Textual information (46)

Disclosure of significant accounting policies [Text Block]

1 Corporate Information

MTAR Technologies Private Limited ("MTAR" or "the Company") is a private limited company domiciled in India, with its registered office at 18, Technocrats Industrial Estate, Balanagar, Hyderabad, Telangana, India 500037. The Company is engaged in the business of manufacturing high precision and heavy equipment, components, machines for sectors including nuclear, aerospace, defence, etc.

The Financial statements were approved for issue in accordance with a resolution of the directors on September 08, 2020.

2 Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III). The financial statement has been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)
The financial statements are presented in Indian Rupees (INR) in Lakhs.

2.2 Summary of significant accounting policies

a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:
? Expected to be realised or intended to be sold or consumed in normal operating cycle
? Held primarily for the purpose of trading
? Expected to be realised within twelve months after the reporting period, or
? Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period
All other assets are classified as non-current.
A liability is current when:
? It is expected to be settled in normal operating cycle
? It is held primarily for the purpose of trading
? It is due to be settled within twelve months after the reporting period, or
? There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
The Company classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.
The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

b) Property, plant and equipment

Property, plant and equipment are stated at cost, net of tax / duty credit availed, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset. Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income)/expense, net" in the statement of profit and loss.

Freehold land is measured at cost net of accumulated impairment, if any

Capital work-in-progress (CWIP) includes cost of property, plant and equipment under installation/ under development net off impairment loss, if any, as at the balance sheet date. Directly attributable expenditure incurred on project under implementation are shown under CWIP. At the point when an asset is capable of operating in the manner intended by management, the capital work in progress is transferred to the appropriate category of property, plant and equipment.

Cost of assets not ready for use at the balance sheet date are disclosed under capital work-in-progress. Capital work in progress is stated at cost, net of accumulated impairment loss, if any.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the

statement of profit and loss when the asset is derecognised.
The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, which is equal to the life prescribed under the Schedule II to the Companies Act, 2013

The useful lives estimated by the management are given below:

Category of Asset	Estimated useful life (years)
Property, plant and equipment	
Land	NA
Buildings	30
Plant and machinery	15
Electrical equipment	5
Furniture and fixtures	10
Office equipment	5
Computers	3 / 6 years
Vehicles	8

c) Intangible assets

Costs relating to computer software, which is acquired, are capitalised and amortised on a straight-line basis over their estimated useful lives of three years.
Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

d) Revenue from contract with customers

Revenue from contracts with customer is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.
The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.
The Goods and service Tax (GST) is not received by the Company on its own account. It is a tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it has been excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue is recognized when control of the goods is passed to the customer. The point at which control passes is determined based on the terms and conditions by each customer arrangement, but generally occurs on delivery to the customer. The contracts that Company enters into relate to sales order containing single performance obligations for the delivery of goods as per Ind AS 115. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Other operating revenue - Export incentives

Export beenfits are recognised where there is reasonable assurance that the benefit will be received and all attached conditions will be complied with. Export benefits on account of export promotion schemes are accrued and accounted in the period of export and are included in other operating revenue.

Contract Balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivable

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract

e) Impairment of non financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.
The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.
Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

g) Foreign currency transactions

Items included in the financial statements of Company are measured using currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Indian rupees (INR), which is the functional currency of the Company.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company in INR at spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at INR spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit and loss.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under Ind AS 115.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
Debt instruments at amortised cost
Debt instruments at fair value through other comprehensive income (FVTOCI)
Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Debt instruments at FVTOCI
A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:
a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The asset's contractual cash flows represent SPPIHowever, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debts Instrument at FVTPL
FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments:
All equity investments are measured at fair value except for equity investment in Subsidiary which have been measured at cost.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised when:
? The rights to receive cash flows from the asset have expired, or
? 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 recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises 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.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition,

ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as payables, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities is as described below:

Loans and borrowings

De-recognition

A financial liability is derecognised 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 recognised in the statement of profit or loss.

