Summary of Significant Accounting Policies and Other Explanatory Information

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

1. Nature of Operations

VA Tech Wabag Limited ('the Company'), its subsidiaries, associates and joint venture (collectively referred to as 'the Group') is one of the world's leading companies in the water treatment field. The Company's principal activities include design, supply, installation, construction and operational management of drinking water, waste water treatment, industrial water treatment and desalination plants. The shares of the Company are listed in the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company is domiciled in India and its registered office and its principal place of business is 'WABAG HOUSE', No.17, 200 Feet Thoraipakkam - Pallavaram Main Road, Sunnambu Kolathur, Chennai - 600 117.

2. Basis of preparation of financial statements

2.1 General information and statement of compliance with Indian Accounting Standards (Ind AS)

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) as per Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standard) Amendment Rules, 2016 as notified under section 133 of Companies Act, 2013 (the "Act") and other relevant provisions of the Act.

The standalone financial statements as at and for the year ended 31 March 2018 are approved and authorized for issue by the Board of Directors on 25 May 2018.

The standalone financial statements of the Company are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis except for certain financial assets and financial liabilities that have been measured at fair value. These standalone financial statements are presented in lakhs of Indian rupees which is also the Company's functional currency, except per share data and as otherwise stated. Figures for the previous years have been regrouped/rearranged wherever considered necessary to conform to the figures presented in the current year.

2.2 Recent accounting pronouncements

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new and amendments to Ind ASs which the Company has not applied as they are effective for annual periods beginning on or after 01 April, 2018:

a) Ind AS 115- Revenue from Contract with Customers:

Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standards Ind AS 11 Construction Contracts and Ind AS 18 Revenue, when it becomes effective. The core principle of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard can be applied either retrospectively to each prior reporting period presented or can be applied retrospectively with recognition of cumulative effect of contracts that are not completed as at the date of initial application.

b) Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

The amendment clarifies on the accounting of transactions that include receipt or payment of advance consideration in a foreign currency. The appendix explains that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. In the event of multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Appendix further clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the asset, expense or income is the date on which an entity has received or paid an advance consideration in a foreign currency towards the asset, expense or income.

Based on the initial assessment, the Company does not expect any material change to the financial statements with the implementation of the above pronouncements.

3. Summary of significant accounting policies

3.1 Overall considerations

The standalone financial statements have been prepared using the significant accounting policies and measurement basis summarized below. These accounting policies have been used throughout all periods presented in the standalone financial statements.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

3.2 Investments in subsidiaries, associates, joint venture and joint operations

Investments in subsidiaries, associates and joint ventures are accounted at cost less impairment, if any. Investments in joint operations are accounted by using proportionate consolidation method in the standalone financial statements. The Company does not have any investments in joint operations for the year ended 31 March 2018.

3.3 Foreign currency translation

Functional and presentation currency

The standalone financial statements are presented in Indian Rupees, which is also the functional currency of the Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions, duly approximated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the measurement of monetary items denominated in foreign currency at year-end exchange rates are recognized as other income in statement of profit and loss.

Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

3.4 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding trade discounts and other applicable taxes and are recognized upon the performance of service or transfer of risk to the customer.

Revenue is recognized when the amount can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Company's different activities has been met. These activity-specific recognition criteria are based on the goods or services provided to the customer and the contract conditions in each case, and are as described below.

Construction contracts

Contract revenue and Contract costs in respect of construction contracts, execution of which is spread over different accounting periods is recognized as revenue and expense respectively by reference to the basis of percentage of completion method of the project at the reporting date.

The percentage of completion is measured by reference to the contract costs incurred up to the

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

end of the reporting period as a percentage of total estimated costs for each contract. Only costs that reflect work performed are included in cost incurred to date.

When the Company cannot measure the outcome of a contract reliably, revenue is recognized only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognized in the period in which they are incurred. In situations when it is probable that the total contract costs will exceed total contract revenues, the expected loss is recognized immediately in the statement of profit and loss.

The gross amount due from customers for contract work is presented within trade receivables for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceeds progress billing. The gross amount due to customers for contract work is presented within other current liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

Operations and maintenance

The revenue from operations and maintenance for water and waste water treatment is recognized over the period during which the service is rendered.

Interest, dividends, duty drawback and other entitlements

Income from interest is recognized using effective interest method taking into account the amount outstanding and the applicable rate of interest.

Dividend income is recognized when the right to receive dividend is established by the reporting date.

Income from duty drawback and export benefit under duty free credit entitlements is recognized in the statement of profit and loss, when right to receive license as per terms of the scheme is established in respect of exports made and there is no significant uncertainty regarding the ultimate collection of the export proceeds, as applicable.

3.5 Cost of sales and services

Cost of sales and services comprise costs including estimated costs that are directly related to the contract, attributable to the contract activity in general and such costs that can be allocated to the contract and specifically chargeable to the customer under the terms of the contracts, which is charged to the statement of profit and loss.

3.6 Property, plant and equipment

Land

Land (other than investment property) held for use in production or administration is stated at cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Buildings and other equipment

Buildings and other equipment (comprising plant and machinery, furniture and fittings, electrical equipment, office equipment, computers and vehicles) are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management. Buildings and other equipment are subsequently measured at cost less accumulated depreciation and any impairment losses. Advances paid towards acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of property, plant and equipment not ready for the intended use before reporting date is disclosed as capital work-in-progress.

Subsequent expenditure incurred on an item of property, plant and equipment is added to the book value of that asset only if this increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Depreciation on assets is provided on straight-line method at the rates and in the manner prescribed in Schedule II to the Companies Act, 2013 except for vehicles where the management believes that the useful life of 5 years would best represent the period over which the management expects to use these assets and the residual value is 20% of the acquisition cost which is considered to be the amount recoverable at the end of the asset's useful life. Hence the useful life of these assets is different from that prescribed under Part C of Schedule II to the Companies Act, 2013.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in statement of profit and loss within other income or other expenses.

The components of assets are capitalized only if the life of the components vary significantly and whose cost is significant in relation to the cost of respective asset. The life of components in assets are determined based on technical assessment and past history of replacement of such components in the assets.

3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, the intangible assets are carried at cost less accumulated amortization and accumulated impairment, if any.

Software is stated at cost less accumulated amortization and are being amortized on a straight line basis over the estimated useful life of 5 years.

Amortization has been included within depreciation and amortization expense.

Gains or losses that arise on disposal or retirement of an intangible asset are measured as the difference between net disposal proceeds and the carrying value of an intangible asset and are recognized in profit and loss when the intangible asset is derecognized.

The amortization period and method are reviewed at each balance sheet date. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment as detailed in note 3.8.

3.8 Impairment testing of property, plant and equipment and intangible assets

For the purpose of impairment assessment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill (if any) is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Company at which management monitors goodwill.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro-rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed

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for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

3.9 Operating leases

All leases other than finance lease are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.10 Finance leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include i) the length of the lease term in relation to the economic life of the asset ii) the present value of the minimum lease payments in relation to the asset's fair value and iii) whether the Company obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interest. If the minimum lease payments cannot be allocated reliably between the two components, entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

The interest element of lease payments is charged to statement of profit and loss, as finance costs over the period of the lease.

3.11 Financial instruments

Financial assets (other than trade receivables) and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through statement of profit and loss which are measured initially at fair value. Trade receivables are recognized at their transaction price as the same do not contain significant financing component. Subsequent measurement of financial assets and financial liabilities are described below.

a) Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets are classified and measured based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset at:

a. Amortized cost

b. Fair Value Through Other Comprehensive Income (FVTOCI) or

c. Fair Value Through Profit or Loss (FVTPL)

All financial assets are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets are impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

b) Financial assets at amortized cost

A financial asset is subsequently measured at amortized cost using effective interest rate if it is held within a business model where the objective is to hold the financial assets to collect contractual cash flows and the contractual terms gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The loss allowance at each reporting period is evaluated based on the expected credit losses for next 12 months and credit risk exposure. The Company shall also measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

c) **Financial assets at Fair Value Through Other Comprehensive Income (FVTOCI)**

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model where the objective is both collecting contractual cash flows and selling financial assets along with the contractual terms giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. At initial recognition, the Company, based on its assessment, makes an irrevocable election to present in other comprehensive income the changes in the fair value of an investment in an equity instrument that is not held for trading. These elections are made on an instrument-by instrument (i.e., share-by-share) basis. If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, impairment gains or losses and foreign exchange gains and losses, are recognized in other comprehensive income. There is no recycling of the amounts from OCI to profit or loss, even on sale of investment. The dividends from such instruments are recognized in statement of profit and loss.

