## Notes forming part of the financial statements

**1 CORPORATE INFORMATION**

India Steel Works Limited is a public limited incorporated and domiciled in India, under the Indian Companies Act, 1956. Its Equity shares are listed on BSE Limited. Its registered office is situated at India Steel Works Complex, Zenith Compound, Khopoli, Raigad 410 203, Maharashtra, India.

The Company is engaged in manufacturing and trading of steel products like hot rolled, bars and rods, bright bars, etc.

**2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This note provides a list of the Significant Accounting Policies adopted in the preparation of these Financial Statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 BASIS FOR PREPARATION OF ACCOUNTS**

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified under the Companies (Indian Accounting standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendments Rules 2016 prescribed under section 133 of the Companies Act, 2013.

The financial statements are prepared and presented on accrual basis and under the historical cost convention, except for the following material items that have been measured at fair value as required by the relevant Ind AS:

- Certain financial assets and liabilities are measured at Fair value (refer accounting policy on financial instruments - Refer note 2.8 below
- Defined Benefit and other Long-term Employee Benefits - Refer note 2.11 below
- Derivative Financial instruments – Refer note 2.8 below

These standalone financial statements are approved for issue by the Company's Board of Directors on July 31, 2020.

**2.2 USE OF ESTIMATES**

In preparation of the financial statements, the Company makes judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and the associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant judgements and estimates relating to the carrying values of assets and liabilities include useful lives of property, plant and equipment and intangible assets, impairment of property, plant and equipment, intangible assets and investments, impairment of trade receivables, provision for employee benefits and other provisions, recoverability of deferred tax assets, commitments and contingencies.

**2.3 REVENUE RECOGNITION**

a) Sale of Goods

Revenue from the sale of goods is recognised when property in the goods, or all significant risks and rewards of ownership of the goods have been transferred to the buyer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods as well as its collection. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, related discounts and volume rebates. It includes excise duty and subsidy and excludes Value Added Tax / Sales Tax/ GST.

b) Rendering of services

Revenue of services are recognized when the performance of agreed contactual obligation has been completed.

## Notes forming part of the financial statements

c) Dividend

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

d) Interest Income

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

e) Insurance Claims

Insurance claims are accounted on acceptance of the claim and when it can be measured reasonably, and it is reasonable to expect the ultimate collection. The Shortfall in respect of final claim shall be accounted in the profit and loss account as an when finally settled.

**2.4 FOREIGN CURRENCY TRANSACTIONS**

a) Functional and Presentation Currency

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

b) Intial Recognisation

Transactions in foreign currencies are recorded at the exchange rate prevailing on the dates of the transactions. Exchange difference arrising on foreign exchange transaction settled during the year are recognized in the Statement of profit and loss of the year.

c) Measurment of foreign currency items at the Balance sheet date

Monetary assets and liabilities denominated in foreign currencies are re-translated into functional currency at the exchange rate prevailing at the end of the reporting period. Non monetary assets and liabilities that are measured based on a historical cost in a foreign currency are not re-translated. Exchange differences arrising out of these transaction are chanrged to the profit and loss.

**2.5 PROPERTY, PLANT AND EQUIPMENTS AND INTANGIBLE ASSETS**

a) Property, plant and equipment (PPE)

i) Recognition and measurement

Freehold land is carried at cost. All other items of property, plant and equipment are measured at cost less acccumlated depreciation and impairment losses, if any. Cost includes expenses directly attributable to the acquisition of the assets. The cost of an item of a PPE comprises its purchase price including import duty, and other non-refundable taxes or levies and any directly attributable cost of bringing the assets to its working condition of its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

ii) Subsequent expenditure

Expenditure incurred on substantial expansion upto the date of commencement of commercial production are capitalised. 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 benefi ts associated with the item will fl ow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

b) Capital Work-In-Progress And Pre-Operative Expenses During Construction Period

Capital work-in progress includes expenditure directly related to construction and incidental thereto. The same is transferred or allocated to respective Property, Plant and Equipment on their completion / commencement of commercial production.

c) Intangible assets

Intangible asstes are held on the balance sheet at cost less accumlated amortisation and imparment loss if any.

## Notes forming part of the financial statements

**Transition to Ind AS**

On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment, including intangible assets, recognised as at 1 April 2016, as per the previous GAAP and used that carrying value as its deemed cost of such property, plant and equipment and intangible assets

**2.6 IMPAIRMENT OF NON- FINANCIAL ASSETS**

The Company's non-fi nancial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash infl ows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of time value of money and the risks specific to the CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss. Impairment losses recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets of the CGU on a pro rata basis.

An impairment loss in respect of assets for which impairment loss has been recognized in prior periods, the Company reviews at reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**2.7 DEPRECIATION AND AMORTISATION**

Depreciation is provided on the Straight Line Method (SLM) applying the useful lives as prescribed in part C of Schedule II to the Companies Act,2013.

Useful lives of the items of Property, Plant and Equipment are as follows:

| Asset | Estimated Useful Life |
|---|---|
| Building | 30 Years |
| Plant & Machinery | 20 Years |
| Furniture and Fixtures | 10 Years |
| Vehicles | 8 Years |
| Other equipment | 5 Years |

Intangible Assets are amortized over their individual estimated useful lives on a Straight Line basis, commencing from the year in which the same are available to the Company for its intended use. The useful life so determined is as follows:

| Assets | Amortisation period |
|---|---|
| Software Licenses | 5 years |
| Product Licenses | 5 years |
| Usage Rights | 5 years |

The Managemnt belives that the useful life as given above the best represent the period over which the management expect to use these assets. The Company reviews the useful lives and residual value at each reporting date. Depreciation on assets added/sold or discared during the year is being provided on pro-rata basis up to the date on which such assets are added/sold or discarded. Depreciation is not provided on Freehold Land. Gain/Losses on disposals/de-recognition of property, plant and equipment are determined by comparing proceeds with carrying amount and these are recognized in statement of profit and loss.

## Notes forming part of the financial statements

**2.8 FINANCIAL INSTRUMENTS**

**I. Financial Assets**

a) Classification of financial assets

The Company classifies financial assets as subsequently measures at amortised cost, fair value through other comprehensive income or fair value through profit & loss on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

*i) Debt instrument at amortised cost:*

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

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium and fees or cost that are an integral part of the EIR. The EIR. Amortisation is included in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. The category generally applies to trade and other receivable.

*ii) Debt instrument at fair value through other comprehensive income (FVOCI):*

Assets that are held for collection of contractual cash flow and selling the financial assets, where the assets' cash flow represents solely payments of principal and interest are measuring at FVOCI, movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue or foreign exchange gains and losses which are recognised in profit and loss. When the financial assets is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income suing the EIR method. The company does not have any instruments classified as fair value through other comprehensive income (FVOCI).

*iii) Debt instrument measured at fair through profit and loss (FVTPL):*

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/ (losses) in the period in which it arises. Interest income from these financial assets is included in other income.

*iv) Equity investments:*

Investment in associates are accounted using equity method.

All other equity investments which are in scope of Ind-AS 109 are measured at fair value. Equity instrument which are held for trading are classified as at FVTPL. For all other equity investments, the Company decide to classify the same either as at fair value through other comprehensive income (FVOCI) or FVTPL. The company makes such election on an instrument-by- instrument basis. The classification is made on initial recognition and is irrevocable.

For equity investments classified as FVOCI, all fair value changes on the instruments, excluding dividend, are recognized in other comprehensive income (OCI). There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of such investment.

Equity investments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of profit and loss.

## Notes forming part of the financial statements

Costs of certain unquoted equity instruments has been considered as an appropriate estimate of fair value because of a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

The company does not have any equity investments designated at FVOCI or FVTPL

b) Initial recognition and measurement

All financial assets are recognised initially at fair value and for those instruments that are not subsequently measured at FVTPL, plus/minus transaction cost that are attributable to the acquisition of the financial assets.

Trade receivable are carried at original invoice price as the sales arrangements do not contain any significant financial component. Purchase or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the assets.

c) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) primarily derecognised (i.e. removed from the company's balance sheet) when :

- The rights to receive cash flows from the asset have expired, or
- The Company has neither transferred nor retained substantially all the risks and rewards all the assets, but has transferred control of the assets.

When the company has transferred its rights to receive cash flow from an asset or has entered into a pass-through arrangement, it evaluates whether it has transferred substantially all the risks and rewards of ownership. In such cases, the financial asset is derecognised. When it has neither transferred nor retained substantially all of the risks and rewards of the assets, nor transferred control of the assets, the Company continues to recognise the transferred asset to the extent of the company's continuing involvement. In the case, the company recognises and associated liability. The transferred asset and the associated liability are measured on a basis that reflect the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and maximum amount of consideration that the company could be required to repay.

d) Impairment of financial assets

In accordance with Ind-AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loan, debt security, deposits, and bank balance.
- Trade Receivables

The company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables which do not contain a significant financing component.

The application simplified approach does not require the company to track change in risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. The company uses a provision matrix to determine impairment loss allowance on the portfolio of trade receivable. The provision matrix based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. At every reporting date, historically observed default rate updated and change in the forward looking estimates are analysed.

