INDEPENDENT AUDITOR'S REPORT

To
The Members of
Pokarna Engineered Stone Limited

Report on the Audit of the financial statements

Opinion

We have audited accompanying financial statements of Pokarna Engineered Stone Limited ('the Company'), which comprise of the Balance sheet as at March 31, 2020, the statement of Profit and Loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereafter referred to as "the audited financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by The Companies Act, 2013 ("The Act") in the manner so required and give a true and fair view in conformity with the Indian accounting standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the independent requirement that are relevant to our audit of the financial statements under the provisions of the Act and the rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on financial statements.

Emphasis of Matter

We draw attention to Note 39 of the standalone financial statements, as regards to the management's evaluation of COVID – 19 impact on the future performance of the Company. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

S No.	Key Audit Matter	Auditors Response
1	**Revenue Recognition:** The Company recognizes revenue from sale of goods when controls of the product are transferred in accordance with the terms of sale, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. In determining the sales price, the Company considers the effects of rebates and discounts. The terms of sales arrangements, including the timing of transfer of control, the nature of discount and rebates arrangements and delivery specifications, post sale discounts, warranties which create complexity and judgment in determining sales revenues and accordingly, it was determined to be a key audit matter in our audit of the standalone financial statements.	**Principal Audit Procedures :** Our audit procedures included the following: Considered the appropriateness of Company's revenue recognition policy and its compliance in. terms of Ind AS 115 'Revenue from contracts with customers'; Assessed the design and tested the operating effectiveness of internal controls related to sales and related rebates and discounts; Performed sample tests of individual sales transaction and traced to sales invoices, sales orders and other related documents. In respect of the samples selected, tested that the revenue has been recognized as per the sales agreements; Assessed the relevant disclosures made in the Standalone financial statements.

S No.	Key Audit Matter	Auditors Response
2	**Related Party Transactions:** The Company has entered into several transactions with related parties during the year. We identified related party transactions as a key audit matter because of risks with respect to completeness of disclosures made in the financial statements; compliance with statutory regulations governing related party relationships such as the Companies Act, 2013 and SEBI Regulations and the judgement involved in assessing whether transactions with related parties are undertaken at arms' length.	**Principal Audit Procedures :** In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence: We carried out an assessment of the key controls to identify and disclose related party relationships and transactions in accordance with the relevant accounting standard. We carried out an assessment of compliance with the listing regulations and the regulations under the Companies Act, 2013, including checking of approvals/ scrutiny as specified in Sections 177 and 188 of the Companies Act, 2013 with respect to the related party transactions. We considered the adequacy and appropriateness of the disclosures in the financial statements, including recoverability thereof, relating to the related party transactions. For transactions with related parties, we inspected relevant ledgers, agreements and other information that may indicate the existence of related party relationships or transactions. We also tested completeness of related parties with reference to the various registers maintained by the Company statutorily. We have tested on a sample basis, Company's assessment of related party transactions for arm's length pricing.
3	**Inventory of raw material, work in progress, finished goods, Stores & Spares etc., (Existence at close of the year)** Physical verification of Inventory was performed by the management subsequent to the yearend due to the restrictions imposed on account of COVID-19.	**With respect to the existence of Inventory as at the yearend:** a) Evaluated the design and implementation of the controls over physical verification of inventory and tested the operating effectiveness of these controls during the interim periods. b) Due to the COVID-19 related lock-down we were not able to participate in the physical verification of inventory that was carried out by the management subsequent to the year end. Consequently, we have participated in the physical verification of inventories conducted by the management subsequent to the year end, through video calls and performed roll back procedures.
4	**Evaluation of Provision for Warranties** The Company gives warranties on products and services, undertaking to repair / replace during the warranty period. Provision made represents the amount of the expected cost of meeting such obligation on account of repair / replacement. Refer Note No.17.1 of the financial statements.	**Principal Audit Procedures :** Our audit approach was a combination of test of internal controls and substantive procedures. We have further reviewed the management's assumptions with respect to estimating the provision for warranties and noted based on the past experience of the levels of repairs and returns of certain products and services.