The fair value of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The loss allowance at each reporting period is evaluated based on the expected credit losses for next 12 months and credit risk exposure. The Company shall also measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of the financial asset in the balance sheet.

d) **Financial assets at Fair Value Through Profit or Loss (FVTPL)**

Financial assets at FVTPL include financial assets that are designated at FVTPL upon initial recognition and financial assets that are not measured at amortized cost or at fair value through other comprehensive income. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. Assets in this category are measured at fair value with gains or losses recognized in statement of profit and loss. The fair value of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The loss allowance at each reporting period is evaluated based on the expected credit losses for next 12 months and credit risk exposure. The Company shall also measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The loss allowance shall be recognized in the statement of profit and loss.

Hedge accounting

To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

These arrangements have been entered into to mitigate currency exchange risk arising

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

from certain legally binding sales and purchase orders denominated in foreign currency. For the reporting periods under review, the Company has not designated any forward currency contracts as hedging instruments.

e) Trade receivables

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables which does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime expected credit loss at each reporting date, right from its initial recognition.

f) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's standalone balance sheet) when:

i. The rights to receive cash flows from the asset have expired, or

ii. The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects 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 the maximum amount of consideration that the Company could be required to repay.

g) Classification, subsequent measurement and derecognition of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortized cost. The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Subsequent measurement

Financial liabilities are measured subsequently at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in statement of profit and loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind-AS 109 and the amount recognized less cumulative amortization.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in statement of profit and loss are included within finance costs or finance income.

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 a new liability. The difference in the respective carrying amounts is recognized in the statement of profit and loss.

3.12 Inventories

Inventory of stores and spares are stated at lower of cost and net realizable value and is determined on weighted average cost method. Cost of inventories include all other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated cost to completion and applicable selling expenses.

Construction work-in-progress are contract costs incurred for a future activity on a contract and are recognized as an asset if it is probable that they would be recovered. The cost comprises of material and other expenses directly attributable to the contract.

3.13 Income taxes

Tax expense recognized in statement of profit and loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates in accordance with tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method on temporary differences between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at reporting date. Deferred taxes pertaining to items recognized in other comprehensive income are also disclosed under the same head.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future opening results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax liabilities are generally recognized in full, although Ind AS 12 'Income Taxes' specifies limited exemptions. As a result of these exemptions the Company does not recognize deferred tax liability on temporary differences relating to goodwill, or to its investments in subsidiaries.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in statement of profit and loss, except where they relate to items that are recognized in other comprehensive income (such as re-measurement of net defined benefit plans) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within

3 months from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.15 Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued and paid-up.

Other components of equity include the following:

i. Accumulated other comprehensive income which includes re-measurement of net defined benefit liabilities.

ii. General reserve represents the accumulated surplus transferred from the Statement of profit and loss

iii. Securities premium reserve includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from securities premium, net of any related income tax benefits.

iv. Surplus in the statement of profit and loss includes all current and previous period retained profits.

v. Stock option outstanding account includes the value of equity-settled share based payment transactions with employees.

All transactions with owners are recorded separately within equity.

3.16 Post-employment benefits and short-term employee benefits

Defined contribution plan

a. Contribution to Provident Fund is in the nature of defined contribution plan and are made to a recognized fund.

b. Contribution to Superannuation Fund is in the nature of defined contribution plan and is remitted to insurance company in accordance with the scheme framed by the Corporation.

The Company has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognized as an expense in the period that related employee services are received.

Provident fund

The Company makes contribution to the statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952, which is a defined contribution plan, and contribution paid or payable is recognized as an expense in the period in which it falls due.

Superannuation Fund

Contribution made towards Superannuation Fund (funded by payments to insurance company) which is a defined contribution plan, is charged as expenses on accrual basis. There are no obligations other than the contribution made to respective fund.

Defined benefit plan

Under the Company's defined benefit plans, the amount of benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Company, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

The defined benefit plans maintained by the Company are as below:

i. Gratuity

The liability recognized in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related gratuity liability.

Service cost on the Company's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Actuarial gains and losses resulting from measurements of the net defined benefit liability are included in other comprehensive income.

The plan assets represent qualifying insurance policies that are administered by an Insurance company.

ii. Leave salary - compensated absences

The Company also extends defined benefit plans in the form of compensated absences to employees. Provision for compensated absences is made on actuarial valuation basis.

3.17 Employees stock option plan

Share-based compensation benefits are provided to employees via "Employees Stock Option Scheme 2010" of the Company.

The fair value of options granted under the "Employees Stock Option Scheme 2010" is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

a) including any market performance conditions (e.g. the entity's share price) including any market performance conditions (e.g. the entity's share price)

b) excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period) and

c) including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

3.18 Provisions, contingent assets and contingent liabilities

Provisions for warranties, legal disputes, or other claims are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities if the outflow of resources is remote.

The Company does not recognize contingent assets unless the realization of the income is virtually certain, however these are assessed continually to ensure that the developments are appropriately disclosed in the standalone financial statements.

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

3.19 Earnings per equity share

Basic earnings per equity share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per equity share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

3.20 Cash flow statement

Cash flows are reported using the indirect method, whereby profit/(loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future receipts or payments. In the cash flow statement, cash and cash equivalents includes cash in hand, cheques on hand, balances with banks in current accounts and other short- term highly liquid investments with original maturities of 3 months or less, as applicable.

3.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

3.22 Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the standalone financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

(i) Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the standalone financial statements.

Recognition of construction contract revenues

Recognizing construction contract revenue also requires significant judgement in determining actual work performed and the estimated costs to complete the work (refer note 36).

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

(ii) Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash- generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate

Inventories

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future

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technology or other market-driven changes that may reduce future selling prices.

Defined Benefit Obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as attrition rate, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analyzed in Note 20).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i. In the principal market for the asset or liability, or

ii. In the absence of a principal market, in the most advantageous market for the asset or liability

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (refer Note 42).

Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

3.23 Transfer Pricing

As per the Transfer pricing norms introduced in India with effect from 01 April 2001, the Company is required to use certain specific methods in computing arm's length price of international transactions between the associated enterprises and maintain prescribed information and documents relating to such transactions. The appropriate method to be adopted will depend on the nature of transactions/ class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Transfer pricing study for the fiscal year ended 31 March 2018 is in progress and accordingly, the contracts may be amended subsequently and related adjustment, if any, will be quantified upon completion of this study. However, in the opinion of the Management, the outcome of the study will not have material impact on the Company's results.

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

4 Property, plant and equipment and intangible assets

Particulars	Property, plant and equipment									Intangible assets
	Freehold land	Buildings	Plant and machinery	Furniture and fittings	Electrical equipment	Office equipment	Computers	Vehicles	Total	Computer software
Gross carrying value										
Balance as at 31 March 2016	**1,698**	**3,770**	**257**	**2,030**	**543**	**570**	**234**	**674**	**9,776**	**805**
Additions	-	256	-	42	14	12	103	392	819	146
Disposals	-	-	-	-	-	-	-	(178)	(178)	-
Balance as at 31 March 2017	**1,698**	**4,026**	**257**	**2,072**	**557**	**582**	**337**	**888**	**10,417**	**951**
Additions	-	-	110	-	1	2	102	236	451	61
Disposals	-	-	-	-	-	-	-	(203)	(203)	-
Balance as at 31 March 2018	**1,698**	**4,026**	**367**	**2,072**	**558**	**584**	**439**	**921**	**10,665**	**1,012**
Accumulated depreciation/ amortization										
Balance as at 31 March 2016	**-**	**62**	**45**	**344**	**82**	**166**	**100**	**117**	**916**	**408**
Depreciation/amortization expense for the year	-	64	18	223	65	137	108	155	770	184
Reversal on disposal of assets	-	-	-	-	-	-	-	(128)	(128)	-
Balance as at 31 March 2017	**-**	**126**	**63**	**567**	**147**	**303**	**208**	**144**	**1,558**	**592**
Depreciation/amortization expense for the year	-	68	22	218	66	135	68	164	741	168
Reversal on disposal of assets	-	-	-	-	-	-	-	(130)	(130)	-
Balance as at 31 March 2018	**-**	**194**	**85**	**785**	**213**	**438**	**276**	**178**	**2,169**	**760**
Net carrying value										
Balance as at 31 March 2017	**1,698**	**3,900**	**194**	**1,505**	**410**	**279**	**129**	**744**	**8,859**	**359**
Balance as at 31 March 2018	**1,698**	**3,832**	**282**	**1,287**	**345**	**146**	**163**	**743**	**8,496**	**252**