Reclassification of financial instruments

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Offsetting of financial instrumentsFinancial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

i) Fair value of financial instruments

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. In determining the fair value of its financial instruments, the Company uses following hierarchy and assumptions that are based on market conditions and risks existing at each reporting date.
Fair value hierarchy:
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
? Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
? Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
? Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

j) Taxes

Current income tax

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for that period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is recognised using the balance sheet approach, deferred tax is recognized on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the concerned company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

k) Employee Benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The cost of providing benefits under the defined benefit plan is determined based on actuarial valuation using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to statement of profit and loss in subsequent periods.

Past service costs are recognised in statement of profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, as it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

l) Provisions and Contingent Liabilities

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A contingent liability is possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise the contingent liability but discloses its existence in the financial statements.

m) Earnings per Share

Basic earnings per share are 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.

Diluted EPS amounts are calculated by dividing the profit attributable to equity shareholders by the weighted average number of Equity shares outstanding during the year plus the weighted average number of equity shares outstanding, for the effects of all dilutive potential shares.

n) Cash and Cash Equivalents

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

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

o) Inventories

Inventories are valued at the lower of cost and net realizable value after providing for obsolescence and other losses, where considered necessary. Cost of inventories comprises all cost of purchase, cost of conversion and 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 the estimated costs of completion and the estimated costs necessary to make the sale.

The methods of valuation of various categories of inventories are as follows:

i. Raw materials : Lower of cost and net realizable value. Cost is determined on weighted average basis

ii. Stores and consumables : Inventory of stores and consumables is valued at cost. Cost is determined on weighted average basis

iii. Work-in-progress: Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of production overheads based on normal operating capacity. Cost is determined on weighted average basis.

p) Cash dividend to equity holders of the Company

The Company recognises a liability to make cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

2.3 Changes in accounting policies and disclosures

New and amended standards

Ind AS 116 Leases

The Company applied Ind AS 116 Leases for the first time. Ind AS 116 supersedes Ind AS 17 Leases including its appendices. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The Application of the standard did not have a material impact to the financial statement of the Company as there are no leases.

Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 Income Taxes. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Appendix did not have a material impact on the financial statements of the Company.

Several other amendments apply for the first time for the year ending March 31, 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, amendments that have been issued but are not yet effective/notified.

29 Gratuity and other post-employment benefit plans

The Employees' Gratuity Fund Scheme managed by a trust is a defined benefit gratuity plan which is administered through group gratuity scheme with Life Insurance Corporation of India. Every employee who has completed five years or more of service gets gratuity on departure at 15 days last drawn salary for each completed year of service subject to a maximum of Rs. 20 lakhs. The following tables summarise the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for gratuity benefit. Amount included are rounded off to two decimals.

Particulars	March 31, 2020	March 31, 2019
Statement of profit and loss		
Net employee benefit expense (recognised in employee benefits expense)		
Current service cost	77.41	56.01
Interest cost on benefit obligation	80.49	83.14
Interest (income) on Plan Assets	(75.67)	(66.00)
Net benefit expense	82.23	73.16
Amount recognised in statement of other comprehensive income (OCI)		
Remeasurements - Due to Financial Assumptions	80.36	23.25
Remeasurements - Due to Experience Adjustments	191.56	(48.60)
Return on Plan Assets	2.92	12.21
	274.83	(13.13)
Balance sheet		
Defined benefit obligation	1,409.60	1,124.51
Fair value of plan assets	1,038.07	1,012.91
Liability	371.53	111.59
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	1,124.51	1,067.88
Interest cost	80.49	83.14
Current service cost	77.41	56.01
Remeasurements - Due to Financial Assumptions	80.36	23.25
Remeasurements - Due to Experience Adjustments	191.56	(48.60)
Benefit Payments from Plan Assets	(144.72)	(57.19)
Closing defined benefit obligation	1,409.60	1,124.51