**II. Financial Liabilities and equity instruments**

Debt and equity instruments issued by an entity are classified as either financial liability or as equity in accordance with substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

## Notes forming part of the financial statements

a) *Equity instruments:*

An equity instruments is any contact the evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

An equity instruments is any contact the evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

b) *Financial liabilities :- Classification*

Financial liabilities are classified as either's at FVTPL' or' other financial liabilities consists of derivative financial instruments, wherein the gain/losses arising from remeasurement of these Instruments of recognized in the statements of profit and loss. Other financial liability (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

c) Initial recognition and measurement:

All financial liability are recognised initially at fair value and for those instruments that are not Subsequently measured at FVTPL, plus/minus transaction cost that are attributable to issue of these instruments.

d) Derecognition

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



**III. Fair Value**

The Company determines the fair value of its financial instruments on the basis of the following hierarchy

a) Level 1 : The fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date. Examples include exchange traded commodity derivatives and other financial instruments in equity and debt securities which are listed in a recognised stock exchange

b) Level 2 : The fair value of financial instruments that are not traded in active markets is determined by using valuation techniques using observable market data. Such valuations techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions. For example, the fair value of forward exchange contracts, currency swaps and interest rate swaps is determined by discounting estimated future cash flows using a risk-free interest rate

b) Level 3 : The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs)

**IV. Accounting for day 1 differences**

If the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, this if it is not consideration for goods or services or a deemed capital contribution or deemed distribution, is accounted as follows :

i) If the fair value is evidence by a quoted price in an active market for an identical asset or liability (ie Level 1 input) or based on a valuation technique that uses data from observable market, the entire day 1 gain/ loss is recorded immediately in the statement of profit and loss; or

i) in all other cases, the difference between the fair value at initial recognition and transaction price is deferred. After initial recognition, the deferred difference is recorded as gain or loss in the statement profit and loss only to the extent that is arises from a change in a factor (including time) that market praticipants would take into account when pricing the asset or liability.

## Notes forming part of the financial statements

In case difference represents :

i) deemed capital contribution - it is recorded as investment in subsidiary

ii) deemed distribution - It is recorded in equity

iii) deemed consideration for goods and services - it is recorded as an asset or liability. This amount is amortised / accredited to the statement of profit and loss as per the substance of the arrangement (generally straight line basis over the duration of the arrangement)

**2.9 INVENTORIES**

Inventories are stated at the lower of cost and net realizable value.

Cost of Raw Material is determined on a First In First Out (FIFO) basis.

Stores and Consumables are valued at cost or net realizable value (NRV) whichever is lower.

Waste/ Scrap inventory is valued at Net Realisable Value (NRV).

NRV is estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

Finished goods are valued at cost or net realizable value whichever is lower. Cost comprises direct materials and where applicable, direct labour costs, those overheads but excluding borrowing cost that have been incurred in bringing the inventories to their present location and condition. Cost is arrived on weighted average cost basis.

Work in Progress is valued at cost or net realizable value whichever is less. Cost comprises direct materials and appropriate portion of direct labour costs, manufacturing overheads but excluding borrowing cost that have been incurred in bringing the inventories to their present location and condition.

**2.10 BORROWING COSTS**

Borrowing Costs that are interest and other costs that the company incurs in connection with the borrowings of funds and is measured with reference to the effective interest rate applicable to the respective borrowing. Borrowing costs include interest cost measured at EIR and exchange difference arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing Costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets, wherever applicable, till the assets are ready for their intended use. Such capitalisation is done only when it is probable that the asset will result in future economic benefits and the costs can be measured reliably. Capitalisation of borrowing cost is suspended and charged to statement when active development is interrupted

Capitalisation of borrowing costs commences when all the following conditions are satisfied:

i. Expenditure for the acquisition, construction or production of a qualifying asset is being incurred;

ii. Borrowing costs are being incurred; and

iii. Activities that are necessary to prepare the asset for its intended use are in progress.

A qualifying asset is one which necessarily takes substantial period to get ready for intended use. All other borrowing costs are charged to revenue account.

**2.11 EMPLOYEE BENEFITS**

a) Short term employee benefit obligations

Liabilities for wages, 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 services 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 to be settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

## Notes forming part of the financial statements

b) Other long term employee benefit obligations

i) Compensated absences

The liabilities for earned leave is not expected to be settled wholly within 12 months after the end of the period in which employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of reporting period using the projected unit credit method. The benefits are discounted using the market yield at the end of reporting period that have terms approximating to the terms of related obligation. Remeasurement as a result of experience adjustments and changes in actuarial assumptions are recognised in the other comprehensive income.

The obligations are presented as current liabilities in the balance sheet if the Company does not have unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

c) Post-employment obligations

The Company operates the following post-employment schemes:

A. Defined benefit plans such as Gratuity

B. Defined contribution plan such as Provident Fund

**Defined Benefit Plans**

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

The present value of the defined benefit obligations 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 expenses 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. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

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

**Defined Contribution Plans**

The Company pays provident fund contributions to publicly administered funds as per the local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expenses when they are due.

**2.12 ACCOUNTING FOR TAXES ON INCOME**

**a) Income Taxes**

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 for each jurisdiction adjusted by changes in Deferred Tax Assets and Liabilities attributable to temporary differences and to unused tax losses.

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 i.e. as per the provisions of the Income Tax Act, 1961, as amended from time to time. 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.

## Notes forming part of the financial statements

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on the rates and tax laws enacted or substantively enacted, at the reporting date in the country where the Company operates and generates taxable income. Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Current tax assets and liabilities are offset only if, the Company :

i) has legally enofrceable right to set off the reocgnised amounts; and

ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaenously.

**b) Deffered Taxes**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purpose

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences only if it is probable that future taxable profits will be available against which they can be used. Accordingly, in the absence of certainty of sufficient future taxable income, net deferred tax asset has not been recognised . Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised; such reductions are reversed when the probability of future taxable profits improves

Unrecognised deferred tax assets are reassessed at each reporting date and recgonised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

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 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.

Current and Deferred Tax is recognised in the 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.

Any tax credit including MAT credit available is recognised as Deferred Tax to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. The said asset is created by way of credit to the Statement of Profit and Loss and shown under the head deferred tax asset

The carrying amount of Deferred Tax Assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the Deferred Tax Asset to be utilised. Unrecognised Deferred Tax Assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only if, the Company :

i) has legally enofrceable right to set off the reocgnised amounts; and

ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

**2.13 PROVISIONS AND CONTINGENT LIABILITIES**

**a) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating

## Notes forming part of the financial statements

to a provision is presented in the Statement of Profit and Loss net of any reimbursement. Provisions are not recognised for future operating losses.

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. The discount rate used to determine the present value 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.

**b) Contingent Liability**

Contingent liabilities are not provided for and if material, are disclosed by way of notes to accounts. Contingent Liability is disclosed in the case of:

i. A present obligation arising from the past events, when it is not probable that an outflow of resources will be required to settle the obligation;

ii. A present obligation arising from the past events, when no reliable estimate is possible;

iii. A possible obligation arising from the past events, unless the probability of outflow of resources is remote.

**2.14 EARNING PER SHARE**

**Basic Earnings Per Share**

Basic Earnings Per Share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the company's earnings per share is the net profit for the period after deducting preference dividends, if any, and any attributable distribution tax thereto for the period.

**2.15 CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents comprise cash and deposits with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known of cash to be cash equivalents.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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 changes in value.

**2.16 STATEMENT OF CASH FLOWS**

Cash Flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing Cash Flows. The cash flows from operating, investing and financing activities of the Company are segregated.

Cash and cash equivalents for the purpose of Cash Flow Statement comprise cash and cheques in hand, bank balances, demand deposits with banks where the original maturity is three months or less and other short term highly liquid investments net of bank overdrafts which are repayable on demand as these form an integral part of the Company's cash management.

**2.17 DIVIDEND**

The Company recognises a liability for dividends to equity holders of the Company when the dividend is authorised and the dividend is no longer at the discretion of the Company. As per the corporate laws in India, a dividend is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**2.18 ROUNDING OFF**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs, unless otherwise stated.

## Notes forming part of the financial statements

**2.19 EVENTS OCCURING AFTER THE REPORTING DATE**

Adjusting events (that provides evidence of condition that existed at the balance sheet date) occurring after the balance sheet date are recognized in the financial statements. Material non adjusting events (that are inductive of conditions that arose subsequent to the balance sheet date) occurring after the balance sheet date that represents material change and commitment affecting the financial position are disclosed in the Directors' Report.

**2.20 EXCEPTIONAL ITEMS**

Certain occasions, the size, type or incidence of an item of income or expense, pertaining to the ordinary activities of the Company is such that its disclosure improves the understanding of the performance of the Company, such income or expense is classified as an exceptional item and accordingly, disclosed in the notes accompanying to the financial statements.

**2.21 OPERATING CYCLE**

All assets and liabilities have been classified as current or non-current as per each Company's normal operating cycle and other criteria set out in the Schedule III to the Act

**2.22 SEGMENT REPORTING**

The company has single business segment viz. Manufacturing & Trading of Stainless Steel & Allied Products, therefore in the context of Ind AS 108 disclosure of segment is not applicable.