5 Investments

	As at 31 March 2018	As at 31 March 2017
Non-current		
Investments carried at cost		
Investments in equity instruments of subsidiaries (fully paid-up)		
VA Tech Wabag (Singapore) Pte Ltd (5,210,249 (Previous year : 5,106,509) equity shares of SGD 1 each)	2,100	2,052
VA Tech Wabag Muscat LLC (Oman) (105,000 (Previous year : 105,000) equity shares of OMR 1 each)	124	124
VA Tech Wabag (Philippines) Inc. (8,570,200 (Previous year: 8,570,200 equity shares of PHP 1 each)	90	90
Wabag Limited (Thailand) (29,400 (Previous year : 29,400) equity shares of THB 34.0136 each)	19	19
Wabag Operations and Maintenance WLL (Bahrain) (350 (Previous year : 350) equity shares of BHD 100 each)	58	58
VA Tech Wabag and Roots Contracting LLC, (Qatar)# (98 (Previous year : 98) equity shares of QAR 1,000 each)	-	-

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

	As at 31 March 2018	As at 31 March 2017
Wabag Muhibbah JV SDN BHD, (Malaysia) (700,000 (Previous year : 700,000) equity shares of MYR 1 each)	107	107
Wabag Belhasa JV WLL, (Bahrain) (49 (Previous year : 49) equity shares of BHD 50 each)	4	4
	2,502	**2,454**
Investments in equity instruments of associates (fully paid-up)		
VA Tech Wabag and Roots Contracting LLC, (Qatar)# (98 (Previous year : 98) equity shares of QAR 1,000 each)	17	17
	17	**17**
Investments in equity instruments of joint venture (fully paid-up)		
International Water Treatment LLC (Oman) (48,750 (Previous year : 48,750) equity shares of OMR 1 each)	69	69
Less: Provision for impairment of investment in International Water Treatment LLC, (Oman)	(69)	(69)
	-	**-**
Investments carried at fair value through profit and loss		
Investments in equity instruments of other companies (fully paid-up)		
First STP Private Limited (150,000 (Previous year :150,000) equity shares of ₹ 10 each)	15	15
Konark Water Infraprojects Private Limited (5,000 (Previous year : 5,000) equity shares of ₹ 10 each)	1	1
Aurangabad City Water Utility Company Limited (5,000 (Previous year : 5,000) equity shares of ₹ 10 each)	1	1
Thoothukudi Renew Waters Private Limited* (2,600 (Previous year : 2,600) equity shares of ₹ 10 each)	-	-
Ganapati Marine Enterprises Private Limited** (573 (Previous Year: 776) equity shares of ₹ 10 each)	-	-
	17	**17**
Total non-current investments	**2,536**	**2,488**
Aggregate amount of unquoted investments	2,605	2,557
Aggregate amount of impairment in the value of investments	69	69

* Since the amount of investment is ₹ 26,000 (Previous year: ₹ 26,000), the same is below the rounding off norm adopted by the Company.

** Since the amount of investment is ₹ 5,730 (Previous year: ₹ 7,760), the same is below the rounding off norm adopted by the Company.

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

	As at 31 March 2018	As at 31 March 2017
Extent of investment in subsidiaries		
VA Tech Wabag (Singapore) Pte Ltd	100.0%	100.0%
VA Tech Wabag Muscat LLC (Oman)	70.0%	70.0%
VA Tech Wabag (Philippines) Inc.	100.0%	100.0%
Wabag Limited (Thailand)##	49.0%	49.0%
Wabag Operations and Maintenance WLL (Bahrain)	70.0%	70.0%
VA Tech Wabag and Roots Contracting LLC, (Qatar)#	-	-
Wabag Muhibbah JV SDN BHD, (Malaysia)	70.0%	70.0%
Wabag Belhasa JV WLL, (Bahrain)###	49.0%	49.0%
Extent of investment in associates		
VA Tech Wabag and Roots Contracting LLC, (Qatar)#	49.0%	49.0%
Extent of investment in joint venture		
International Water Treatment LLC (Oman)	32.5%	32.5%

Pursuant to an exclusive contractual arrangement providing for a majority share in the economic interests and control of voting power in the Project-I of the Company, the investment was classified as a subsidiary at inception. During the year ended 31 March 2016, consequent to a similar arrangement for Project-II providing for majority rights in the new project to the other partner, the investment in the legal entity has been reclassified as an associate based on ownership as against the economic interests in the respective projects.

Pursuant to the statutory document providing for a majority share of 90.6% of the economic interests in the entity, the Company has assessed and determined that it has power over the entity, exposure, or rights, to variable returns and the ability to use its power to affect the amount of the Company's returns. Accordingly, the investment has been classified as a subsidiary.

Pursuant to an exclusive contractual arrangement providing for a share of 100% of the economic interests in the entity, the Company has assessed and determined that it has power over the entity, exposure, or rights, to variable returns and the ability to use its power to affect the amount of the Company's returns. Accordingly, the investment has been classified as a subsidiary.

	As at 31 March 2018	As at 31 March 2017
Current (unquoted)		
Investments carried at fair value through profit and loss		
Investments in mutual funds		
- ICICI Prudential fixed maturity plan	-	1,278
- UTI fixed term interval fund	-	638
Total current investments	**-**	**1,916**
Aggregate amount of unquoted investments and market value thereof	-	1,916
Aggregate amount of impairment in the value of investments	-	-

Summary of Significant Accounting Policies and Other Explanatory Information

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

6 Trade receivables (Unsecured considered good, unless stated otherwise)

	As at 31 March 2018	As at 31 March 2017
Non-current		
Trade receivables	12,035	12,035
Customer retention	27,557	24,173
	39,592	**36,208**
Current		
Trade receivables	142,527	127,368
Customer retention	14,728	8,395
	157,255	**135,763**
Doubtful		
- Trade receivables	8,946	5,218
- Customer retention	359	333
Less : Allowances for expected credit loss		
- Trade receivables	(8,946)	(5,218)
- Customer retention	(359)	(333)
	-	-
	157,255	**135,763**

Trade receivables include due from related parties amounting to ₹ 5,173 lakhs (31 March 2017: ₹ 11,569 lakhs). The carrying amount of the current trade receivable is considered a reasonable approximation of fair value as is expected to be collected within twelve months, such that the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant. There are no receivables due from directors or other officers of the company.

All of the Company's trade receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of ₹ 4,654 lakhs (2016-17: ₹ 375 lakhs) has been recorded accordingly within other expenses. The Company has impaired its trade receivables using a provisioning matrix representing expected credit losses based on a range of outcomes.

Movement in allowances for expected credit loss

	As at 31 March 2018	As at 31 March 2017
Balance at the beginning of the year	5,551	6,336
Additions during the year, net	4,654	375
Utilised during the year	(900)	(1,160)
Balance at the end of the year	**9,305**	**5,551**

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

7 Bank balances

	As at 31 March 2018	As at 31 March 2017
Non-current bank balances	498	-
	498	**-**

Non-current bank balances represents interest bearing deposits with bank with more than 12 months maturity.

8 Other financial assets (Unsecured, considered good)

	As at 31 March 2018	As at 31 March 2017
Non-current		
Security deposits	340	55
Advances to employees	83	91
	423	**146**
Current		
Security deposits	886	1,384
Tender deposits	1,098	1,532
Rental deposits	218	392
Dues from related parties (Also refer note 41(c))	4,271	2,236
Advances to employees	279	290
	6,752	**5,834**

There are no other financial assets due from directors or other officers of the Company. The carrying amount of the other financial assets are considered as a reasonable approximation of fair value.

A description of the Company's financial instrument risks, including risk management objectives and policies are given in Note 43.