Information other than financial statements and Auditor's report thereon

The company's Board of Directors are responsible for the preparation of the other information. The other information comprises of the information included in the management discussion and analysis, Boards report including Annexure to Boards Report, Corporate Governance and Shareholders information, but does not include the financial statements and our auditor's report thereon. Our opinion on financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statement or other information obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the financial statements

The Company's Board of Directors are responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, the statement of change in equity, and the Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account.

d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended including the Companies (Indian Accounting Standards) Amendment Rules, 2019;

e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of Section 197 of the Act.

g) With respect to the adequacy of the internal financial controls with respect to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

h) With respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us

   i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note.32;

   ii. The Company has made provision, as required under the applicable law or Accounting Standards, for material foreseeable losses, if any, on long term contracts. The Company neither entered into any derivative contract during the year nor have any outstanding derivative contract at the end of the year;

   iii. The provisions relating to transferring amounts to Investor Education and Protection Fund is not applicable to the Company during the year.

For **K.C. Bhattacharjee & Paul.,**
Chartered Accountants
(ICAI FRN: 303026E)

(**Manoj Kumar Bihani**)
Partner
Membership No. 234629
UDIN No.20234629AAAAAY1684

Place: Hyderabad
Date: 27.06.2020

Annexure - A to the Independent Auditors' Report

Referred to in Report on Other Legal and Regulatory Requirements of the Independent Auditors' Report of even date to the members of Pokarna Engineered Stone Limited on the Ind AS financial statements as of and for the year ended March 31, 2020

i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of one year. In accordance with this programme, the fixed assets have been physically verified by the management during the year and no material discrepancies have been noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) According to the information and explanations given to us, the title deeds of immovable properties, as disclosed in Note 3 to the standalone financial statements, are held in the name of the Company.

ii. The inventory, except goods-in-transit, has been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material.

iii. According to information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3 (iii) of the Order is not applicable to the Company.

iv. The Company has not granted any loans or provided any guarantees or security to the parties covered under section 185 of the Act. The Company has complied with the provisions of section 186 of the Act in respect of investments made or loans or guarantee or security provided to the parties covered under section 186.

v. According to information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India, provisions of section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder

vi. The Central Government of India has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, for the products sold and services rendered by the Company. Accordingly, paragraph 3(vi) of the Order are not applicable to the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, employees state insurance, income tax, goods and service tax, duty of customs, cess, professional tax and other material statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees state insurance, income tax, goods and service tax, duty of customs, cess, professional tax and other material statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable except advance income tax of ₹ 1.06 Crores (Prev Year NIL).

(b) According to the information and explanations given to us, there are no dues of income tax, sales tax, value added tax, service tax, goods and service tax, duty of customs, duty of excise which have not been deposited with the appropriate authorities on account of any dispute.

viii. According to the information and explanations given to us and records of the company examined by us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.

ix. On the basis of our review of utilization of funds pertaining to term loans on overall basis and related information and explanations as made available to us, the term loans taken by the company has been utilized for the purpose of which they were obtained. Further, the company has not raised monies by way of initial public offers or further public offers during the year.

x. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the company or on the company its officers or employees, noticed or reported during the year, nor have we been informed by any such case by the management.

xi. According to the information and explanations given to us and based on our examination of the records, the Company has paid or provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Act.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3 (xii) of the Order is not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examinations of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable. The details of such related party transactions have been disclosed in the standalone financial statements as required by applicable Indian Accounting Standards.

xiv. According to the information and explanations given to us and based on our examination of the records, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3 (xiv) of the Order is not applicable to the Company.

xv. According to the information and explanations given to us and based on our examination of the records, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3 (xv) of the Order is not applicable to the Company.

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3 (xvi) of the Order is not applicable to the Company.

For **K.C. Bhattacharjee & Paul.,**
Chartered Accountants
(ICAI FRN: 303026E)

(**Manoj Kumar Bihani**)
Partner
Membership No. 234629

Place: Hyderabad
Date: 27.06.2020

Annexure - B to the Independent Auditors' Report

Report on the Internal Financial Controls with reference to the financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to the financial statements of Pokarna Engineered Stone Limited ("the Company") as of 31st March 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to the financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements:

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial control system with reference to financial statements and such internal financial controls were operating effectively as at March 31, 2020, based on the internal financial control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **K.C. Bhattacharjee & Paul.,**
Chartered Accountants
(ICAI FRN: 303026E)

(**Manoj Kumar Bihani**)
Partner
Membership No. 234629

Place: Hyderabad
Date: 27.06.2020

BALANCE SHEET

(₹ in Lakhs)