Particulars	March 31, 2020	March 31, 2019
Changes in the fair value of plan assets		
Opening fair value of plan assets	1,012.91	766.31
Interest Income	75.67	66.00
Remeasurements - Return on Assets	(2.92)	(12.21)

Contributions by employer	97.12	250.00
Benefit Payments from Plan Assets	(144.72)	(57.19)
Closing fair value of plan assets	1,038.07	1,012.91
Actual return on plan assets		
Interest Income	75.67	66.00
Remeasurements - Return on Assets	(2.92)	(12.21)
Actual return on plan assets	72.75	53.79

The principal assumptions used in determining gratuity obligation		
Discount rate	6.71%	7.65%
Attrition rate	5.00%	5.00%
Rate of increase in compensation	5.00%	5.00%

Expected contribution for the Company during the next year would be Rs. 160.25 Lakhs (March 31, 2019: Rs. 55.80 Lakhs)

Disclosure related to indication of effect of the defined benefit plan on the entity's future cash flow

Year	March 31, 2020	March 31, 2019
1 year	133.40	116.85
2-5 years	633.19	528.92
6-10 years	729.06	607.18

The weighted average duration of the defined benefit obligation is 9.98 years (March 31, 2019: 9.78 years).

Sensitivity analysis:

A quantitative sensitivity analysis for significant assumption is as shown below:

Year	March 31, 2020	March 31, 2019
(a) Effect of 1% change in assumed discount rate		
- 1% increase	(85.20)	(71.81)
- 1% decrease	96.20	64.12
(b) Effect of 1% change in rate of increase in compensation		
- 1% increase	104	72.18
- 1% decrease	(94.50)	(79.61)
(c) Effect of 1% change in assumed attrition rate		

- 1 % increase	8.94	11.94
- 1 % decrease	(9.94)	(10.81)

Defined contribution plans

The Company made Provident Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised Rs. 283.77 Lakhs (March 31, 2019: Rs. 185.70 Lakhs) for Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

30 Distribution made on dividend

	March 31, 2020	March 31, 2019
Cash dividends on equity shares declared and paid		
Final dividend @ Rs. 5 each (March 31, 2019 : Rs. 3 each)	1,410.71	846.42
Tax on final equity dividend	289.98	173.98

31 Capital and other commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for: Rs. 1,427.32 Lakhs (March 31, 2019: Rs . Nil).

32 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the recognition and measurement principles of Ind AS requires management to make judgements, estimates and assumptions that affect the reported balances of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. There are no significant areas involving a high degree of judgement or complexity.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities

within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the

Company. Such changes are reflected in the assumptions when they occur.

i. Defined benefit plans (gratuity benefits)

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases are based on expected future inflation. Further details about gratuity obligations are given in Note 29.

(ii) Taxes

Deferred tax asset, comprising of Minimum Alternative Tax (“MAT”) credit is recognised to the extent that it is probable that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward and sufficient taxable profit will be available against which the MAT credit can be utilised. Significant management judgement is required to determine the amount of MAT credit that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(iii) Depreciation of property, plant and equipment

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at based on the useful lives and residual values of all its property, plant and equipment estimated by the management. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of property, plant and equipment.

33 Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, and cash and cash equivalent. The Company is exposed to credit risk, market risk and liquidity risk. The Company has a risk management policy and its management is supported by a risk management committee that advices on risk and appropriate financial risk governance framework for the Company. The risk management committee provides assurance to the Company's management that the risk activities are governed by appropriate policies and procedures and that risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks.

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables), cash and bank balances and other financial assets. The Company deals with parties which has good credit rating/worthiness given by external rating agencies or based on groups internal assessment. The major customers are usually the Government parties and export customers with high credit worthiness .