**2.23 LEASES**

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

To assess whether a contract conveys the right to control the use of an identified asset, company assesses whether the contract involves the use of an identified asset. Use may be specified explicitly or implicitly.

- Use should be physically distinct or represent substantially all of the capacity of a physically distinct asset.
- If the supplier has a substantive substitution right, then the asset is not identified.
- Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use
- Company has the right to direct the use of the asset.
- In cases where the usage of the asset is predetermined the right to direct the use of the asset is determined when the company has the right to use the asset or the company designed the asset in a way that predetermines how and for what purpose it will be used.
- At the commencement or modification of a contract, that contains a lease component, company allocates the consideration in the contract, to each lease component, on the basis of its relative standalone prices. For leases of property, it is elected not to separate nonlease components and account for the lease and non-lease components as a single lease component.

**a) Company as a Lessee**

Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

**Right-of-use asset (ROU):**

The right-of-use asset is initially measured at cost. Cost comprises of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee, an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received

Right-of-use asset is depreciated using straightline method from the commencement date to the end of the lease term. If the lease transfers the ownership of the underlying asset to the company at the end of the lease term or the cost of the right-of-use asset reflects company will exercise the purchase option, ROU will be depreciated over the useful life of the underlying asset, which is determined based on the same basis as property, plant and equipment.

## Notes forming part of the financial statements

**Lease liability:**

Lease liability is initially measured at the present value of lease payments that are not paid at the commencement date. Discounting is done using the implicit interest rate in the lease, if that rate cannot be readily determined, then using company's incremental borrowing rate. Incremental borrowing rate is determined based on entity's borrowing rate adjusted for terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprises of fixed payments (including in substance fixed payments), variable lease payments that depends on an index or a rate, initially measured using the index or rate at the commencement date, amount expected to be payable under a residual value guarantee, the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

Lease liability is measured at amortised cost using the effective interest method. Lease liability is re-measured when there is a change in the lease term, a change in its assessment of whether it will exercise a purchase, extension or termination option or a revised in-substance fixed lease payment, a change in the amounts expected to be payable under a residual value guarantee and a change in future lease payments arising from change in an index or rate.

When the lease liability is re-measured corresponding adjustment is made to the carrying amount of the rightof- use asset. If the carrying amount of the right-of-use asset has been reduced to zero it will be recorded in statement of profit and loss.

Company has elected not to recognise right-of-use assets and lease liabilities for short term leases. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

**b) Company as a Lessor**

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the Company's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue.

Leases are classified as Finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

**2.24 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

## Notes forming part of the financial statements

**NOTE 4 : FINANCIAL ASSETS - INVESTMENTS (NON - CURRENT)** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | | As at March 31, 2019 | |
|---|---|---|---|---|
| | No. of Shares | Amt Rs. | No. of Shares | Amt Rs. |
| **Investment in Equity Instruments** | | | | |
| **Others (Unquoted At Cost)** | | | | |
| Sai Wradha Power Ltd. | 21,22,764 | 212.28 | 21,22,764 | 212.28 |
| DNSB. | 5,330 | 0.53 | 5,330 | 0.53 |
| Indinox Steels Private Limited (Subsidiary) | 50,000 | 5.00 | 50,000 | 1.00 |
| **TOTAL** | | **217.81** | | **213.81** |
| **Aggregate Amount of Quoted Investment & Maket Value thereof** | | - | | - |
| **Aggregate amount of Unqouted Investments** | | **217.81** | | **212.81** |
| **Aggregate amount of impairment in value of Investments** | | - | | - |

**NOTE 5: FINANCIAL ASSETS - OTHERS (NON-CURRENT)** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Insurance Claim Receivable | 1,120.27 | 1,120.27 |
| **TOTAL** | **1,120.27** | **1,120.27** |

The company had filed insurance claim for Rs.77.24 cr for incidence in 2008. The surveyor assessed the claim at Rs.43.78 cr.

The company has received 24.97 cr. from Insurance Company. The company has filed petition in NCDRC for the balance claim of Rs. 18.81 cr and applicable interest from 2008 onwards. As a matter of abundant caution the company has provided for 60% of balance principal as assessed by the survyeyor. Appropriate effect would be provided in the books upon final resolution of the claim by NCDRC.

**NOTE 6: NON - CURRENT TAX ASSETS** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| TDS Receivable | 323.94 | 226.53 |
| | **323.94** | **226.53** |

**NOTE 7: OTHER NON-CURRENT ASSETS** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Security Deposits | 342.09 | 342.09 |
| Others | | |
| Balances with Govt. Authorities under litigation | 332.19 | 317.68 |
| Inventory** | | |
| Raw materials (including Consumables/Stores/Tools ) | 3,400.65 | 1,871.54 |
| Work-in-progress | 14,704.83 | 8,339.70 |
| Finished goods | 31.38 | 31.38 |
| Stock in Trade | 754.57 | 754.57 |
| Stores and Spares | 415.65 | 386.29 |
| Advance to Suppliers / Expenses | 565.88 | 504.96 |
| Export Incentive Receivable | 1.75 | 1.75 |
| **TOTAL** | **20,548.98** | **12,549.95** |

** Non and slow moving inventory as per the management policy at cost.

## Notes forming part of the financial statements

**NOTE 8: INVENTORIES** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **At Lower of Cost or Net Realisable Value** | | |
| Raw Materials | 1,786.74 | 2,550.89 |
| Raw Materials - Goods in Transit | 84.12 | 12.65 |
| Work in Process | 3,304.88 | 9,737.84 |
| Finished Goods | 927.10 | 1,961.02 |
| Stock in Trade (Trading) | 49.72 | 54.24 |
| Stores and Spares | 394.39 | 782.15 |
| **TOTAL** | **6,546.95** | **15,098.79** |

**NOTE 9: FINANCIAL ASSETS - TRADE RECEIVABLES** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Trade Receivables** | | |
| Unsecured - Considered Good | 3,554.44 | 3,799.84 |
| Unsecured Considered for Doubtful | 1,678.83 | 1,226.24 |
| | 5,233.27 | 5,026.08 |
| Less :- Allowance for unsecured doubtful debts | -1,678.83 | -1,226.24 |
| **TOTAL** | **3,554.44** | **3,799.84** |



**Notes :-**

i. The Company has called for balance confirmation of Trade Receivables on random basis. Out of which the Company has received response from some of the parties, which are subject to reconciliation with Company's account. The other balances of Trade Receivables are subject to confirmation

ii. Refer Note No.40 for Related party balances.

iii. Refer Note No.37 for information about impairment, credit risk and market risk of trade receivables.

iv. There are no outstanding dues from directors or other officers of the Company.

**NOTE 10: FINANCIAL ASSETS - CASH & CASH EQUIVALENTS** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Balances with Banks in Current Accounts | 20.66 | 27.05 |
| Cash on Hand | 25.50 | 39.49 |
| **TOTAL** | **46.15** | **66.54** |

**NOTE 11: FINANCIAL ASSETS - BANK BALANCES OTHER THAN CASH & CASH EQUIVALENTS** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Fixed Deposits due to mature within 12 months of reporting date* | 29.02 | 34.92 |
| Margin Money for Letter of Credit | 106.78 | 132.51 |
| **TOTAL** | **135.80** | **167.42** |

**Notes :** Fixed Deposit of Rs. 29.02 lakhs as at 31st March 2020 (Previous Year as at 31st March 2019 Rs. 29.02 lakhs have been earmarked by bank against guarantee issued for MPCB.

## Notes forming part of the financial statements

**NOTE 12: FINANCIAL ASSETS - LOANS (CURRENT ASSETS)** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Unsecured, considered good | | |
| Deposit | 47.97 | 41.93 |
| Loans to Employees | 104.02 | 190.87 |
| **TOTAL** | **151.98** | **232.81** |

**NOTE 13: FINANCIAL ASSETS - OTHERS (CURRENT)** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Interest Receivable | 23.52 | 76.23 |
| Security Deposits | 250.26 | 197.58 |
| Claims Receivable from Suppliers | - | 99.67 |
| Insurance Claim Receivable** | 527.23 | 100.18 |
| **TOTAL** | **801.00** | **473.66** |

**The company had filed insurance claim for Rs.527.04 lacs for fire during the year. The company has received Rs.100.00 lacs from Insurance Company. The loss due to fire, if any, shall be accounted , only after consideration and finalisation of our claim by the Insurance company.