Summary of Significant Accounting Policies and Other Explanatory Information

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

9 Deferred tax assets (net)

		As at 31 March 2018	As at 31 March 2017
The breakup of net deferred tax asset is as follows:			
Deferred tax asset arising on account of :			
- Provision for employee benefits, liquidated damages and foreseeable losses		164	180
- Allowances for expected credit loss		3,220	1,921
- Others		524	590
Total deferred tax asset	**A**	**3,908**	**2,691**
Deferred tax liability arising on account of :			
- Timing difference between carrying value of property, plant and equipment / Intangible assets as per tax laws		(547)	(545)
Total deferred tax liability	**B**	**(547)**	**(545)**
Net deferred tax assets	**A+B**	**3,361**	**2,146**

Deferred tax recognized in statement of profit and loss and other comprehensive income for the year ended 31 March 2018:

Particulars	Recognized in other comprehensive income	Recognized in statement of profit and loss
Deferred tax asset arising on account of :		
- Provision for employee benefits, liquidated damages and foreseeable losses	11	5
- Allowances for expected credit loss	-	(1,299)
- Others	-	66
Deferred tax liability arising on account of :		
- Timing difference between carrying value of property, plant and equipment / Intangible assets as per tax laws	-	2
- Others	-	-
Total	**11**	**(1,226)**

Deferred tax recognized in statement of profit and loss and in other comprehensive income for the year ended 31 March 2017:

Particulars	Recognized in other comprehensive income	Recognized in statement of profit and loss
Deferred tax asset arising on account of :		
- Provision for employee benefits, liquidated damages and foreseeable losses	(76)	45
- Allowances for expected credit loss	-	274
- Others	-	(106)
Deferred tax liability arising on account of :		
- Timing difference between carrying value of property, plant and equipment / Intangible assets as per tax laws	-	38
- Others	-	-
Total	**(76)**	**251**

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

In assessing the recoverability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

All deferred tax assets have been recognized in the balance sheet.

10 Income tax assets (net)

	As at 31 March 2018	As at 31 March 2017
Income tax assets (net)	4,903	4,684
	4,903	**4,684**

11 Other non-current assets (Unsecured, considered good)

	As at 31 March 2018	As at 31 March 2017
Capital advances	306	416
	306	**416**

12 Inventories

	As at 31 March 2018	As at 31 March 2017
Construction work-in-progress	2,626	2,688
Stores and spares	638	751
	3,264	**3,439**

13 Cash and bank balances

	As at 31 March 2018	As at 31 March 2017
Cash and cash equivalents		
Cash on hand	11	11
Cheques on hand	1,813	5,308
Balances with banks		
- in current accounts	934	1,054
- in deposit accounts (with original maturity upto 3 months)	67	843
	2,825	**7,216**
Bank balances other than those mentioned in cash and cash equivalents		
Unpaid dividend account	6	3
Deposits with maturity less than 3 months	271	1,639
Deposits with maturity more than 3 months but less than 12 months#	2,580	612
	2,857	**2,254**

Deposits includes a sum of ₹ 2,580 Lakhs (31 March 2016: ₹ 612 Lakhs) held as margin money or security against the borrowings, guarantees and other commitments.

Summary of Significant Accounting Policies and Other Explanatory Information

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

14 Loans (Unsecured, considered good)

	As at 31 March 2018	As at 31 March 2017
Current		
Loans to related parties (Also refer note 41(c))	248	295
	248	**295**

15 Other current assets (Unsecured, considered good)

	As at 31 March 2018	As at 31 March 2017
Advance to supplier	14,514	8,657
Balances with government authorities	8,027	5,015
Duty drawback and other duty free credit entitlement receivable	122	301
Prepaid expenses	548	1,055
Others	14	193
	23,225	**15,221**

All of the Company's other current assets have been reviewed for indicators of impairment. There are no allowances for credit losses for the year ended 31 March 2018 and 31 March 2017. There are no advances due from directors or other officers of the Company.

16 Equity share capital

	As at 31 March 2018		As at 31 March 2017	
	Number	Amount	Number	Amount
Authorised				
Equity shares of ₹ 2 each	75,000,000	1,500	75,000,000	1,500
Issued, subscribed and fully paid up				
Equity shares of ₹ 2 each	54,657,390	1,093	54,573,058	1,091
	54,657,390	**1,093**	**54,573,058**	**1,091**

a) Reconciliation of share capital (Equity)

	As at 31 March 2018		As at 31 March 2017	
	Number	Amount	Number	Amount
Balance at the beginning of the year	54,573,058	1,091	54,496,401	1,090
Add : Issued pursuant to Employee Stock Option Plan	84,332	2	76,657	1
Balance at the end of the year	**54,657,390**	**1,093**	**54,573,058**	**1,091**

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

b) Shareholders holding more than 5% of the aggregate shares in the Company

	As at 31 March 2018		As at 31 March 2017	
	Number	% holding	Number	% holding
Equity Shares of ₹ 2 each				
Mr. Rajiv Mittal (Managing Director & Group CEO)	9,709,406	17.8%	9,709,406	17.8%
IDFC Premier Equity Fund	3,239,320	5.9%	3,179,446	5.8%
SBI Magnum Taxgain Scheme	3,382,154	6.2%	3,282,162	6.0%
	16,330,880	**29.9%**	**16,171,014**	**29.6%**

c) Terms/right attached to equity shares

The Company has issued only one class of equity shares having a face value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend, which can be approved by the Board of Directors. In the event of liquidation, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

d) Bonus issue

The Company had allotted 27,142,555 equity shares of face value ₹ 2 per share as fully paid bonus shares during the year ended 31 March 2015, pursuant to the bonus issue approved by the shareholders through postal ballot by capitalization of securities premium. Bonus share of one equity share for every equity share held had been allotted.

e) Shares reserved for issue under options

The Company has reserved issuance of 122,714 equity shares of ₹ 2 each (31 March 2017 : 294,440 shares of ₹ 2 each) for offering to eligible employees of the Company and its subsidiaries under Employees Stock Option Plan (ESOP).

f) Buy back of shares

There were no buy back of shares and shares issued pursuant to contract without payment being received in cash during the last 5 years immediately preceding 31 March 2018.

g) Capital management

The Company's capital management objectives are:

- to safeguard the Company's ability to continue as a going concern, and continue to provide optimum returns to the shareholders and all other stakeholders by building a strong capital base.
- to maintain an optimum capital structure to reduce the cost of capital

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders plus its borrowings, if any, less cash and bank balances.

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The amounts managed as capital by the Company for the reporting periods under review are summarized as follows:

		As at 31 March 2018	As at 31 March 2017
Borrowings		27,626	11,986
Less: Cash and bank balances		(6,180)	(9,470)
Net debt	**(A)**	**21,446**	**2,516**
Total equity	**(B)**	**91,688**	**82,406**
Total equity and net debt	**(C=A+B)**	**113,134**	**84,922**
Gearing ratio	**(A/C)**	**19.0%**	**3.0%**

17 Other equity

	As at 31 March 2018	As at 31 March 2017
Securities premium reserve		
Balance at the beginning of the year	27,536	27,396
Add : Additions made during the year		
On exercise of employee stock options	158	138
Transfer from stock option outstanding account	-	2
Balance at the end of the year	**27,694**	**27,536**
Securities premium account is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.		
Capital reserve		
Balance at the beginning of the year	250	250
Add : Additions made during the year	-	-
Balance at the end of the year	**250**	**250**
Any profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments is transferred to capital reserve.		
Stock option outstanding account		
Balance at the beginning of the year	58	62
Less: Options exercised during the year	(8)	(4)
Less: Options lapsed during the year	(13)	-
Balance at the end of the year	**37**	**58**
The stock option outstanding account is used to record the value of equity-settled share based payment transactions with employees. The amounts recorded in this account are transferred to securities premium reserve upon exercise of stock options by employees. In case of forfeiture, corresponding balance is transferred to general reserve.		

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

	As at 31 March 2018	As at 31 March 2017
General reserve		
Balance at the beginning of the year	3,301	3,301
Add : Transfer from stock option outstanding account	13	-
Balance at the end of the year	**3,314**	**3,301**
General reserve represents an appropriation of profits by the Company.		
Surplus in the statement of profit and loss		
Balance at the beginning of the year	50,779	45,917
Add : Transfer from statement of profit and loss	11,713	7,498
Less : Final equity dividend declared	(2,183)	(2,180)
Less : Tax on equity dividend delcared	(421)	(456)
Balance at the end of the year	**59,888**	**50,779**
Surplus in the statement of profit and loss comprises of prior years' undistributed earnings after taxes.		
Accumulated other comprehensive income		
Balance at the beginning of the year	(610)	(467)
Add : Transfer from other comprehensive income	22	(143)
Balance at the end of the year	**(588)**	**(610)**
Share application money pending allotment		
Balance at the beginning of the year	1	4
Add : Share application money received	151	138
Less : Equity shares allotted	(152)	(141)
Balance at the end of the year	**-**	**1**
Share application money pending allotment represents applications received towards subscription from employees under ESOP schemes. The equity shares are expected to be allotted against the share application money within a reasonable period, not later than three months from the Balance Sheet date. The Company has sufficient authorised capital to cover the share capital amount on allotment of above shares.		
Total other equity	**90,595**	**81,315**
Dividends		
Final dividend declared and paid ₹ 4 per equity share*	2,183	2,180
Dividend distribution tax	421	456
	2,604	**2,636**

*In the Board meeting held on 25 May 2018, Board of directors have proposed a dividend of ₹ 4 per equity share of the Company subject to shareholders' approval at the annual general meeting. This amount has not been recorded as a liability for the year ended 31 March 2018.