	Note	As at March 31, 2020	As at March 31, 2019
ASSETS			
I Non-current assets			
(a) Property, plant and equipment	3	17319.04	15831.09
(b) Capital work-in-progress		42830.15	5303.92
(c) Financial assets			
(i) Loans	4(A)	271.16	189.99
(ii) Other financial assets	5(A)	2264.62	373.39
(d) Deferred tax asset (net)	6	205.80	705.46
(e) Other non-current assets	7(A)	1150.35	5276.32
Total non-current assets		**64041.12**	**27680.17**
II Current assets			
(a) Inventories	8	5942.38	7083.03
(b) Financial assets			
(i) Trade receivables	9	2608.06	5535.26
(ii) Cash and cash equivalents	10	1041.59	569.23
(iii)Bank balances other than (ii) above	11	1950.48	2554.12
(iv)Loans	4(B)	28.92	40.15
(v) Other financial assets	5(B)	176.81	63.15
(c) Current tax assets	12	2.60	2.60
(d) Other current assets	7(B)	1064.28	482.74
Total current assets		**12815.12**	**16330.28**
TOTAL ASSETS		**76856.24**	**44010.45**
EQUITY AND LIABILITIES			
I Equity			
(a) Equity share capital	13	417.06	417.06
(b) Other equity	14	26429.51	18898.62
Total equity		**26846.57**	**19315.68**
Liabilities			
II Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	15(A)	20063.85	13008.22
(ii) Other financial liabilities	16(A)	178.92	-
(b) Provisions	17(A)	254.82	153.86
(c) Other non-current liabilities	18(A)	18711.05	-
Total non-current liabilities		**39208.64**	**13162.08**
III Current liabilities			
(a) Financial liabilities			
(i) Borrowings	15(B)	2597.51	3560.44
(ii) Trade payables	19		
a) total outstanding dues of micro enterprises and small enterprises		2.04	8.33
b) total outstanding dues of creditors other than micro enterprises and small enterprises		2449.51	3134.02
(iii) Other financial liabilities	16(B)	1117.02	1698.34
(b) Other current liabilities	18(B)	2887.75	2011.78
(c) Provisions	17(B)	872.95	591.44
(d) Current tax liabilities (net)	20	874.25	528.34
Total current liabilities		**10801.03**	**11532.69**
TOTAL EQUITY AND LIABILITIES		**76856.24**	**44010.45**
Notes forming part of the financial statements	1 - 43		

In terms of our report attached

For **K.C.Bhattacharjee & Paul**
Chartered Accountants
(F.No.303026E)

Manoj Kumar Bihani
Partner
Membership No. 234629

Place : Hyderabad
Date : 27th June, 2020

For and on behalf of Board of Directors

Gautam Chand Jain
Managing Director
(D.No: 00004775)

Prakash Chand Jain
Director
(D.No: 00084490)

Meka Yugandhar
Director
(D.No: 00012265)

Apurva Jain
Director
(D.No: 06933924)

STATEMENT OF PROFIT AND LOSS

(₹ in Lakhs)

		Note	Year ended March 31, 2020	Year ended March 31, 2019
	Income			
I	Revenue from operations	21	31676.77	31595.42
II	Other income	22	472.07	776.45
III	**Total income**		**32148.84**	**32371.87**
IV	**Expenses**			
	a) Cost of raw material consumed	23	10483.64	11249.61
	b) Changes in stock of finished goods, work-in-progress	24	782.55	1126.18
	c) Employee benefits expense	25	2152.16	1849.90
	d) Depreciation and amortization expense	26	1098.79	1082.86
	e) Finance costs	27	1639.74	1954.39
	f) Other expenses	28	6122.42	5984.69
	Total expenses		**22279.30**	**23247.63**
V	**Profit before tax (III-IV)**		**9869.54**	**9124.24**
VI	**Tax expense:**			
	a) Current tax	29	3053.33	2040.97
	Less: MAT credit entitlement		-	(716.55)
	b) Deferred tax		(750.77)	419.78
	Total tax expense		**2302.56**	**1744.20**
VII	**Profit for the year (V-VI)**		**7566.98**	**7380.04**
VIII	**Other comprehensive income**			
	(i) Items that will not be reclassified to profit or loss		(49.24)	9.09
	(ii) Income tax relating to items that will not be reclassified to profit or loss		13.15	(3.17)
	Total other comprehensive income		**(36.09)**	**5.92**
IX	**Total comprehensive income for the year (VII+VIII)**		**7530.89**	**7385.96**
X	Earnings per share - Basic and Diluted (in ₹)	30	181.44	176.95
	Nominal Value of Share (in ₹)		10.00	10.00
	Notes forming part of the financial statements	1 - 43		