Exposure to credit risk
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was (i) Rs. 6,427.23 (March 31, 2019: Rs. 6,463.33), being the total of the carrying amount of balances with trade receivables (including retention money and unbilled revenue) (ii) cash and bank balances (excluding cash on hand)

of Rs. 2,413.08 (March 31, 2019: Rs. 2,019.57) and (iii) other financial assets of Rs. 141.90 (March 31, 2019: Rs. 136.36) The measurement of impaired credit for carrying amount of the above financial assets is ascertained using the expected credit loss model (ECL) approach. Credit risk is managed through continuously monitoring the creditworthiness of customers. The Company is considerate of the fact the majority of the collection is receivable from export customers with high credit worthiness or the government Companies where there are no significant risk of bad debts. The customers of the Company have a defined period for payment of receivables, hence the Company evaluates the concentration of risk with respect to trade receivables as low. The sale for the current year include two customers (sale value of Rs. 13,749.37 and Rs. 2,307.58 respectively) (March 31, 2019: Rs. 11,283.36 and Rs. 2,418.90 respectively) where individual sale made to parties were more than 10% individually of total revenue. The total amout receivable from top 2 customer is Rs. 4,302.74 (March 31, 2019 : Rs. 4501.63). The cash and bank balances (excluding cash on hand) of Rs.

2,413.08 (March 31, 2019: Rs. 2,019.57) are held with banks having good credit rating.

Liquidity risk
The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. The table below summarises the maturity profile of the Company’s financial liabilities based on contractual undiscounted payments (including interest payments):

	Within 1 year	1 to 5 years	After 5 years	Total
March 31, 2020				
Borrowings	2,913.33	-	-	-
Trade payables	3,076.46	-	-	-
	5,989.79	-	-	-
Year ended March 31, 2019				
Borrowings	2873.08	-	-	-
Trade payables	597.83	-	-	-
	3,470.91	-	-	-

Foreign currency exchange rate risk
The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss. The risks primarily relate to fluctuations in US Dollar as against the functional currency of the Company. The Company evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks.

The year end unhedge foreign currency exposures is as under:

	March 31, 2020	March 31, 2019
Trade receivables	3,826.46	3,329.55
Borrowings	1,688.74	-
Trade payables	864.05	5.05

Exchange rate as at March 31, 2020 and March 31, 2019 are Rs. 75.39 /USD and Rs. 69.32 / USD respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates with all other variables held constant. The impact on the Company’s profit before tax is due to changes in the fair value of monetary assets and liabilities.

Change in

	exchange rate		Effect on profit before tax	
	Increase	Decrease	Increase/(Decrease)	
March 31, 2020	1%	1%	12.74	(12.74)
March 31, 2019	1%	1%	29.94	(29.94)

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 is exposed to interest rate risk because funds are borrowed at both fixed and floating interest rates. Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rate. The borrowings of the Company are principally denominated in rupees and US dollars with a mix of fixed and floating rates of interest. The Company has exposure to interest rate risk, arising principally on changes in base lending rate and LIBOR rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended March 31, 2020 would decrease / increase by Rs. 13.94 Lakhs (March 31, 2019: Rs. 14.11 Lakhs).

34 Capital management

For the purpose of the Company's capital management, capital includes issued equity capital and other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The entity manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the entity may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The entity monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The entity's policy is to keep the gearing ratio minimal. The entity includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents.

	March 31, 2020	March 31, 2019
Current Borrowings	2,913.33	2,873.08
Less: Cash and cash equivalents	(500.70)	(1,076.75)
Net debt	2,412.63	1,796.33
Equity	22,508.09	23,498.41
Capital and net debt	24,920.72	25,294.74
Gearing ratio	9.68%	7.10%

35 During the year ended March 31, 2019, the Company has sold land on which the Company made a profit of Rs. 129.38 Lakhs. The same has been treated as exceptional item.