**NOTE 14: OTHER CURRENT ASSETS** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Capital Advances | 87.04 | 106.32 |
| Advances other than capital advances | | |
| Advance to Employees | 21.72 | 26.10 |
| Advance to Suppliers / Expenses | 156.74 | 206.15 |
| Others | | |
| Prepaid expenses | 24.14 | 47.05 |
| Balances with Excisem,VAT and GST Authorities | 7.89 | 102.01 |
| FMS / FPS / MEIS Licence | 0.07 | 0.07 |
| Job Work Charges Accrued on FG | 12.70 | 11.94 |
| TDS Receivable from NBFC | 1.18 | 0.88 |
| **TOTAL** | **311.47** | **500.52** |

**NOTE 15: EQUITY SHARE CAPITAL** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Authorised** | | |
| Equity shares of Re 1/- each with voting rights | 4,200.00 | 4,200.00 |
| **TOTAL AUTHORIZED SHARE CAPITAL** | **4,200.00** | **4,200.00** |
| **Issued, Subscribed & Paid Up** | | |
| Equity shares of Re 1/- each with voting rights | 3,980.81 | 3,980.81 |
| **TOTAL ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL** | **3,980.81** | **3,980.81** |

## Notes forming part of the financial statements

**a) Reconciliation of the number of shares outstanding :**

| Particulars | As at March 31, 2020 | | As at March 31, 2019 | |
|---|---|---|---|---|
| | No. of Shares | Amount (Lakhs) | No. of Shares | Amount (Lakhs) |
| Shares at the beginning | 39,80,80,925 | 3,980.81 | 39,80,80,925 | 3,980.81 |
| Add: Shares Issued | - | - | - | - |
| Less: Shares Forfeited / buyback | - | - | - | - |
| **Shares at the end** | **39,80,80,925** | **3,980.81** | **39,80,80,925** | **3,980.81** |

**b) Rights, Preferences and restrictions attached to shares**

The company has one class of equity shares having a par value Re 1/- per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholding

**c) Details of Shareholders holding more than 5% equity shares**

| Name of the Shareholder | As at March 31, 2020 | | As at March 31, 2019 | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Equity shares with voting rights :- | | | | |
| Indiasteel International P.Ltd. | 4,56,34,150 | 11.46% | 4,56,34,150 | 11.46% |
| TB Investments Ltd. | 2,70,00,000 | 6.78% | 2,70,00,000 | 6.78% |
| Metal Industrial Pte Ltd (Formerly known as "UD Industrial Holding Pte Ltd.") | 9,04,58,196 | 22.72% | 9,04,58,196 | 22.72% |
| Khamgaon Land Development and Trading Co.Pvt.Ltd. | 4,36,50,000 | 10.97% | 4,36,50,000 | 10.97% |
| Yeotmal Land Development and Trading Co.Pvt.Ltd. | 4,36,50,000 | 10.97% | 4,36,50,000 | 10.97% |
| **TOTAL** | **25,03,92,346** | **62.90%** | **25,03,92,346** | **62.90%** |

**NOTE 16: FINANCIAL LIABILITIES (LONG TERM BORROWINGS)** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **SECURED :** | | |
| Term Loans | | |
| Financial Institutions | 24.96 | 52.61 |
| Banks | - | - |
| | 24.96 | 52.61 |
| **UNSECURED :** | | |
| Loans from Others | - | 450.76 |
| Loans from Related Party | 1,943.49 | - |
| Preference Shares (Refer Note B(2) ) | 4,863.94 | 4,615.50 |
| | 6,807.43 | 5,066.27 |
| **TOTAL** | **6,832.39** | **5,118.87** |

**Notes :-**

**A Term Loans :**

1 Loans from Kotak Mahindra Prime Ltd. @9.75% p.a. interest are secured against hypothecation of motor vehicles. These loans are repayable in 48 equated monthly months installment of Rs.0.24 lakhs.

## Notes forming part of the financial statements

2 Loans from Yes Bank @8.50% p.a. interest are secured against hypothecation of motor vehicles. These loans are repayable in 36 equated monthly months installment of Rs.0.41 lakhs.

3 Loans from Sundaram Finance Ltd. @7.10% p.a. interest are secured against hypothecation of komatsu hydraulic excavator machine. These loans are repayable in 36 equated monthly months installment of Rs.0.82 lakhs.

4 The Reserve Bank of India vide its Circular No DOR.No.BP.BC. 47/21.04.048/2019-20 dated March 27, 2020 provided moratorium to the borrowers in payment of principal and interest in respect of all term loan and working capital facilities during the period from March 1, 2020 upto May 31, 2020 ("deferment"). Subsequently, The Reserve Bank of India vide its Circular No DOR.No.BP. BC.71/21.04.048/2019-20 dated May 23, 2020, extended the moratorium for another period of 3 months i.e., from June 1, 2020 to August 31, 2020.

Amid lockdown the Company has also been impacted from pandemic and accordingly availed the benefit of the moratorium in terms of aforesaid RBI circulars. Accordingly, the repayment schedule and all subsequent due dates, as also the tenor for term loans, has been shifted across the board by six months.

**B Unsecured :**

1 Loan from related parties interest are @ 12.00% p.a. and terms of repayment not predtermined.

2 Company is unable to redeem the preference shares on the maturity date due to non-availability of free reserves as required by section 55 of Companies Act, 2013. Management is in negotiation with the preference shareholders for restructuting the financial liability of redemption of preference shares and accordingly it is considered as non-current liability

**C Preference Shares :**

**a) Details of Preference Shares**

| Particulars | No of Shares | Amount (Lakhs) | No of Shares | Amount (Lakhs) |
|---|---|---|---|---|
| (a) Authorised | | | | |
| Preference shares of Re 10/- each without voting rights | 6,45,00,000 | 6,450.00 | 6,45,00,000 | 6,450.00 |
| (b) Issued, Subscribed and fully paid up | | | | |
| 14% Cumulative Reedemable Preference shares of Re 10/- each without voting rights | 20,00,000 | 200.00 | 20,00,000 | 200.00 |
| 0.01% Cumulative Reedemable Preference shares of Rs.10/- each without voting rights | 5,36,71,310 | 3,862.46 | 5,36,71,310 | 3,625.04 |
| 0.01% Cumulative Reedemable Preference shares (Option Series) of Re 10/- each without voting rights | 85,14,574 | 801.48 | 85,14,574 | 790.46 |
| **TOTAL** | **6,41,85,884** | **4,863.94** | **6,41,85,884** | **4,615.50** |

**b) Terms of Issue of Preference Shares**

i) 14% Cumulative Reedemable Shares are reedemable in the year 2018.

ii) 0.01% Cumulative Reedemable Shares are reedemable 25% in the year 2017, 25% in the year 2018, & 50% in the year 2019.

iii) 0.01% Cumulative Reedemable Shares ( Option Series) are reedemable 25% in the year 2017, 25% in the year 2018, & 50% in the year 2019.

iv) The company is in the negotiations with the preference shareholders for revised terms of redemption.

v) Subject to the approval of shareholders at the Annual General Meeting, board of directors have recommended dividend of 0.01%.

## Notes forming part of the financial statements

**c) Details of preference shareholder holding more than 5% shares:**

| Class of shares / Name of shareholder | As at 31 March, 2020 | | As at 31 March, 2019 | |
|---|---|---|---|---|
| | Number of shares held | % holding in that class of shares | Number of shares held | % holding in that class of shares |
| **Preference shares without voting rights** | | | | |
| IDBI Ltd. | 3,75,47,800 | 58.50% | 3,75,47,800 | 58.50% |
| Punjab & Sind Bank | 1,21,38,000 | 18.91% | 1,21,38,000 | 18.91% |
| Oriental Bank of Commerce | 56,98,413 | 8.88% | 56,98,413 | 8.88% |
| **TOTAL** | **5,53,84,213** | **86.29%** | **5,53,84,213** | **86.29%** |

**NOTE 17: FINANCIAL LIABILITIES - OTHERS (NON-CURRENT)** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Others | | |
| Long term creditors** | 19,473.35 | 10,070.80 |
| Interest accrued and not due on borrowings | 630.05 | 759.38 |
| **TOTAL** | **20,103.40** | **10,830.18** |

****Effect of settlement deed/ addendum to the seettlement deed with a credition resulting into reduction of liability is accounted for on proportionate basis and the same is considered as other income to the extent of Rs. 9.23 Crores upto 31st March 2020. Considering the current Global Pandemic situation, negotitions are going on with the said creditor for a longer repayment schedule starting after 12 months hence the liabilty has been reclassified as "other non current financial liability" as per the Management Policy.**



**NOTE 18: PROVISIONS (NON-CURRENT)** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Provision for Employee Benefits** | | |
| Gratuity | 116.61 | 102.81 |
| Compensated absences | 31.47 | 32.34 |
| **TOTAL** | **148.08** | **135.16** |

**NOTE 19: FINANCIAL LIABILITIES - SHORT TERM BORROWINGS** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **SECURED :** | | |
| Loans repayable on demand | | |
| From banks (Refer Note below) | 2,364.39 | 2,628.70 |
| | 2,364.39 | 2,628.70 |
| **UNSECURED :** | | |
| Preference Shares | 1,554.65 | 1,554.65 |
| | 1,554.65 | 1,554.65 |
| **TOTAL** | **3,919.04** | **4,183.35** |

**Notes:** Kotak Mahindra Bank Ltd & DNS Bank Ltd. has sanctioned Cash Credit facilities against the security by way of first pari passu charge on the fixed assets of the company, hypothication of stock and book debts of the company and personal guarantees of some of the promoter directors of the Company.