In terms of our report attached

For **K.C.Bhattacharjee & Paul**
Chartered Accountants
(F.No.303026E)

Manoj Kumar Bihani
Partner
Membership No. 234629

Place : Hyderabad
Date : 27th June, 2020

For and on behalf of Board of Directors

Gautam Chand Jain
Managing Director
(D.No: 00004775)

Prakash Chand Jain
Director
(D.No: 00084490)

Meka Yugandhar
Director
(D.No: 00012265)

Apurva Jain
Director
(D.No: 06933924)

STATEMENT OF CHANGES IN EQUITY

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
A) EQUITY SHARE CAPITAL		
Equity shares		
Balance at the beginning of the year	417.06	417.06
Changes during the year	-	-
Balance at the end of the year	**417.06**	**417.06**

B) Other Equity

(₹ in Lakhs)

Particulars	Securities Premium	Retained Earnings	Other Comprehensive Income	Total Other Equity
Balance as at 01.04.2019	**5698.82**	**13194.74**	**5.06**	**18898.62**
Profit for the year		7566.98		7566.98
Movement in OCI (Net) during the year			(36.09)	(36.09)
Balance as at 31.03.2020	**5698.82**	**20761.72**	**(31.03)**	**26429.51**

(₹ in Lakhs)

Particulars	Securities Premium	Debenture Redemption Reserve	Retained Earnings	Other Comprehensive Income	Total Other Equity
Balance as at 01.04.2018	**5698.92**	**132.75**	**5681.95**	**(0.86)**	**11512.66**
Profit for the year			7380.04		7380.04
Movement in OCI (Net) during the year				5.92	5.92
Transfer to retained earnings		(132.75)			(132.75)
Transfer from debenture redemption reserve			132.75		132.75
Balance as at 31.03.2019	**5698.92**	**-**	**13194.74**	**5.06**	**18898.62**

In terms of our report attached

For **K.C.Bhattacharjee & Paul**
Chartered Accountants
(F.No.303026E)

Manoj Kumar Bihani
Partner
Membership No. 234629

Place : Hyderabad
Date : 27th June, 2020

For and on behalf of Board of Directors

Gautam Chand Jain
Managing Director
(D.No: 00004775)

Meka Yugandhar
Director
(D.No: 00012265)

Prakash Chand Jain
Director
(D.No: 00084490)

Apurva Jain
Director
(D.No: 06933924)

STATEMENT OF CASH FLOW

(₹ in Lakhs)

	Year ended March 31, 2020	Year ended March 31, 2019
(A) Cash flows from operating activities		
Profit before taxes	**9869.54**	**9124.24**
Adjustments:		
Depreciation and amortization expense	1098.79	1082.86
Amortization of land lease expenses	-	35.96
Loss/(profit) on sale of property, plant & equipment	5.62	3.89
Allowance for credit losses	26.07	(2.86)
Provision for warranties	278.27	295.93
Unrealized foreign exchange (gain) / loss, net	(236.88)	(323.84)
Finance costs	1639.74	1954.39
Interest income	(53.99)	(37.54)
Operating profit before working capital changes	**12627.16**	**12133.03**
Changes in working capital and other provisions:		
Trade receivables	3062.31	(913.56)
Inventories	1140.66	130.93
Loans and advances and other assets	1270.76	(5781.22)
Other liabilities and provisions	19678.97	3357.81
Cash generated from operations	**37779.86**	**8926.99**
Income taxes paid, net	(1444.23)	(1722.44)
Net cash from/(used in) operating activities	**36335.63**	**7204.55**
(B) Cash flows from investing activities		
Purchase of property, plant and equipment and changes in CWIP	(39171.97)	(6466.94)
Proceeds from sale of property, plant and equipment	96.15	-
Interest income	53.99	37.54
Net cash from /(used in) investing activities	**(39021.83)**	**(6429.40)**
(C) Cash flows from financing activities		
Bank borrowings	4408.57	696.14
Other borrowings	(393.86)	(61.66)
Principal payments of Lease Liabilities	(39.23)	-
Interest expense (including lease liabilities)	(1639.74)	(1954.39)
Net cash from/ (used in) financing activities	**2335.74**	**(1319.91)**
Net increase/ (decrease) in cash and cash equivalents	**(350.46)**	**(544.76)**
Add: Cash and cash equivalents at the beginning of the year	569.23	889.82
Effect of exchange gain on cash and cash equivalents	422.53	224.17
Cash and cash equivalents at the end of the year (refer note.10.1)	**641.30**	**569.23**