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

18 Trade payables

	As at 31 March 2018	As at 31 March 2017
Non-current		
Dues to others	12,504	14,176
	12,504	**14,176**
Current		
Dues to micro and small enterprises (Also refer note (a) below)	825	604
Dues to others	91,729	82,395
	92,554	**82,999**

The carrying values of trade payables are considered to be a reasonable approximation of fair value.

a) Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006:

		As at 31 March 2018	As at 31 March 2017
i)	Principal amount remaining unpaid	825	604
ii)	Interest due thereon	41	40
iii)	Interest paid by the Company in terms of Section 16 of MSMED Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	-	-
iv)	Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	-	-
v)	Interest accrued and remaining unpaid as at the year end	41	40
vi)	Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006	-	-

The above disclosure has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

19 Other financial liabilities

	As at 31 March 2018	As at 31 March 2017
Non-current		
Employee related payables	224	215
	224	**215**
Current		
Financial guarantee obligation	1,446	1,446
Dues to related parties (Also refer note (41(c))	364	216
Unpaid dividends	6	3
Employee related payables	1,562	1,519
	3,378	**3,184**
Total financial liabilities	**3,602**	**3,399**
Financial guarantee obligation represents the allowance for expected credit losses on financial guarantee provided by the Company to financial institutions for banking facilities of its subsidiaries and joint venture.		
Financial liabilities carried at amortized cost	**2,156**	**1,953**
Financial liabilities carried at fair value through profit and loss	**1,446**	**1,446**

20 Provisions

	As at 31 March 2018	As at 31 March 2017
Non-current		
Provisions for employee benefits		
- Compensated absences	563	549
	563	**549**
Current		
Provision for warranty	2,525	2,392
Provision for liquidated damages	-	-
Provision for foreseeable losses on contracts	1	34
Provisions for employee benefits		
- Gratuity	102	84
- Compensated absences	160	107
	2,788	**2,617**

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

a) Provision for warranty

	As at 31 March 2018	As at 31 March 2017
Balance at the beginning of the year	2,392	1,786
Created during the year, net	133	617
Utilised during the year	-	(11)
Balance at the end of the year	**2,525**	**2,392**

A provision is recognized for expected warranty claims on construction contracts completed, based on past experience of level of repairs and returns. It is expected that these costs would be predominantly incurred within one year from the balance sheet date, which generally coincides with the completion of warranty period of the contract. The assumption used to calculate the provision for warranties are based on the Company's current status of contracts under execution and information available about expenditure more probable to be incurred based on the Company's warranty period for contracts completed.

b) Provision for liquidated damages

	As at 31 March 2018	As at 31 March 2017
Balance at the beginning of the year	-	-
Created during the year, net	430	892
Utilised during the year	(430)	(892)
Balance at the end of the year	**-**	**-**

The Company provides performance guarantees to its customers which require it to complete projects within a specified timeframe. In the event of failure to complete a project as scheduled, or in case of a performance shortfall, the Company may generally be held liable for penalties in the form of agreed liquidated damages. The Company provides for liquidated damages when it reasonably expects that a delay in the completion of the project or a shortfall in the performance parameters might give rise to a claim from the customer. Liquidated damages are generally measured and recognized in accordance with the terms of the contracts with customers.

c) Provision for foreseeable losses on contracts

	As at 31 March 2018	As at 31 March 2017
Balance at the beginning of the year	34	69
(Reversed) during the year, net	(33)	(35)
Utilised during the year	-	-
Balance at the end of the year	**1**	**34**

The Company provides for foreseeable losses on contracts when it is probable that total contract cost, including expected cost to complete, will exceed the economic benefits expected to be received under it.

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

d) Provision for employee benefits

i) Gratuity

In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan ("the Gratuity Plan") covering eligible employees. The Gratuity plan provides for a lump sum payment to vested employees on retirement (subject to completion of five years of continuous employment), death, incapacitation or termination of employment that are based on last drawn salary and tenure of employment. Liabilities with regard to the Gratuity plan are determined by actuarial valuation on the reporting date and the Company makes annual contribution to the gratuity fund maintained by ICICI Prudential Life Insurance.

The following table summarise the components of net benefit expenses recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the Gratuity.

	As at 31 March 2018	As at 31 March 2017
Change in projected benefit obligation		
Defined benefit obligation at the beginning of the year	656	556
Current service cost	91	78
Past service cost	41	-
Interest cost	43	42
Actuarial (gain) / loss	(38)	23
Benefits paid	(43)	(43)
Defined benefit obligation at the end of the year	**750**	**656**
Thereof		
Unfunded	102	84
Partly or wholly funded	648	572
Change in plan assets		
Fair value of plan assets at the beginning of the year	572	502
Expected return on plan assets	40	40
Actuarial (loss)/gain	(5)	19
Employer contributions	84	54
Benefits paid	(43)	(43)
Fair value of plan assets at the end of the year	**648**	**572**
Reconciliation of present value of obligation on the fair value of plan assets		
Present value of defined benefit obligation at the end of the year	750	656
Fair value of plan assets at the end of the year	(648)	(572)
Liability recognised in the balance sheet	**102**	**84**

	As at 31 March 2018	As at 31 March 2017
Components of net gratuity costs are:		
Current service cost	91	78
Interest cost	43	42
Past service cost	41	-
Expected return on plan assets	(40)	(40)
Recognized net actuarial (gain)/loss	(33)	4
Net gratuity costs recognised during the year	**102**	**84**
Plan assets do not comprise any of the Company's own financial instruments or any assets used by the Company. Plan assets can be broken down into the following categories of investments:		
Group balance fund	346	2
Group debt fund	300	516
Cash and cash equivalents	2	54
Total	**648**	**572**

	As at 31 March 2018	As at 31 March 2017
Principal actuarial assumptions used:		
Discount rate	7.28%	6.80%
Long-term rate of compensation increase	7.00%	7.50%
Expected rate of return on plan assets	7.28%	8.00%
Average remaining life (in years)	24	24
Attrition rate	18.00%	15.00%

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

Based on historical data, the Company expects contributions of ₹ 102 lakhs to be paid for financial year 2018-19. The weighted average duration of the defined benefit obligation as at 31 March 2018 is 4.8 years (31 March 2017: 5.6 years)

Employee benefits - Maturity profile

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
31 March 2018					
Defined benefit obligation	136	123	342	289	**890**
31 March 2017					
Defined benefit obligation	101	88	259	292	**740**

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

The significant actuarial assumptions for the determination of the defined benefit obligation are the attrition rate, discount rate and the long-term rate of compensation increase. The calculation of the net defined benefit liability is sensitive to these assumptions. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability as at 31 March 2018.

	Attrition rate		Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
31 March 2018						
> Sensitivity Level	0.5%	(0.5%)	0.5%	(0.5%)	0.5%	(0.5%)
> Impact on defined benefit obligation	(1)	1	(15)	16	16	(16)
31 March 2017						
> Sensitivity Level	0.5%	(0.5%)	0.5%	(0.5%)	0.5%	(0.5%)
> Impact on defined benefit obligation	(1)	1	(16)	17	16	(15)

(ii) Compensated absences

The Company permits encashment of compensated absences accumulated by their employees on retirement, separation and during the course of service. The liability in respect of the Company, for outstanding balance of privilege leave at the balance sheet date is determined and provided on the basis of actuarial valuation performed by an independent actuary. The Company does not maintain any plan assets to fund its obligation towards compensated absences. The total Compensated absences recognized in the statement of profit and loss for the year is ₹ 264 lakhs (2016-17 ₹ 85 lakhs).

	As at 31 March 2018	As at 31 March 2017
Principal actuarial assumptions used :		
Discount rate	7.28%	6.80%
Long-term rate of compensation increase	7.00%	7.50%
Average remaining life	24	24
Attrition rate	18.00%	15.00%

21 Other liabilities

	As at 31 March 2018	As at 31 March 2017
Non-current		
Advance from customers	6,658	4,481
	6,658	**4,481**
Current		
Statutory dues	336	301
Billing in advance of work completed	588	6,324
Advance from customers	11,952	12,665
Others	1,033	979
	13,909	**20,269**

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

22 Borrowings

	As at 31 March 2018	As at 31 March 2017
Secured		
Packing credit	24,005	11,974
Cash Credit	3,621	-
Buyers Credit	-	12
	27,626	**11,986**

The carrying amount of short term borrowings is considered to be a reasonable approximation of fair value.