## Notes forming part of the financial statements

**NOTE 20: FINANCIAL LIABILITIES - TRADE PAYABLES** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Due to Micro, Small and Medium Enterprises | - | - |
| Due to Others (Refer Notes Below) | 9,882.17 | 21,101.16 |
| **TOTAL** | **9,882.17** | **21,101.16** |

**Notes :-**

i. Based on the information in possession with the Company, no supplier has been identified as being covered under Micro, Small and Medium Enterprise Development Act, 2006 ("the Act"). Accordingly, no amount of dues outstanding as at 31st March 2020 have been identified as relating to Micro and Small Enterprises referred to in the said Act.

ii. The Company has called for balance confirmation of Trade Payables on random basis. Out of which the Company has received response from some of the parties, which are subject to reconciliation. The other balances of Trade Payables are also subject to confirmation.

iii. Trade Payables includes amount due to Related Parties Rs. 7,129.19 lakhs as at 31st March 2020 (Previous Year as at 31st March 2019 Rs.4,868.58 lakhs)

**NOTE 21: FINANCIAL LIABILITIES - OTHERS (CURRENT)** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Interest accrued** | 55.38 | - |
| Others | | |
| Capital Creditors | 205.25 | 201.80 |
| Employee Benefits payables | 378.70 | 121.30 |
| **TOTAL** | **639.33** | **323.10** |

**Payble to Related Parties.

**NOTE 22: OTHER CURRENT LIABILITIES** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Advance from Customer | 53.92 | 72.50 |
| Cheque Issued but not cleared | 114.84 | - |
| Statutory Liabilities | 150.86 | 25.36 |
| **TOTAL** | **319.63** | **97.85** |

**NOTE 23: PROVISIONS (CURRENT)** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Provision for Employee Benefits** | | |
| Bonus | 37.17 | 29.24 |
| Compensated absences | 18.11 | 17.07 |
| Gratuity | 44.76 | 37.56 |
| | 100.04 | 83.86 |
| **Others Provision** | | |
| Others | 269.91 | 123.49 |
| | 269.91 | 123.49 |
| **TOTAL** | **369.95** | **207.35** |

## Notes forming part of the financial statements

**NOTE 24: REVENUE FROM OPERATIONS** **(Rs. in lakhs)**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Sale of Products | 8,281.19 | 48,181.05 |
| Sale of Services | 5,648.49 | 4,943.47 |
| Other Operating Income | 24.08 | 54.89 |
| **TOTAL** | **13,953.76** | **53,179.42** |

**Ind AS 115 Revenue from Contracts with Customers :-**

The Company recognises revenue when control over the promised goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company has assessed that impact of COVID 19 on its revenue stream due to disruption in supply chain, drop in demand, termination or deferment of contracts by customers etc. and have recognised revenue only when the control over the goods or services is transferred to the customer.

The Company sales to customers was affected in the last week of March 2020 as measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses in India, resulting in an economic slowdown.

**Assets and Liabilities related to contract with customers :-** **(Rs. in lakhs)**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Contract Assets - Trade Receivable | 3,554.44 | 3,799.84 |
| Contract Liabilites - Advance from Customers | 53.92 | 72.50 |

**NOTE 25: OTHER INCOME** **(Rs. in lakhs)**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Interest Income | 46.30 | 78.38 |
| Dividend Income | 0.06 | 3.87 |
| Gain on Sale of Investment / Assets | - | 24.34 |
| Unclaimed liabilities written back | 3,663.92 | 2,471.04 |
| **TOTAL** | **3,710.29** | **2,577.64** |

**NOTE 26: COST OF MATERIALS CONSUMED** **(Rs. in lakhs)**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Raw Material Stores / Spares / Material Consumed | 6,225.50 | 40,592.89 |
| Less:- Insurance Claim | -405.84 | - |
| **TOTAL** | **5,819.67** | **40,592.89** |

**NOTE 27: PURCHASE OF TRADED GOODS**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Purchase of Traded Goods | 2,957.30 | 4,540.48 |
| **TOTAL** | **2,957.30** | **4,540.48** |

## Notes forming part of the financial statements

**NOTE 28: CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK IN TRADE** **(Rs. in lakhs)**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| **Opening Stocks :** | | |
| Finished Goods | 1,992.40 | 2,946.48 |
| Work in Progress | 18,077.54 | 15,397.58 |
| Stock In Trade | 808.81 | 754.57 |
| **Less : Closing Stocks :** | | |
| Finished Goods | 958.47 | 1,992.40 |
| Work in Progress | 18,009.71 | 18,077.54 |
| Stock In Trade | 804.29 | 808.81 |
| **NET CHANGE IN INVENTORIES** | **1,106.27** | **-1,780.12** |

**NOTE 29: EMPLOYEE BENEFIT EXPENSES** **(Rs. in lakhs)**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Salaries, Wages and Bonus | 1,319.81 | 1,609.56 |
| Directors Remuneration | 91.39 | 235.71 |
| Contribution to Provident and Other Funds | 35.65 | 54.49 |
| Gratuity Expenses | 21.10 | 21.47 |
| Leave Encashment Expenses | 41.64 | 18.40 |
| Staff Welfare Expenses | 102.74 | 92.22 |
| Less:- Insurance Claim | -16.72 | - |
| **TOTAL** | **1,595.61** | **2,031.84** |

**NOTE 30: FINANCE COST** **(Rs. in lakhs)**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Interest Expense | | |
| On Borrowings | 832.02 | 971.11 |
| Others (Including Interest on delay / deferred payment) | 27.49 | 13.86 |
| Dividend on redeemable preference shares | 1.58 | 198.67 |
| Bank and other finance charges | 103.18 | 146.59 |
| **TOTAL** | **964.27** | **1,330.22** |

## Notes forming part of the financial statements

**NOTE 31: OTHER EXPENSES** **(Rs. in lakhs)**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Power, Fuel and Utilities | 3,658.98 | 5,808.36 |
| Processing Charges | 561.40 | 793.81 |
| Hire Charges | 1.32 | 10.26 |
| Water | 9.77 | 12.83 |
| Repairs to Building | 30.84 | 21.88 |
| Repairs to Plant and Machinery | 40.57 | 38.56 |
| Other Repairs | 4.67 | 7.65 |
| Packing Materials | 27.86 | 53.96 |
| Commission & Brokerage | 9.23 | 17.94 |
| Exhibition Expenses | 21.77 | 83.99 |
| Sales Promotion | 4.91 | 18.85 |
| Other Selling Expenses | 0.58 | 0.12 |
| Outward Freight Charges | 20.10 | 280.96 |
| Bad Debts Written off net of provisions | 452.59 | 42.27 |
| Impairment of other financial asset | 55.90 | - |
| Travelling and Conveyance | 116.02 | 166.79 |
| Communication Expenses | 10.07 | 17.39 |
| Insurance | 48.09 | 46.83 |
| Rates and Taxes | 183.01 | 190.64 |
| Legal and Professional Fees | 141.13 | 166.82 |
| Printing & Stationery | 6.05 | 15.59 |
| Service Charges | 2.93 | 6.01 |
| Directors Sitting Fees | 1.69 | 1.44 |
| Motor Vehicle Expenses | 48.63 | 70.32 |
| Loss on Sale of Fixed Assets | 6.05 | - |
| CSR Expenses | 0.16 | 6.83 |
| Payment to Auditors | | |
| - Audit Fees | 8.00 | 8.00 |
| Foreign Exchange Fluctuation (Net) | 610.65 | 349.33 |
| Miscellaneous Expenses | 149.16 | 254.44 |
| Less:- Insurance Claim | -104.49 | |
| **TOTAL** | **6,127.61** | **8,491.87** |

## Notes forming part of the financial statements

**NOTE 32: CONTINGENT LIABILITIES AND COMMITMENTS AND ASSETS**

**A. CONTINGENT LIABILITIES**

**Claims against the company not acknowledged as debts** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Claims against the company/disputed liabilities but not acknowledged as debts | 2,661.44 | 2,315.92 |
| Excise/Customs Matters decided in the companies favour in earlier years, in respect of which show cause notices have been received & contested | 1,038.31 | 1,038.31 |
| Sales Tax matters - Disputed | 160.11 | 160.11 |
| Property Tax Disputed | 402.19 | 302.90 |
| Bank Guarantee | 1.40 | 1.40 |
| Letter of Credit | 976.43 | 964.41 |
| Settlement of Suppliers | 923.00 | - |
| Material Claim | 217.48 | 217.48 |

**Notes :-**

(i) It is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above pending resolution of the respective proceedings as it is determinable only on receipt of judgments/decisions pending with various forums/authorities

(ii) The Company does not expect any reimbursements in respect of the above contingent liabilities

(iii) Most of the issues of litigation pertaining to Central Excise/Sales Tax/Customs are based on interpretation of the respective Law & Rules thereunder. Management has been opined by its counsel that many of the issues raised by revenue will not be sustainable in law as they are covered by judgments of respective judicial authorities which supports its contention.