In terms of our report attached

For **K.C.Bhattacharjee & Paul**
Chartered Accountants
(F.No.303026E)

Manoj Kumar Bihani
Partner
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NOTES TO FINANCIAL STATEMENTS

1 Corporate information

The standalone financial statements comprise financial statements of Pokarna Engineered Stone Limited (the "Company") for the year ended 31st March, 2020. The Company is a public company domiciled in India and incorporated under the provisions of the Companies Act applicable in India. The Company is a wholly-owned subsidiary of Pokarna Limited. The registered office of the Company is at 105, Surya Towers, SP Road, Secunderabad - 500003, Telangana, India and its principal manufacturing facility is located at APSEZ, Atchutapuram & Rambili Mandal, Vishakhapatnam, Andhra Pradesh and is setting up another manufacturing facility at Mekaguda Gram Panchayat, Dooskal Village, Ranga Reddy District as a EOU. The Company is primarily engaged in the business of manufacturing, processing and selling high quality engineered quartz surfaces.

2 Basis of preparation, measurement and significant accounting policies

The significant accounting policies applied by the Company in the preparation of its financial statements are listed below. Such accounting policies have been applied consistently to all the periods presented in these financial statements, unless otherwise indicated.

2.1 Statement of compliance and basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 (" the Act ") read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and as amended. These financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the balance sheet:

(i) certain financial assets and financial liabilities are measured either at fair value or at amortized cost depending on the classification; and

(ii) employee defined benefit assets/(liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation.

2.2 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:

(i) Expected to be realized or intended to be sold or consumed in normal operating cycle

(ii) Held primarily for the purpose of trading

(iii) Expected to be realized within twelve months after the reporting period, or

(iv) 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:

(i) It is expected to be settled in normal operating cycle

(ii) It is held primarily for the purpose of trading

(iii) It is due to be settled within twelve months after the reporting period, or

(iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified 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 realization in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

2.3 Critical estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reflected in the financial statements and accompanying notes, and related disclosure of contingent assets and liabilities. The estimates and the associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and could have a materially adverse effect on reported results. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

The areas involving critical estimates or judgements are:

(i) Assessment of functional currency

(ii) Assets and obligations relating to employee benefits

(iii) Measurement of Lease liabilities and Right of Use Asset (ROUA)

(iv) Key assumptions used in discounted cash flow projections

(v) Recognition of deferred tax assets

(vi) Estimation of uncertainties relating to the global health pandemic from COVID-19

NOTES TO FINANCIAL STATEMENTS

2.4 Recent Accounting Developments

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

2.5 Significant accounting policies

A Property, plant and equipment

An item of property, plant and equipment is recognized as an asset if it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. This recognition principle is applied to the costs incurred initially to acquire an item of property, plant and equipment and also to costs incurred subsequently to add to, replace part of, or service it. All other repair and maintenance costs, including regular servicing, are recognized in the statement of profit and loss as incurred. When a replacement occurs, the carrying value of the replaced part is de-recognized. Where an item of property, plant and equipment comprises major components having different useful lives, these components are accounted for as separate items.

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment. Cost includes all direct costs and expenditures incurred to bring the asset to its working condition and location for its intended use. Trial run expenses (net of revenue) are capitalized. Borrowing costs incurred during the period of construction is capitalized as part of cost of the qualifying assets. The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognized in the statement of profit and loss.

Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use at the year end. Project development and pre-operative expenses attributable to project are allocated to the cost of the fixed assets. Others are written off over the period of five years from the year of commercial operations begins.

B Depreciation and amortisation of property, plant and equipment and intangible assets

Depreciation or amortization is provided so as to write off, on a straight line basis, the cost of property, plant and equipment and other intangible assets, including those held under finance leases to their residual value. These charges are commenced from the dates the assets are available for their intended use and are spread over their estimated useful economic lives or, in the case of leased assets, over the lease period, if shorter. The estimated useful lives of assets and residual values are reviewed regularly and, when necessary, revised. No further charge is provided in respect of assets that are fully written down but are still in use.