Terms, repayment and guarantee details of short-term borrowings

The Company has availed packing credit facilities in Indian rupees and US dollars at an interest rate of 4.65% to 5.50% (31 March 2017: 5.5% to 6.30%) and 1.78% to 4.46% (31 March 2017: 1.41% to 2.15%) respectively. These packing credits are repayable within 180 days, as applicable, from the date of availment and are secured against foreign currency receivables.

23 Current tax liabilities (net)

	As at 31 March 2018	As at 31 March 2017
Current tax liabilities (net)	4,901	4,362
	4,901	**4,362**

24 Financial instruments

The carrying value and fair value of financial instruments by categories are as follows:

Categories of financial assets and financial liabilities

Particulars	Financial assets at fair value through profit and loss	Financial assets at amortised cost	Total
As at 31 March 2018			
Financial assets			
Investments	17	-	17
Loans	-	248	248
Trade receivables	-	196,847	196,847
Cash and bank balances	-	6,180	6,180
Other financial assets	-	7,175	7,175
	17	**210,450**	**210,467**

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Particulars	Financial liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Total
As at 31 March 2018			
Financial liabilities			
Trade payables	-	105,058	105,058
Borrowings	-	27,626	27,626
Other financial liabilities	1,446	2,156	3,602
	1,446	**134,840**	**136,286**

Particulars	Financial assets at fair value through profit and loss	Financial assets at amortised cost	Total
As at 31 March 2017			
Financial assets			
Investments	1,933	-	1,933
Loans	-	295	295
Trade receivables	-	171,971	171,971
Cash and bank balances	-	9,470	9,470
Other financial assets	-	5,980	5,980
	1,933	**187,716**	**189,649**

Particulars	Financial liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Total
As at 31 March 2017			
Financial liabilities			
Trade payables	-	97,175	97,175
Borrowings	-	11,986	11,986
Other financial liabilities	1,446	1,953	3,399
	1,446	**111,114**	**112,560**

Investments excludes equity instruments in subsidiaries and associates amounting to ₹ 2,519 Lakhs (previous year ₹ 2,471 Lakhs) which are measured at cost.

The carrying value of financial asset and financial liabilities approximates the fair value of financial asset and financial liabilities as at 31 March 2018 and 31 March 2017.

Summary of Significant Accounting Policies and Other Explanatory Information

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

25 Revenue from operations

	Year ended 31 March 2018	Year ended 31 March 2017
Sale of services		
- Export	71,646	60,866
- Domestic	110,232	117,080
	181,878	**177,946**
Other operating revenues, net	3,755	1,892
	185,633	**179,838**

26 Other income

	Year ended 31 March 2018	Year ended 31 March 2017
Interest income from deposits with banks	1	475
Interest income - others	252	129
Dividend income	2,007	134
Foreign currency gain, net	-	1,387
	2,260	**2,125**

27 Cost of sales and services

	Year ended 31 March 2018	Year ended 31 March 2017
Material costs	73,646	76,963
Civil costs	34,667	25,042
Erection and commissioning costs	7,302	5,934
Taxes and duties	1,918	7,331
Site establishment costs	4,602	3,749
Engineering costs	3,305	2,677
Project consultancy fee	892	1,625
Warranty expenses (Also refer note 20(a))	133	617
Foreseeable losses on contracts (Also refer note 20(c))	(33)	(35)
Project travel	1,850	1,359
Insurance costs	637	681
Power and fuel	410	136
Liquidated damages (Also refer note 20(b))	430	892
Other project expenses, net	13,673	9,725
	143,432	**136,696**

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

28 Changes in inventories

	Year ended 31 March 2018	Year ended 31 March 2017
Inventories at the beginning of the year		
Construction work-in-progress	2,688	5,926
Stores and spares	751	620
	3,439	**6,546**
Less: Inventories at the end of the year		
Construction work-in-progress	2,626	2,688
Stores and spares	638	751
	3,264	**3,439**
	175	**3,107**

29 Employee benefits expense

	Year ended 31 March 2018	Year ended 31 March 2017
Salaries and wages	10,791	8,959
Gratuity and compensated absences (Also refer note 20(d))	399	165
Contribution to provident and other defined contribution funds	555	385
Staff welfare expenses	699	749
	12,444	**10,258**

30 Finance costs

	Year ended 31 March 2018	Year ended 31 March 2017
Interest expenses for borrowings at amortised cost	1,263	1,174
Bank charges	1,820	1,160
	3,083	**2,334**

31 Depreciation and amortization expense

	Year ended 31 March 2018	Year ended 31 March 2017
Depreciation of tangible assets (Also refer note 4)	741	770
Amortization of intangible assets (Also refer note 4)	168	184
	909	**954**

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

32 Other expenses

	Year ended 31 March 2018	Year ended 31 March 2017
Rent (Also refer note 37)	291	222
Insurance	70	27
Power and fuel	193	220
Rates and taxes	29	55
Repairs and maintenance	582	634
Professional charges (Also refer note 38)	1,451	1,136
Communication expenses	111	147
Travelling and conveyance	1,034	902
Foreign currency loss, net	214	-
Bad and doubtful debts, net	4,745	4,311
Loss on sale of tangible assets, net	4	-
Impairment of investments	-	407
Corporate social responsibility expenses (Also refer note 39)	194	73
Printing and stationery	118	114
Office and maintenance expenses	300	329
Miscellaneous expenses	1,093	1,002
	10,429	**9,579**

33 Exceptional item

Consequent to International Water Treatment LLC, a Joint venture entity in Oman (IWT/Joint venture), being unsuccessful in its arbitration claim for Liquidated Damages (LD) against project related time overruns, the Company, as part of its contractual obligation under the EPC contract, had to pay its share of LD for the claim levied on the Joint venture. Pursuant to the arbitration award rejecting such a claim, the Company has made payments amounting to ₹ 7,860 lakhs towards its share of LD and costs, as investments in IWT. Consequent to IWT carrying out a capital reduction, the Company has impaired its entire investments in the Joint venture. An impairment loss of ₹ 6,432 lakhs (net of provisions already made in the earlier years) has been accounted during the previous year and the same has been disclosed as an Exceptional item in the Statement of profit and loss.

34 Income taxes

The major components of income tax expense for the year ended 31 March 2018 and 31 March 2017 are:

	Year ended 31 March 2018	Year ended 31 March 2017
Current tax:		
- Current tax	6,934	4,854
Deferred tax:		
- Relating to origination and reversal of temporary differences	(1,226)	251
Tax expense reported in the statement of profit and loss	**5,708**	**5,105**
Deferred tax related to net (gain)/loss on re-measurements of defined benefit plans recognized in other comprehensive income	11	(76)
Tax expense reported in other comprehensive income	**11**	**(76)**

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Tax reconciliation:

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of the Company at 34.61% (2016-17: 34.61%) and the reported tax expense in the statement of profit and loss are as follows:

	Year ended 31 March 2018	Year ended 31 March 2017
Profit before taxes	17,421	12,603
Enacted tax rates	34.61%	34.61%
Tax on profit at enacted tax rate	6,029	4,362
Dividend Income taxed at lower rate	(347)	-
Income from mutual funds	-	(27)
Impairment of loan and investments	-	624
Others	26	146
Income tax expense	**5,708**	**5,105**
Current tax	6,934	4,854
Deferred tax	(1,226)	251
Income tax expense reported in the statement of profit and loss	**5,708**	**5,105**

35 Earnings per equity share (EPS)

	Year ended 31 March 2018	Year ended 31 March 2017
For profit for the year		
Nominal value of equity shares (in ₹)	2	2
Profit attributable to equity shareholders (A)	11,713	7,498
Weighted average number of equity shares outstanding during the year (B)	54,611,241	54,532,970
Basic earnings per equity share (A/B) (in ₹)	**21.45**	**13.78**
For total comprehensive income		
Nominal value of equity shares (in ₹)	2	2
Total comprehensive income attributable to equity shareholders (a)	11,735	7,355
Weighted average number of equity shares outstanding during the year (b)	54,611,241	54,532,970
Basic earnings per equity share (a/b) (in ₹)	**21.49**	**13.52**
For profit for the year		
Dilutive effect on profit (C)	-	-
Profit attributable to equity shareholders for computing diluted EPS (D) = (A+C)	11,713	7,498
Dilutive effect on weighted average number of equity share options outstanding during the year (E)	84,696	197,886
Weighted average number of equity shares for computing diluted EPS (F) = (B+E)	54,695,937	54,730,856
Diluted earnings per equity share (D/F) (in ₹)	**21.41**	**13.73**
For total comprehensive income		
Dilutive effect on profit (c)	-	-
Total comprehensive income attributable to equity shareholders for computing diluted EPS (d) = (a+c)	11,735	7,355
Dilutive effect on weighted average number of equity share options outstanding during the year (e)	84,696	197,886
Weighted average number of equity shares for computing diluted EPS (f) = (b+e)	54,695,937	54,730,856
Diluted earnings per equity share (d/f) (in ₹)	**21.45**	**13.47**