**B. COMMITMENTS** **(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account & not provided for** | 5.00 | - |
| **Net Capital Commitments** | **5.00** | **-** |

**** As certified by Management.**

## Notes forming part of the financial statements

**NOTE 33: CORPORATE SOCIAL RESPONSIBILITY** **(Rs. in lakhs)**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Amount required to be spent as per Section 135 of the Companies Act, 2013 | - | 6.83 |
| Amount spent during the year on: | | |
| Construction / Acquistion of any Asset | | |
| On purposes other than (1) above | 0.16 | 6.83 |
| **Total Paid** | **0.16** | **6.83** |
| **Gross Total** | **0.16** | **6.83** |

**NOTE 34: EXCEPTIONAL ITEMS** **(Rs. in lakhs)**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Insurance Claim written off | - | - |
| | - | |

**NOTE 35: EARNINGS PER SHARE** **(Rs. in lakhs)**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Profit for the year as per Statement of Profit & Loss | (1,967.70) | (537.98) |
| Weighted Average No. of Equity Shares for of Face Value ₹ 10 each | 39,80,80,925 | 39,80,80,925 |
| **Earnings Per Share - Basic** | **(0.49)** | **(0.14)** |

**NOTE 36: CAPITAL MANAGEMENT**

The Company's objective for Capital Management is to maximise shareholder value, safeguard business continuity, and support the growth of the Company. Capital includes, Equity Capital, Securities Premium and other reserves and surplus attributable to the equity shareholders of the Company. The Company determines the capital requirement based on annual operating plans and long term and strategic investment and capital expenditure plans. The funding requirements are met through a mix of equity, operating cash flows generated and debt. The operating management, supervised by the Board of Directors of the Company regularly monitors its key gearing ratios and other financials parameters and takes corrective actions wherever necessary. The relevant quantitative information on the aforesaid parameters are disclosed in these financial statements.

**NOTE 37: FINANCIAL RISK MANAGEMENT AND POLICIES**

The Company's financial risk management is an integral part of how to plan and execute its business strategies. The Company's financial risk management policy is set by the managing board. The details of different types of risk and management policy to address these risks are listed below:

**(a) Market Risk:-**

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including investments and deposits , foreign currency receivables, payables and loans and borrowings. The objective of market risk management is to avoid excessive expsoure in our foreign currency revenues and costs

## Notes forming part of the financial statements

**(a) (i) Market Risk - Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates primarily to the Company's borrowings, both short term and long term obligations with floating interest rates.

The company is also exposed to interest rate risk on its financial assets that include fixed deposits (which are part of cash and cash equivalents) since all these are generally for short durations, there is no significant interest rate risks pertaining to these deposits

**Exposure to interest rate risk** **(Rs. in lakhs)**

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Total interest bearing financial liabilities | 8,807.94 | 8,851.46 |
| Less : Cash and Cash Equivalents | 46.15 | 66.54 |
| **Adjusted Net Debt** | 8,761.79 | 8,784.92 |
| Total Equity | 15,453.02 | 17,410.60 |
| **Adjusted Equity** | 15,453.02 | 17,410.60 |
| Adjusted Net Debt to adjusted Equity Ratio | **0.57** | **0.50** |

**(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Fixed-rate instruments** | | |
| Financial Liabilities - Borrowings | 6,832.39 | 5,118.87 |
| | 6,832.39 | 5,118.87 |
| **Total** | **6,832.39** | **5,118.87** |

**Sensitivity analysis to interest rate risk**

The company doesn't account for any fixed rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

**(a) (ii) Market Risk - Price Risk**

The Company has no surplus for investment in debt mutual funds, deposits etc. The Company does make deposit with the banks to provide security against gurantee issued by bank to companys trade payables. Deposit is made in fixed rate instrument. In view of this it is not susceptible to market price risk, arising from changes in interest rates or market yields which may impact the return and value of the investments.

**(a) (iii) Market Risk - Currency Risk**

The fluctuation in foreign currency exchange rates may have a potential impact on the statement of profit and loss and equity, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the Company. The company is exposed to currency risk on account of its trade payables in foreign currency. The functional currency of the company is Indian Rupees. The Company follows a natural hedge driven currency risk mitigation policy to the extent possible

## Notes forming part of the financial statements

**Exposure to Currency risk**

The summary quantitative data about the Company's exposure to currency risk are reported to management of the company are as follows:

***Foreign Currency in lakhs***

| Particulars | Foreign Currency | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|---|
| **Financial Assets** | | | |
| Trade and other receivables | USD | 47.86 | 47.96 |
| **Financial Liabilities** | | | |
| Trade and other payables | USD | 160.43 | 180.95 |
| | EURO | 27.20 | 27.44 |

**Sensitivity analysis to currency risk** **(Rs. in lakhs)**

| Foreign Currency | As at March 31, 2020 | | As at March 31, 2019 | |
|---|---|---|---|---|
| | 3% increase | 3% Decrease | 3% increase | 3% Decrease |
| USD | -254.53 | 254.53 | -275.97 | 275.97 |
| EURO | -67.80 | 67.80 | -63.97 | 63.97 |
| **Total** | **-322.32** | **-355.43** | **-339.95** | **339.95** |

**(b) Credit Risk**

Credit Risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of Financial Assets represents the maximum credit exposure

**Trade Receivables**

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, industry information, business intelligence and in some cases bank references.

Trade Receivables of the Company are typically unsecured ,except to the extent of the security deposits received from the customers or financial guarantees provided by the market organizers in the business. Credit Risk is managed through credit approvals and periodic monitoring of the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company performs ongoing credit evaluations of its customers' financial condition and monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. The Company has no concentration of Credit Risk as the customer base is geographically distributed in India.

**Expected credit loss for trade receivable:**

The allowance for impairment of Trade receivables is created to the extent and as and when required, based upon the expected collectability of accounts receivables. On account of adoption of Ind AS 109, the Company uses lifetime Expected Credit Loss (ECL) model for assessing the impariment loss. For this purpose, the Company uses a provision matrix to compute the expected credit loss amount for trade receivables. Loss rates are based on actual credit loss experience and past trends. The provision matrix takes into account external and internal credit risk factors and historical experience / current facts available in relation to defaults and delays in collection thereof

The movement of the expected loss provision (allowance for bad and doubtful loans and receivables etc.) made by the company are as under:

## Notes forming part of the financial statements

**(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Opening balance of expected loss provision** | **1,226.24** | **1,183.97** |
| Add : Provisions made (net) | 452.59 | 42.27 |
| Less : Utilisation for impariment / de-recognition | - | - |
| **Closing balance** | **1,678.83** | **1,226.24** |

**Other Financial Assets**

The company maintains its Cash and Cash equivalents and Bank deposits with banks having good reputation, good past track record and high quality credit rating and also reviews their credit-worthiness on an on-going basis.

**Expected credit loss on financial assets other than trade receivable:**

With regards to all financial assets with contractual cash flows other than trade receivable, management believes these to be high quality assets with negligible credit risk. The management believes that the parties from whom these financial assets are recoverable, have strong capacity to meet the obligations and where the risk of default is negligible and accordingly no provision for expected credit loss has been provided on such financial assets. Break up of financial assets other than trade receivables have been disclosed on balance sheet

The Company's maximum exposure to credit risk as at 31st March, 2020 and 31st March, 2020 is the carrying value of each class of financial assets.

**(c) Liquidity Risk**

Liquidity Risk is the risk that the Company will face in meeting its obligation associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach in managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Any short term surplus cash generated, over and above the amount required for working capital and other operational requirements is retained as Cash and Cash Equivalents (to the extent required).

**Exposure to Liquidity Risk**

The following table shows the maturity analysis of the Company's Financial Liabilities based on contractually agreed undiscounted cash flows along with its carrying value as at the Balance Sheet Date

**(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | | As at March 31, 2019 | |
|---|---|---|---|---|
| | Less than 12 months | More than 12 months | Less than 12 months | More than 12 months |
| Long Term Borrowings | - | 8,387.04 | - | 6,673.52 |
| Interest accrued but not due on borrowings | 630.05 | - | 759.38 | - |
| Working Capital Loans from Banks | 2,364.39 | - | 2,628.70 | - |
| Trade Payables | 9,882.17 | - | 21,101.16 | - |
| Other Financial Liabilities | 639.33 | 19,473.35 | 323.10 | 10,070.80 |
| | **13,515.94** | **27,860.39** | **24,812.35** | **16,744.32** |
| | **-** | **-** | **-** | **-** |

**(d) Collateral**

The Company has pledged its Non-Current as well as Current Assets to a consortium of lenders as collateral towards borrowings by the Company. Refer Note No. 16 and Refer Note No. 19 for the detailed terms and conditions of the collaterals pledged.

## Notes forming part of the financial statements

**NOTE 38: FINANCIAL INSTRUMENTS - CLASSIFICATION AND FAIR VALUE MEASUREMENT**

**(a) Classification of Financial Assets and Liabilities**

The carrying value of financial instruments by categories as at March 31, 2020 is as follows:

**(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Financial Assets** | | |
| At amortised Cost | | |
| Investments | 217.81 | 213.81 |
| Loans | 151.98 | 232.81 |
| Trade Receivables | 3,554.44 | 3,799.84 |
| Cash & Cash Equivalents | 46.15 | 66.54 |
| Other Bank Balances | 135.80 | 167.42 |
| Other Financial Assets | 1,921.27 | 1,593.93 |
| **Total Financial Assets** | **6,027.45** | **6,074.34** |
| **Financial Liabilities** | | |
| At amortised Cost | | |
| Borrowings | 10,751.43 | 9,302.22 |
| Trade Payable | 9,882.17 | 21,101.16 |
| Other Financial Liabilities | 20,742.73 | 11,153.28 |
| **Total** | **41,376.33** | **41,556.66** |

Fair valuation of financial assets and liabilities with short term maturities is considered as approximate to respective carrying amount due to the short term maturities of these instruments.