Depreciation on assets under construction commences only when the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are determined with reference to Schedule II to the Companies Act, 2013. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate

Freehold land is not depreciated.

C Intangible assets

Intangible assets are stated at cost less accumulated amortization or impairment. Intangible assets are amortized on their estimated useful life of assets. Expenditure incurred in research phase is expensed as incurred.

D Provision for decommissioning and site restoration costs

Under Ind AS, cost of an item of property, plant and equipment or intangible assets includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. Such cost of decommissioning, restoration or similar liability is to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life.

E Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

NOTES TO FINANCIAL STATEMENTS

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for trade receivables.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected in a separate line in the statement of profit and loss as an impairment gain or loss.

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of profit and loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

F Leases

(i) Lessee

The Company has adopted Ind AS 116-Leases effective 1st April, 2019, using the modified retrospective method. The Company has applied the standard to its leases with the cumulative impact recognised on the date of initial application (1st April, 2019). Accordingly, previous period information has not been restated. The Company's lease asset classes primarily consist of leases for Land and Buildings, Retail Outlets, Vehicles and Plant & Machinery. The Company assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(i) the contract involves the use of an identified asset

(ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and

(iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognises a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short term leases) and leases of low value assets. For these short term and leases of low value assets, the Company recognises the lease payments as an operating expense on a straight line basis over the term of the lease.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

NOTES TO FINANCIAL STATEMENTS

The lease liability is initially measured at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made.

A lease liability is remeasured upon the occurrence of certain events such as a change in the lease term or a change in an index or rate used to determine lease payments. The remeasurement normally also adjusts the leased assets. Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows

(ii) Lessor

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the ROU asset arising from the head lease. For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

G Financial instruments

Financial assets

All financial assets are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition. Purchase and sale of financial assets are recognized using trade date accounting.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. Financial assets are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment loss.

The Company's financial assets include security deposits, cash and cash equivalents, trade receivables and deposits with banks. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Financial liabilities

All financial liabilities are recognized at fair value and in case of loans, net of directly attributable cost. Fees of recurring nature are directly recognized in the Statement of Profit and Loss as finance cost.

Financial liabilities are carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company financial liabilities include Loans and borrowings and trade and other payables.

H Cash and bank balances:

Cash and bank balances consist of:

(i) Cash and cash equivalents – which includes cash in hand, deposits held at call with banks and other short term deposits which are readily convertible into known amounts of cash, are subject to an insignificant risk of change in value and have maturities of less than three months from the date of such deposits. These balances with banks are unrestricted for withdrawal and usage.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consists of cash and short-term deposits, as defined above, net

NOTES TO FINANCIAL STATEMENTS

of outstanding bank overdraft but including other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(ii) **Other bank balances -** which includes balances and deposits with banks that are restricted for withdrawal and usage.

I Employee benefits

(i) Short term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid towards bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Post -employment benefits:

Defined contribution plans:

Provident Fund

Eligible employees of the Company receive benefits from provident fund, which is a defined contribution plan. Both the eligible employees and the Company make monthly contributions to the Government administered provident fund scheme equal to a specified percentage of the eligible employee's salary. employer contribution is charged to statement of profit and loss. Amounts collected under the provident fund plan are deposited with in a Government administered provident fund. The Company has no further obligation to the plan beyond its monthly contributions.

Employee state Insurance Scheme

Eligible employees of the Company are covered under "Employees State Insurance Scheme Act 1948, which are also defined contribution schemes recognized and administered by Government of India.

The Company's contributions to these schemes are recognized as expense in statement of profit and loss during the period in which the employee renders the related service. The Company has no further obligation under these plans beyond its monthly contributions.

Defined benefit plans:

The Company provides for gratuity, a defined benefit plan ("the Gratuity Plan") covering the eligible employees of the Company. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of the employment with the Company. Liability with regard to the Gratuity Plan is determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method.

The Company recognizes the net obligation of a defined benefit plan as a liability in its balance sheet. Gains or losses through re-measurement of the net defined benefit liability are recognized in other comprehensive income and are not reclassified to profit and loss in the subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognized in other comprehensive income. The effect of any plan amendments is recognized in the statement of profit and loss.