Summary of Significant Accounting Policies and Other Explanatory Information

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

36 Construction contracts

In terms of the disclosures required to be made under the Ind AS 11 as notified in section 133 of the Companies Act, 2013, the amounts considered in the financial statements up to the balance sheet date are as follows:

	Year ended 31 March 2018	Year ended 31 March 2017
Contract revenue recognised during the year	163,772	163,087
Aggregate amount of costs incurred and recognized profits and losses for all contracts in progress	705,404	577,985
Less : Progress billings	659,957	546,919
	45,447	**31,066**
Recognized as :		
Due from customers for construction contract work, recognized in "Trade receivables"	46,035	37,390
Due to customers for construction contract work, recognized in "Other liabilities"	(588)	(6,324)
	45,447	**31,066**
Advances received from customers for contracts related to work not yet performed included in "Other liabilities"	18,610	17,146
Retention on contracts in progress included within "Trade receivables"	40,910	29,103

37 Leases

	Year ended 31 March 2018	Year ended 31 March 2017
Operating lease commitments - as lessee		
Total lease payments charged off to the statement of profit and loss (Also refer note 32)	291	222

Disclosures in respect of non-cancellable operating leases

The lease rentals charged for the years ended 31 March 2018 and 31 March 2017 and maximum obligations on long-term, non-cancellable operating leases payable as per the rentals stated in the respective agreements are as below:

	Year ended 31 March 2018	Year ended 31 March 2017
The total of future minimum lease payments for each of the following periods:		
(i) Not later than one year	5	12
(ii) Due later than one year and not later than five years	5	-
(iii) Due later than five years	-	-
	10	**12**

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

38 Remuneration to auditors (included as part of Professional charges)*

	Year ended 31 March 2018	Year ended 31 March 2017
As auditor		
Statutory audit	27	27
Limited review	8	8
Taxation matters	3	3
In other capacity		
Other services	17	4
	55	**42**

* *excluding taxes*

39 Expenditure on Corporate Social Responsibility (CSR)

	Year ended 31 March 2018	Year ended 31 March 2017
a) Gross amount required to be spent	372	298
b) Amount spent on:		
(i) Construction/acquisition of any asset	163	33
(ii) On purposes other than (i) above	31	40
	194	**73**

40 Employee stock based option

Employee share based plan- ESOP 2010 Scheme

In August 2010, the Board of Directors approved and the Company adopted the "ESOP 2010" (the "Plan") under which not more than 467,831 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be ₹ 900 (Face value of ₹ 5 each) on the grant date.

Particulars	Number of shares as at 31 March 2018	Weighted average exercise price ₹	Number of shares as at 31 March 2017	Weighted average exercise price ₹
Options outstanding at the beginning of the year	294,440	180	465,785	180
Exercised during the year	84,332	180	76,657	180
Expired/ lapsed during the year	87,394	180	94,688	180
Options outstanding at the end of the year	**122,714**		**294,440**	
Options exercisable as at the end of the period	**122,714**		**294,440**	

During the year ended 31 March 2018 and 31 March 2017, the weighted average share price of options exercised under the Plan on the date of exercise was ₹ 594 and ₹ 548. The weighted average remaining contractual life of the Plan outstanding as of 31 March 2018 and 31 March 2017 is 0.5 year and 1.5 years respectively.

Summary of Significant Accounting Policies and Other Explanatory Information

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

41 Related party disclosures

a) Names of related parties and nature of relationship

Nature of relationship	Name of related party
Subsidiary companies	VA Tech Wabag (Singapore) Pte Ltd, Singapore
	VA Tech Wabag GmbH, Austria
	Wabag Wassertechnik AG, Switzerland
	VA Tech Wabag Deutschland GmbH, Germany
	VA Tech Wabag Brno spol S.R.O, Czech Republic
	Wabag Water Services (Macao) Limited, Macao
	Wabag Water Services s.r.l., Romania
	VA Tech Wabag Tunisie s.a.r.l, Tunisia
	Ujams Wastewater Treatment Company (Pty) Ltd, Namibia
	VA Tech Wabag Su Tecknolojisi Ve Tic A.S, Turkey
	VA Tech Wabag Muscat LLC, Oman
	VA Tech Wabag (Philippines) Inc, Philippines
	VA Tech Wabag Limited Pratibha Industries Limited JV, Nepal
	Wabag Limited, Thailand
	Wabag Operation and Maintenance WLL, Bahrain
	Wabag Muhibbah JV Sdn Bhd, Malaysia
	Wabag Belhasa JV WLL, Bahrain
	VA Tech Wabag and Roots Contracting LLC, Qatar
	VA Tech Wabag Brazil Servicos De Agua E Saneamento LTDA (Incorporated effective 08 March 2018)
	VA Tech Wabag Algerie s.a.r.l, Algeria (Liquidated effective 24 October 2016)
	Beijing VA Tech Wabag Water Treatment Technology Co. Limited, China (Liquidated effective 12 April 2016)
	VA Tech Wabag (Hong Kong) Limited, Hong Kong (Liquidated effective 14 April 2016)
	VA Tech Wabag (Spain) S.L.U, Spain (Liquidated effective 30 March 2017)
Associate	Windhoek Goreangab Operating Company (Pty) Limited, Namibia
	VA Tech Wabag and Roots Contracting LLC, Qatar
	Thoothukudi Renew Waters Private Limited
Joint Venture	International Water Treatment LLC, Oman
Key Managerial Personnel (KMP)	Mr. Rajiv Mittal - Managing Director & Group Chief Executive Officer
	Mr. S Varadarajan - Executive Director & Chief Growth Officer
	Mr. Bhagwan Dass Narang - Independent director, Chairman
	Mr. Malay Mukherjee - Independent director
	Mr. Sumit Chandwani - Independent director
	Ms. Revathi Kasturi - Independent director
	Mr. Jaithirth Rao -Independent director (Resigned w.e.f 27 July 2017)
	Mr. G Parthasarathy - Chief Financial Officer
	Mr. Pankaj Sachdeva - Chief Executive Officer (w.e.f 28 November 2016)

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

b) Transactions with related parties

Particulars	2017-18			2016-17		
	Subsidiaries	Associates	Joint venture	Subsidiaries	Associates	Joint venture
(Sale)/Purchase of goods/services	(2,143)	98	-	(11,743)	(100)	(25)
Purchase of investments	48	-	-	80	-	7,860
Others - expense /(income) *	2,390	138	-	488	(137)	506
Reimbursements received/receivable	269	12	4	(590)	8	(18)

* Other income also include group fees.

c) Balances with related parties

Particulars	2017-18			2016-17		
	Subsidiaries	Associates	Joint venture	Subsidiaries	Associates	Joint venture
Advances/ amount recoverable	8,564	422	426	13,117	277	422
Loan to related parties	248	-	-	295	-	-
Creditors/payables	(1,413)	-	-	210	6	-

All transactions with these related parties are priced on an arm's length basis. None of the balances are secured.