**(b) Fair Value Hierarchy**

Costs of certain unquoted equity instruments has been considered as an appropriate estimate of fair value because of a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

For Assets and Liabilities which are measured at Fair Values as at the Balance Sheet date, the classification of fair value calculations by category is summarized below:

**(Rs. in lakhs)**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Financial Assets** | | |
| Level 2 | | |
| Loans | 57.08 | 54.38 |
| **Total** | **57.08** | **54.38** |
| **Financial Liability** | | |
| Level 2 | | |
| Borrowings | 6,418.59 | 6,420.91 |
| Other Financial Liability | 630.05 | 759.38 |
| **Total** | **7,048.64** | **7,180.30** |

## Notes forming part of the financial statements

**Measurement of Fair Values:**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of loans taken from banks and other parties, and preference shares is estimated by discounting cash flows using rates currently available for debt/instruments with similar terms, credit risks and remaining maturities. Management regularly assessses a range of reasonably possible alternatives for those significant observable inputs and determines their impact on the total fair value
- The fair values of loans given to employees and other parties, and security deposit given is estimated by discounting cash flows using rates currently available for instruments with similar terms, credit risks and remaining maturities. Management regularly assessses a range of reasonably possible alternatives for those significant observable inputs and determines their impact on the total fair value

**Financial Instruments measured at fair value**

| Type | Valuation Technique |
|---|---|
| Loans & Security Deposits given | Discounted Cash Flows : The valuation model considers the present value of expected receipt /payment discounted using appropriate discounting rates |
| Preference Shares | |
| Loans from others | |

**NOTE 39: EMPLOYEE BENEFITS**

**Retirement Benefits**

As per Ind AS 19 the Caompany has recognized "Employees Benefits" ,in the financial statements in respect of Employee Benefits Schemes as per Actuarial Valuation as on 31st March 2020

**(A) Details of defined benefit obligation and plan assets**

**(a) Retiring Gratuity**

**I Components of Employer Expenses** **Rs. In Lakhs**

| Particulars | Gratuity | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Current Service Cost | 12.15 | 15.37 |
| Interest Cost | 8.95 | 6.10 |
| Actuarial (Gain)/Loss | 21.75 | 41.92 |
| Total Expenses/(Gain) recognized in the Profit & Loss Account | **42.84** | **63.39** |

**II Net Asset/ (Liability) recognized in Balance Sheet** **Rs. In Lakhs**

| Particulars | Gratuity | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Present value of Funded Obligation | 161.38 | 140.37 |
| Fair Value of Plan Assets | - | - |
| **Assets/(Liability) recognized in the Balance Sheet** | **-161.38** | **-140.37** |

**III Change in Defined Benefit Obligations (DBO)** **Rs. In Lakhs**

| Particulars | Gratuity | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Opening Balance of Present Value of Obligation | 140.37 | 92.50 |
| Current Service Cost | 12.15 | 15.37 |
| Interest Cost | 8.95 | 6.10 |
| Actuarial (Gain)/Loss | 21.75 | 41.92 |
| Benefit Paid | -21.84 | -15.51 |
| Closing Balance of Present Value of Obligation | **161.38** | **140.37** |

## Notes forming part of the financial statements

**IV Changes in the Fair Value of Plan Assets** **Rs. In Lakhs**

| Particulars | Gratuity | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Opening Balance of Present Value of Obligation | - | - |
| Expected Return on Plan Assets | - | - |
| Actuarial Gain/(Loss) | - | - |
| Contribution by Employer | 21.84 | 15.51 |
| Benefit Paid | -21.84 | -15.51 |
| Fair Value of Plan Assets as at 31st March | - | - |

**V Acturaial Assumption** **Rs. In Lakhs**

| Particulars | Gratuity | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Discount Rate (Per Annum) | 6.22% | 6.91% |
| Expected Rate of Return on Assets Per Annum | 6.00% | 6.00% |
| Attrition Rate | Upto Age 45: 15% | Upto Age 45: 15% |
| | 46 to 50: 10% | 46 to 50: 10% |
| | 51 and above: 5% | 51 and above: 5% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**VI Major Categories of plan assets as a percentage of total plan assets**

Not applicable since the company has Nil Plan assets

**VII Movement in net liability recognized in Balance Sheet** **Rs. In Lakhs**

| Particulars | Gratuity | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Net Opening Liability | 140.37 | 92.50 |
| Employer expenses as above | 21.10 | 21.47 |
| Contribution paid | -21.84 | -15.51 |
| Other Comprehensive Income (OCI) | 21.75 | 41.92 |
| **Closing Net Liability** | **161.38** | **140.37** |

**VIII Gratuity - Sensitivity Analysis** **Rs. In Lakhs**

| Particulars | 31st March 2020 | | 31st March 2019 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Salary Growth Rate (1% movement) | 168.37 | 154.92 | 146.43 | 134.79 |
| Discount Rate (1% movement) | 154.66 | 168.78 | 134.58 | 146.76 |

## Notes forming part of the financial statements

**(b) Compensated Absences**

**I Components of Employer Expenses** Rs. In Lakhs

| Particulars | Compensated Absence (PL) | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Current Service Cost | 31.78 | 14.51 |
| Interest Cost | 3.31 | 2.13 |
| Actuarial (Gain)/Loss | -31.87 | 10.77 |
| **Total Expenses/(Gain) recognized in the Profit & Loss Account** | **3.22** | **27.41** |

**II Net Asset/ (Liability) recognized in Balance Sheet** Rs. In Lakhs

| Particulars | Compensated Absence (PL) | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Present value of Funded Obligation | 49.57 | 49.41 |
| Fair Value of Plan Assets | - | - |
| **Assets/(Liability) recognized in the Balance Sheet** | **-49.57** | **-49.41** |

**III Change in Defined Benefit Obligations (DBO)** Rs. In Lakhs

| Particulars | Compensated Absence (PL) | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Opening Balance of Present Value of Obligation | 49.41 | 37.19 |
| Current Service Cost | 31.78 | 14.51 |
| Interest Cost | 3.31 | 2.13 |
| Actuarial (Gain)/Loss | -31.87 | 10.77 |
| Benefit Paid | -3.05 | -15.19 |
| **Closing Balance of Present Value of Obligation** | **49.57** | **49.41** |

**IV Changes in the Fair Value of Plan Assets** Rs. In Lakhs

| Particulars | Compensated Absence (PL) | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Opening Balance of Present Value of Obligation | - | - |
| Expected Return on Plan Assets | - | - |
| Actuarial Gain/(Loss) | - | - |
| Contribution by Employer | 3.05 | 15.19 |
| Benefit Paid | -3.05 | -15.19 |
| **Fair Value of Plan Assets as at 31st March** | - | - |

**V Acturaial Assumption** Rs. In Lakhs

| Particulars | Compensated Absence (PL) | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Discount Rate (Per Annum) | 6.22% | 6.91% |
| Expected Rate of Return on Assets Per Annum | 6.00% | 6.00% |
| Attrition Rate | Upto Age 45: 15%<br>46 to 50: 10%<br>51 and above: 5% | Upto Age 45: 15%<br>46 to 50: 10%<br>51 and above: 5% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

## Notes forming part of the financial statements

**VI Major Categories of plan assets as a percentage of total plan assets**

Not applicable since the company has Nil Plan assets

**VII Movement in net liability recognized in Balance Sheet** **Rs. In Lakhs**

| Particulars | Compensated Absence (PL) | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Net Opening Liability | 49.41 | 37.19 |
| Employer expenses as above | 35.09 | 16.64 |
| Contribution paid | -3.05 | -15.19 |
| Other Comprehensive Income (OCI) | -31.87 | 10.77 |
| Closing Net Liability | **49.57** | **49.41** |

**VIII Compensated Absence (PL) - Sensitivity Analysis** **Rs. In Lakhs**

| Particulars | 31st March 2020 | | 31st March 2019 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Salary Growth Rate (1% movement) | 51.57 | 47.74 | 51.41 | 47.57 |
| Discount Rate (1% movement) | 47.66 | 51.70 | 47.49 | 51.53 |

**(B) Defined Contribution Plans**

Amount recognised as expenses on account of "Contribution / Provision to and for Provident and other Funds" of Statement of Profit and Loss - 35.65 Lakhs (Previous year 54.49 Lakhs)



**NOTE 40: RELATED PARTY**

**List of related parties**

**A Enterprise in which Key Managerial Personnel and their relatives have signicant Influence :**

01. Isinox Limited
02. ISL Global PTE Ltd.
03. Inoxware P.Ltd.
04. Indiasteel International P.Ltd.
05. Isiworld Steel (I) P.Ltd.
06. Isicom Traders P.Ltd.
07. Isistar Exports P.Ltd.
08. Isimetal (I) P.Ltd.
09. Isisales India Pvt. Ltd.
10. Emgee Homes P.Ltd.
11. Gupta Housing P.Ltd.
12. Yeotmal Land Development & Trading Co.P.Ltd.
13. India Steel Industries
14. Indiasteel International
15. Leap Brandhub India Pvt. Ltd.
16. Leap Institute Pvt Ltd.
17. Level Enterprises LLP