Other long-term employee benefits

The liabilities for compensated absences which are not expected to occur within twelve months are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using projected unit credit method. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income and are not reclassified to profit and loss in the subsequent periods.

Company uses updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

J Inventories

Inventories are valued at lower of cost and net realizable value. Cost of raw materials, Stores and Spares, Consumables, Packing materials and others are valued at Cost on First-In-First-Out (FIFO) basis. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition on normal operating capacity. The cost of finished goods and work in progress

NOTES TO FINANCIAL STATEMENTS

includes raw materials, direct labour, other direct costs and appropriate portion of variable and fixed overhead expenditure, computed on normal capacity.

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 company assess the valuation of Inventories at each reporting period and write down the value for different finished goods based on their quality classes and ageing. Inventory provisions are provided to cover risks arising from slow-moving items, discontinued products, and net realizable value lower than cost. The process for evaluating these write-offs often requires us to make subjective judgments and estimates, based primarily on historical experience, concerning prices at which such inventory will be able to be sold in the normal course of business, planned product discontinuances and introduction of competitive new products, to the extent each of these factors impact the Company's business.

K Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognized 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 recognized 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 recognized as a finance cost.

Provision for Warranties:

The Company generally provides a standard warranty for covering manufacturing defects for different periods of time, depending on the type of product and the customer when the product is sold or service provided to the customer. The Company records a provision for the estimated cost to repair or replace products under warranty, which is estimated, based primarily on historical experience as well as management judgment. The assumptions made in relation to the current period are consistent with those in the prior year. This provision is not discounted to the present value and is determined based on the best estimate required to settle the obligations at the Balance Sheet date.

Contingent liabilities

A contingent liability is a 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 the Company or a present obligation that is not recognized 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 recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent assets

Contingent assets are not recognized but disclosed in the financial statements when an inflow of economic benefits is probable.

L Government grants

Effective from 01st April 2018, the Company has adopted and opted Ind AS 20 policy for 'Accounting for Government Grants and Disclosure of Government Assistance' from 'Deferred Income recognised in Statement of Profit and Loss on a systematic basis over the useful life of the assets' to 'Option of deducting the same from carrying value'.

M Non-current assets held for sale

Non-current assets comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in the statement of profit and loss. Gains are not recognized in excess of any cumulative impairment loss.

Where a disposal group represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, then it is treated as a discontinued operation. The post-tax profit or loss of the

NOTES TO FINANCIAL STATEMENTS

discontinued operation together with the gain or loss recognized on its disposal are disclosed as a single amount in the statement of profit and loss, with all prior periods being presented on this basis.

N Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of profit and loss except relating to items recognized directly in equity or in other comprehensive income.

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of Income Tax Act, 1961. Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle the asset and the liability on a net basis.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognized and carried forward only if it is probable that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Minimum Alternate Tax credit is recognized as deferred tax asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

Company determines the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determing taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

O Revenue

Revenue is measured at fair value of the consideration received or receivable. Revenue is recognized when the performance obligations under contract are fulfilled and there are no unfulfilled obligations and amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company. The specific recognition criteria described below must also be met before revenue is recognized:

Goods Sold: Revenue from sale of goods are recognized when controls of the product are transferred in accordance with the terms of sale, and there is no unfulfilled obligation that could affect the customers' acceptance of the products and is net of trade discounts, sales returns, where applicable. accordingly export and domestic revenue is recognized when the performance obligations in our contracts are fulfilled.

Rendering of services: Revenue recognition is based on the terms and conditions as per the contracts entered into / understanding with the customers and the service is performed and there are no unfulfilled obligations. All revenues from services, as rendered, are recognised when persuasive evidence of an arrangement exists, the sale price is fixed or determinable and collectability is reasonably assured and are reported net of sales incentives, discounts based on the terms of the contract and applicable indirect taxes.

When two or more revenue generating activities or deliverables are provided under a single arrangement, each deliverable that is considered a separate unit of account is accounted for separately. The allocation of the consideration from revenue arrangement to its separate units of account is based on the relative fair value of each unit.

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

Dividend Income is recognized when the company's right to receive the payment has been established.

Export Benefits: Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same.

Expenditure

Expenditure is accounted on accrual basis.

NOTES TO FINANCIAL STATEMENTS

P Foreign currency

Items included in the financial statements of the Company are recorded using the currency of the primary economic environment (INR) in which the Company operates (the 'functional currency').