36 Related party disclosures

Names of related parties and description of relationship

(a) Enterprises over which Key managerial personnel described in (c) below are able to exercise significant influence

Samuha Engineering Industries Limited

(b) Subsidiary company

Magnatar Aero Systems Private Limited

(c) Key managerial personnel

P. Jayaprakash Reddy, Director

K. Satyanarayana Reddy, Director

P. Srinivas Reddy, Managing Director

M. Anushman Reddy, Director

Devesh Dhar Dwivedi, Chief operating officer *

Abhaya Shankar, Chief executing officer **

Sudipto Bhattacharya, Chief financial officer ***

* Chief financial officer upto August 31, 2020

** resigned w.e.f May 09, 2020

*** Chief financial officer w.e.f September 01, 2020

(d) Relatives of key management personnel

A. Praveen Kumar Reddy

A. Pranay Kumar Reddy

M. Anushman Reddy

Transactions and balances with related parties

Particulars	March 31, 2020	March 31, 2019
A. Transactions with related parties		
Remuneration		
P. Jayaprakash Reddy	-	72.00
K. Satyanarayana Reddy	-	72.00
M. Anushman Reddy	21.45	3.60
Devesh Dhar Dwivedi	25.11	-
Abhaya Shankar	73.85	-
A. Praveen Kumar Reddy	12.00	10.60
A. Pranay Kumar Reddy	15.23	3.09
Professional charges		
P. Jayaprakash Reddy	66.40	-
K. Satyanarayana Reddy	48.00	-
P. Srinivas Reddy	80.00	48.00
Buy back of equity shares		
P. Jayaprakash Reddy (number)	14,54,541	-
Advances given		
Magnatar Aero Systems Private Limited	0.30	-
Balances receivable/(payable)		
Samuha Engineering Industries Limited	2.92	2.92
Magnatar Aero Systems Private Limited	0.30	-

* As the future liability for gratuity and leave encashment is provided on actuarial basis for the Company as a whole, the amount pertaining to the individual is not ascertainable and, therefore, not included above.

37 Fair values

There are no significant financial assets and liabilities measured at fair value through profit or loss.

The fair value of the financial assets and liabilities measured at amortised cost approximates their carrying amounts as at the balance sheet date.

The Company is closely monitoring the impact of COVID-19 pandemic on all aspects of it’s business, including how it will impact its customers, employees, vendors and business partners. The Company based on the information available to date, both internal and external, 38 considered the uncertainty relating to the COVID-19 pandemic in assessing its impact. Based on the current estimates, the Company expects to fully recover the carrying amount of assets and does not foresee any significant material adverse impact on its operations. As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic condition.

39 The figures of previous year have been regrouped/reclassified, where necessary, to conform to this year's classification.

As per our report of even date

FOR S.R.BATLIBOI & ASSOCIATES LLP	For and on behalf of the Board of Directors of
ICAI Firm registration number: 101049W / E300004	MTAR Technologies Private Limited
Chartered accountants	
per Navneet Rai Kabra	P. Srinivas Reddy K. Vamshidhar Reddy
Partner	Managing Director Director
Membership no: 102328	DIN: 00359139 DIN: 01133873
	Devesh Dhar Dwivedi Sudipto Bhattacharya
	Chief Operating Officer Chief Financial Officer
Place: Hyderabad	Place: Hyderabad
Date: September 08, 2020	Date: September 08, 2020

[610200] Notes - Corporate information and statement of IndAs compliance

Unless otherwise specified, all monetary values are in Lakhs of INR

	01/04/2019 to 31/03/2020	01/04/2018 to 31/03/2019
Disclosure of corporate information notes and other explanatory information [TextBlock]		
Statement of Ind AS compliance [TextBlock]	Textual information (47) [See below]	Textual information (48) [See below]
Whether there is any departure from Ind AS	No	No
Whether there are reclassifications to comparative amounts	No	No
Description of reason why reclassification of comparative amounts is impracticable	Textual information (49) [See below]	Textual information (50) [See below]
Description of nature of necessary adjustments to provide comparative information	Textual information (51) [See below]	Textual information (52) [See below]
Disclosure of significant accounting policies [TextBlock]	Textual information (53) [See below]	