**

Prior year's figures have been regrouped/ reclassified wherever necessary to conform to current year's classifications which also include Ind AS requirements.

for B S R & Co. LLP
Chartered Accountants
Firm's registration number : 101248W/W-100022

for and on behalf of Board of Directors of
Ingersoll - Rand (India) Limited

Amar Kaul
Chairman and Managing Director
DIN: 07574081

Place: Gurugram
Date: June 30, 2020

Sekhar Natarajan
Director
DIN: 01031445

Place: Mumbai
Date: June 30, 2020

Sanjay Sharma
Partner
Membership Number: 063980

Place: Bengaluru
Date: June 30, 2020

Preeti Mohanty
Chief Financial Officer

Place: Gurugram
Date: June 30, 2020

P. R. Shubhakar
Gen. Manager-Corp. Finance and Company Secretary

Place: Bengaluru
Date: June 30, 2020