Note:

The maximum amount of Loans and advances in the nature of Loans outstanding during the year in accordance with Regulation 34(3) of the SEBI(Listing Obligations and Disclosure Requirements) Regulations 2015 is as below:

i) Wabag Limited, Thailand - ₹ 248 Lakhs (Previous year ₹ 295 Lakhs)

d) List of guarantees

Purpose of Guarantee	2017-18			2016-17		
	Subsidiaries	Associates	Joint venture	Subsidiaries	Associates	Joint venture
Corporate guarantee for securing banking lines	24,958	-	-	19,491	-	-
Corporate guarantee for contract performance	-	-	-	-	106	-
Bank guarantee for contract performance	10,982	681	-	10,111	532	-
Bank guarantee for contract performance and warranty	-	-	1,135	-	-	2,513

e) Remuneration to Key Managerial Personnel

Particulars	2017-18	2016-17
Salaries including bonus	738	566
Post employment and termination benefits	57	93
Commission	69	75

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

42 Fair value measurement

Fair value measurement hierarchy

The Company records certain financial assets and financial liabilities at fair value on a recurring basis. The Company determines fair values based on the price it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The Company holds certain fixed income investments and other financial assets such as employee loans, deposits etc. which must be measured using the fair value hierarchy and related valuation methodologies. The guidance specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about current market conditions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Financial assets and financial liabilities measured at fair value in the balance sheet are grouped into three Levels of fair value hierarchy. These levels are based on the observability of significant inputs to the measurement, as follows:

> **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
> **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e prices) or indirectly (i.e derived from prices)
> **Level 3:** Inputs for assets or liabilities that are not based on observable market data (unobservable inputs)

The following table shows the Levels within the hierarchy of financial and non-financial assets and liabilities measured at fair value on a recurring basis as at 31 March 2018, 31 March 2017:

(a) Quantitative disclosures fair value measurement hierarchy for assets as at 31 March:

				Fair value measurement using		
		Date of valuation	Carrying value	Level 1	Level 2	Level 3
i)	**Assets measured at fair value:**					
	Fair value through statement of profit and loss					
	Investments					
	2018	31 March 2018	17	-	-	17
	2017	31 March 2017	1,933	1,916	-	17
Investment in mutual funds are valued based on the Net Asset Value (NAV) of the funds as at the year end. The NAV of the funds are provided by the fund management company at the end of each reporting year.						
ii)	**Liabilities measured at fair value:**					
	Financial guarantees					
	2018	31 March 2018	1,446	-	-	1,446
	2017	31 March 2017	1,446	-	-	1,446

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

		As at 31 March 2018	As at 31 March 2017
iii)	**Liabilities measured at amortised cost:**		
	a) Interest-bearing loans and borrowings:		
	Floating rate borrowings	-	-
	Fixed rate borrowings	27,626	11,986

The fair values of the Company's interest-bearing borrowings and loans are determined under amortised cost method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. These rates are considered to reflect the market rate of interest and hence the carrying value are considered to be at fair value.

43 Nature and extent of risks arising from financial instruments and respective financial risk management objectives and policies

The Company's principal financial liabilities comprise of loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its group companies operations. The Company's principal financial assets include investments, loans, trade and other receivables, cash and short-term deposits that derive directly from its operations. The Company also enters into derivative transactions and holds short term investments.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by the Group Treasury Team that advises on financial risks and the appropriate financial risk governance framework in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by Group Treasury Team that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors review and agree on policies for managing each of these risks, which are summarised below.

a) Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates are managed by borrowing at fixed interest rates. During the year Company did not have any floating rate borrowings.

Foreign currency risk

Most of the Company's transactions are carried out in Indian rupees. Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in US dollars (USD) and Euro (EUR).

To mitigate the Company's exposure to foreign currency risk, cash flows are monitored and forward exchange contracts are entered into in accordance with the Company's risk management policies. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for net foreign currency exposures that are not expected to be offset by other same currency transactions.

Foreign currency denominated financial assets and financial liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated at the closing rate:-

	Foreign currency exposure (in ₹ in lakhs)	
	USD	EUR
31 March 2018		
Financial assets	25,850	372
Financial liabilities	14,378	202
31 March 2017		
Financial assets	23,849	703
Financial liabilities	9,886	1,288

Currency risk (or foreign exchange risk) arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of this disclosure, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

The following table illustrates the sensitivity of profit and equity in regards to the Company's financial assets and financial liabilities and the USD/₹ exchange rate and EUR/₹ exchange rate 'all other things being equal'. It assumes a +/- 1% change of the ₹ /USD and ₹ /EUR exchange rate for the year ended 31 March 2018 (31 March 2017: 1%).

If the ₹ had strengthened against the USD by 1% during the year ended 31 March 2018 (31 March 2017: 1%), and EUR by 1% during the year ended 31 March 2018 (31 March 2017: 1%) respectively then this would have had the following impact on profit before tax and equity before tax:

		As at 31 March 2018	As at 31 March 2017
Profit before tax			
USD	**+1%**	115	140
EUR	**+1%**	2	(6)
		116	**134**
Equity before tax			
USD	**+1%**	115	140
EUR	**+1%**	2	(6)
		116	**134**

If the ₹ had weakened against the USD by 1% during the year ended 31 March 2018 (31 March 2017: 1%) and EUR by 1% during the year ended 31 March 2018 (31 March 2017: 1%) respectively, there would be an equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

The movement in the pre-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and monetary assets and liabilities denominated in USD and EUR. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example trade receivables, placing deposits, investment in mutual funds etc. the Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 March, as summarised below:

	As at 31 March 2018	As at 31 March 2017
Classes of financial assets		
Trade receivables	196,847	171,971
Cash and bank balances	6,180	9,470
Other financial assets	7,175	5,980

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by the Company, and incorporates this information into its credit risk controls. The Company's policy is to transact only with counterparties who are highly creditworthy which are assessed based on internal due diligence parameters.

In respect of trade receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Customer credit risk is managed based on the Company's established policy, procedures and control relating to customer credit risk management, pursuant to which outstanding customer receivables are regularly monitored by the management. Outstanding customer receivables are regularly monitored by the management to ensure the risk of credit loss is minimal. Credit quality of a customer is assessed based on historical information in relation to pattern of collections, defaults and credit worthiness of the customer. As at 31 March 2018, the Company had 12 (Previous year 2016-17 : 10) customers that owed the Company more than ₹ 3,000 lakhs each and accounted for approximately 80% (Previous year 2016-17: 78%) of all the receivables outstanding. As at 31 March 2018, the Company has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired.

The credit risk for cash and cash equivalents, fixed deposits and mutual funds are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Other financial assets mainly comprises of tender deposits and security deposits which are given to customers or other governmental agencies in relation to contracts executed and are assessed by the Company for credit risk on a continuous basis.

c) Liquidity risk

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on a monthly, quarterly, and yearly basis depending on the business needs. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

The Company's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade receivables are all contractually due within six months except for retention and long term trade receivables which are governed by the relevant contract conditions.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, and short-term borrowings. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below analyses non-derivative financial liabilities of the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows as at 31 March 2018 and 31 March 2017.

Year ended 31 March 2018	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Borrowings	27,901	-	-	-
Trade payables	92,554	-	12,504	-
Other financial liabilities	1,932	1,446	224	-
	122,387	**1,446**	**12,728**	**-**

Year ended 31 March 2017	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Borrowings	12,096	-	-	-
Trade payables	82,999	-	14,176	-
Other financial liabilities	1,738	1,446	215	-
	96,833	**1,446**	**14,391**	**-**

44 Events after the reporting period

No adjusting or significant non-adjusting events have occurred between the reporting date (31 March 2018) and the date of authorization except for proposed dividend as disclosed in note 17.

45 Contingent liabilities, commitments and guarantees

a) Claims against the Company not acknowledged as debt

Particulars	As at 31 March 2018	As at 31 March 2017
Income tax demand including interest contested in appeal for various assessment years	3,096	1,637
Indirect tax matters under dispute	2,618	8,214

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

b) Capital commitments

The estimated amounts of contracts to be executed on capital account and not provided for (net of advances) Nil (Previous year – Nil). Other commitments are cancellable at the option of the company and hence not disclosed.

c) Guarantees excluding financial guarantees

	As at 31 March 2018	As at 31 March 2017
Guarantees issued by the Company for:		
- subsidiaries/joint venture/ associates	12,798	13,263
- Others	45,483	48,477

46 Segment reporting

The Company publishes standalone financial statements along with the consolidated financial statements in the annual report. In accordance with Ind AS 108, Operating segments, the Company has disclosed the segment information in the consolidated financial statements.

47 During the financial year, pursuant to a corporate insolvency resolution process ("CIRP") ordered by National Company Law Tribunal ("NCLT") against M/s. Tecpro Limited ("Tecpro"), erstwhile lead consortium member of the projects in Kakatiya and Rayalaseema areas of the states of Telangana and Andhra Pradesh respectively. The Company filed a claim amounting to ₹ 58,793 Lakhs representing the monies receivable from Tecpro, included under financial assets in books of accounts of the Company. The Company has been contractually appointed as the consortium leader and is currently in the process of recovering these dues directly from the ultimate customer of the projects. The Company has estimated certain expected credit losses in the books of accounts and is confident of recovering the balance dues from the ultimate customer in due course.

Notes 1 to 47 form an integral part of the standalone financial statements.

In terms of our report attached

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Kunj B.Agrawal**
Partner

Place : Chennai
Date : 25 May 2018

For and on behalf of the Board of Directors of **VA Tech Wabag Limited**

B D Narang
Chairman
(DIN :00826573)

Rajiv Mittal
Managing Director & Group CEO
(DIN :01299110)

G Parthasarathy
Chief Financial Officer

R Swaminathan
Company Secretary
(Membership No.:17696)

Place : Chennai
Date : 25 May 2018