## Notes forming part of the financial statements

**B Key Managerial Personnel :**

**Executive Directors :**

01. Mr.Sudhir H Gupta
02. Mr.Varun S.Gupta
03. Mr.Dipak Gaur

**Independent Directors :**

01. Mr.T R Bajalia
02. Mr.Bimal Desai
03. Mrs.Kavita Joshi
04. Mrs.Riddhi Shah

**Company Secretary :**

01. Mrs.Dipti Vartak (Resign Dt.04.03.2020)
02. Mr.Dilip Maharana (w.e.f 31/07/2020)

**C Subsidiary :**

01. Indinox Steels Private Limited

***(Rs. in lakhs)***

| Particulars | Enterprise in which Key Managerial Personnel and their relatives have signicant Influence | | Key Management Personnel | | Total | Total |
|---|---|---|---|---|---|---|
| | 31st March 2020 | 31st March 2019 | 31st March 2020 | 31st March 2019 | 31st March 2020 | 31st March 2019 |
| **PURCHASE** | | | | | | |
| Purchase of Goods | 4,320.27 | 43,575.06 | - | - | 4,320.27 | 43,575.06 |
| Purchase of Plant & Machinery | 19.46 | 106.12 | - | - | 19.46 | 106.12 |
| **Total** | **4,339.73** | **43,681.18** | **-** | **-** | **4,339.73** | **43,681.18** |
| **SALES** | | | | | | |
| Sale of Goods | 8,750.55 | 27,423.91 | | | 8,750.55 | 27,423.91 |
| Sale of Plant & Machinery | 11.80 | - | | | 11.80 | - |
| **Total** | **8,762.35** | **27,423.91** | **-** | **-** | **8,762.35** | **27,423.91** |
| **LICENCE FEES** | | | | | | |
| Licence Fees Paid | 169.92 | 169.92 | - | - | 169.92 | 169.92 |
| Rent Paid | 5.93 | 5.81 | - | - | 5.93 | 5.81 |
| **Total** | **175.85** | **175.73** | **-** | **-** | **175.85** | **175.73** |
| **LABOUR CHARGES INCOME** | | | | | | |
| Labour Charges Received | 4,775.19 | 5,305.51 | - | - | 4,775.19 | 5,305.51 |
| **Total** | **4,775.19** | **5,305.51** | **-** | **-** | **4,775.19** | **5,305.51** |
| **LABOUR CHARGES EXPENSES** | | | | | - | - |
| Labour Charges Paid | 47.71 | 224.02 | - | - | 47.71 | 224.02 |
| **Total** | **47.71** | **224.02** | **-** | **-** | **47.71** | **224.02** |
| **Other Income** | | | | | - | - |
| Other Income | 28.32 | - | - | - | 28.32 | - |
| **Total** | **28.32** | **-** | **-** | **-** | **28.32** | **-** |

## Notes forming part of the financial statements

| Particulars | Enterprise in which Key Managerial Personnel and their relatives have signicant Influence | | Key Management Personnel | | Total | Total |
|---|---|---|---|---|---|---|
| | 31st March 2020 | 31st March 2019 | 31st March 2020 | 31st March 2019 | 31st March 2020 | 31st March 2019 |
| **INTEREST EXPENSES** | | | | | - | - |
| Interest Expenses | 61.53 | - | - | - | 61.53 | - |
| **Total** | **61.53** | **-** | **-** | **-** | **61.53** | **-** |
| **REMBURSEMENT OF EXPENSES** | | | | | | |
| Staff Salary | 4.27 | 4.18 | - | - | 4.27 | 4.18 |
| **Total** | **4.27** | **4.18** | **-** | **-** | **4.27** | **4.18** |
| **REMUNERATION PAYABLE TO KMP** | | | | | | |
| Mr.Ashwin H. Gupta | | | 5.27 | 52.88 | 5.27 | 52.88 |
| Mr.Sudhir H Gupta | | | 25.84 | 47.60 | 25.84 | 47.60 |
| Mr.Varun S.Gupta | | | 23.20 | 42.32 | 23.20 | 42.32 |
| Mr.Dipak Gaur | | | 37.08 | 71.40 | 37.08 | 71.40 |
| Mrs.Dipti Vartak | | | 11.51 | 13.84 | 11.51 | 13.84 |
| Director Perquisites | | | - | 21.83 | - | 21.83 |
| Director Sitting Fees | | | 1.69 | 1.44 | 1.69 | 1.44 |
| **Total** | **-** | **-** | **104.59** | **251.32** | **104.59** | **251.32** |
| **OUTSTANDING BALANCES** | | | | | | |
| **RECEIVABLES** | | | | | | |
| ISL Global PTE Ltd. | 699.49 | 651.34 | - | - | 699.49 | 651.34 |
| Isisales India Pvt. Ltd. | 420.53 | 420.53 | - | - | 420.53 | 420.53 |
| Leapindia Brandhub Services Pvt Ltd | 2.99 | - | | | | |
| **Total** | **1,123.01** | **1,071.87** | **-** | **-** | **1,120.02** | **1,071.87** |
| **PAYABLES** | | | | | | |
| Inoxware P.Ltd. | 3.68 | 3.68 | - | - | 3.68 | 3.68 |
| Isinox Limited | 7,125.51 | 4,864.90 | - | - | 7,125.51 | 4,864.90 |
| **Total** | **7,129.19** | **4,868.58** | **-** | **-** | **7,129.19** | **4,868.58** |
| **DEPOSITS** | | | | | | |
| India Steel Industries | 46.54 | 40.50 | - | - | 46.54 | 40.50 |
| **Total** | **46.54** | **40.50** | **-** | **-** | **46.54** | **40.50** |
| **LOAN RECEIVED** | | | | | | |
| Isinox Limited | 1,185.49 | - | - | - | 1,185.49 | - |
| Level Enterprises LLP | 758.00 | - | - | - | 758.00 | - |
| **Total** | **1,943.49** | **-** | **-** | **-** | **1,943.49** | **-** |
| **INTEREST PAYABLE** | | | | | | |
| Isinox Limited | 25.79 | - | - | - | 25.79 | - |
| Level Enterprises LLP | 29.59 | - | - | - | 29.59 | - |
| **Total** | **55.38** | **-** | **-** | **-** | **55.38** | **-** |

## Notes forming part of the financial statements

**Notes.**

(a) Related party relationship is idetified by the management and relied upon by the auditors.

(b) Amount in respect of related parties have been made provisions for doubtful debts of Rs.420.53 lakhs.

41 Loans given, Investments made and Corporate Guarantees given u/s 186(4) of the Companies Act, 2013 are disclosed under the respective notes.

| Party | Purpose of loan utilisation | Loan given during the year | Outstanding loan amount |
|---|---|---|---|
| India Steel Industry Deposit | Business Purpose | - | 46.54 |
| Others | Business Purpose | - | 1.43 |
| Loans to Employees | Staff Welfare | - | 104.02 |

42 **Segment Information :**

The company is exclusively in the steel business segment and as such there are no reportable segments as defined by AS-17 on segment reporting, as issued by the Institute of Chartered Accountants of India (ICAI)

43 The company is in process of reconciling the data of GSTR 2A with GSTR 3B in the view of manangment, on final reconcilation the impact will not be material.

44 Covid-19 virus has impacted the entire global economy severely, resulting into many restrictions, including free movement of people, thereby hampering businesses and day to day functioning of the Companies. Consequently, in compliance of the orders of the Government, the company's manufacturing plants and corporate office had to be closed down for some time.

The Company continues to monitor any material changes to future economic/ business conditions and its consequential impact on financial results.

45 **INFORMATION RELATED TO CONSOLIDATED FINANCIAL**

The company is listed on stock exchange in India, the Company has prepared consolidated finanacial as required under IND AS 110, Sections 129 of companies Act, 2013 and listing requirments. The consolidated financial statement is available on company's web site for public use.

46 Figures in brackets indicate previous year's figures.

| | |
|---|---|
| **CORPORATE INFORMATION** | **1** |
| **SIGNIFICANT ACCOUNTING POLICIES** | **2** |
| **NOTES FORMING PART OF THE FINANCIAL STATEMENTS** | **3-46** |

**As per Our Report of Even Date Attached**
**For Laxmikant Kabra & Company**
**Chartered Accountants**
**Firm Registration No. 117183W**

**CA Laxmikant Kabra**
**Partner**
**Membership No.101839**

**Place : MUMBAI**
**Date : 31st July 2020**

**For and on behalf of the Board of Directors**

**T. R. Bajalia**
**Chairman**
**DIN: 02291892**

**Sudhirkumar H Gupta**
**Managing Director**
**DIN: 00010853**

**Varun S. Gupta**
**Chief Financial Officer**
**DIN: 02938137**

**Dilip Maharana**
**Company Secretary**
**ACS: 23014**