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign exchange transactions during the year and on restatement of monetary assets and liabilities are recognized in the Statement of profit and loss of the year.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are not translated.

The transactions like receipt or payment of advance consideration in a foreign currency are translated at the rates on the date of transaction . The date of transaction for the purpose of determing exchange rate is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Q Finance income and finance cost

Finance income comprises interest income on funds invested and dividend income. Interest income is recognized as it accrues in the statement of profit and loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and lease liabilities, unwinding of the discount on provisions, impairment losses recognized on financial assets, interest expense and penalties related to income tax.

R Earnings per share

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

S Segment reporting

Each of the reportable segments derives its revenues from the main products and hence these have been identified as reportable segments by the Group's chief operating decision maker ("CODM"). Segment revenue, result, assets and liabilities include the respective amounts identifiable to each of the segments and amount allocated on a reasonable basis. Unallocated expenditure consists of common expenditure incurred for all the segments and expenses incurred at corporate level. The assets and liabilities that cannot be allocated between the segments are shown as unallocated corporate assets and unallocated corporate liabilities respectively.

T Borrowing costs

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

U Dividend declared

The Company recognizes a liability to make cash distributions to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

NOTES TO FINANCIAL STATEMENTS

3. Property, plant and equipment

(₹ in Lakhs)

Particulars	As at 31st March 2020	As at 31st March 2019
A. Owned Assets	16362.43	15831.09
B. ROU Leased Assets	956.61	-
Total	17319.04	15831.09

A.Owned Assets

(₹ in Lakhs)

Particulars	Freehold land	Factory building	Buildings	Plant & equipment	Vehicles	Furniture & fixtures	Office equipment	Electrical installation	Computers	TOTAL
1. Deemed Cost (Gross carrying amount)										
Balance as at 1st April 2018	1474.67	3771.89	662.01	16809.03	156.91	155.96	138.94	935.62	57.76	**24162.79**
Additions	784.98	-	8.09	356.47	86.19	2.65	14.15	3.07	16.57	**1272.17**
Disposals/ transfer	-	-	(12.87)	(3.79)	-	-	(0.28)	-	(0.62)	**(17.56)**
Balance as at 31st March 2019	**2259.65**	**3771.89**	**657.23**	**17161.71**	**243.10**	**158.61**	**152.81**	**938.69**	**73.71**	**25417.40**
Balance as at 1st April 2019	2259.65	3771.89	657.23	17161.71	243.10	158.61	152.81	938.69	73.71	25417.40
Additions	112.67	1019.31	2.08	352.42	46.74	11.00	30.64	87.90	11.84	**1674.60**
Disposals/ transfer	(101.59)	-	-	(40.89)	-	-	-	(3.70)	-	**(146.18)**
Balance as at 31st March 2020	**2270.73**	**4791.20**	**659.31**	**17473.24**	**289.84**	**169.61**	**183.45**	**1022.89**	**85.55**	**26945.82**
2. Accumulated Depreciation										
Balance as at 1st April 2018	-	1016.38	361.70	6168.80	77.27	83.10	89.74	684.20	35.79	**8516.98**
Depreciation for the year	-	116.80	11.85	771.48	21.11	14.41	23.74	112.73	10.88	**1083.00**
Disposals/ transfer	-	-	(12.87)	(0.39)	-	-	(0.21)	-	(0.20)	**(13.67)**
Balance as at 31st March 2019	**-**	**1133.18**	**360.68**	**6939.89**	**98.38**	**97.51**	**113.27**	**796.93**	**46.47**	**9586.31**
Balance as at 1st April 2019	-	1133.18	360.68	6939.89	98.38	97.51	113.27	796.93	46.47	9586.31
Depreciation for the year	-	123.16	12.11	750.40	23.95	14.61	12.48	67.55	14.55	**1018.81**
Disposals/ transfer	-	-	-	(18.21)	-	-	-	(3.52)	-	**(21.73)**
Balance as at 31st March 2020	**-**	**1256.34**	**372.79**	**7672.08**	**122.33**	**112.12**	**125.75**	**860.96**	**61.02**	**10583.39**
3. Carrying Amount (Net)										
At 31st March 2019	2259.65	2638.71	296.55	10221.82	144.72	61.10	39.54	141.76	27.24	**15831.09**
At 31st March 2020	**2270.73**	**3534.86**	**286.52**	**9801.16**	**167.51**	**57.49**	**57.70**	**161.93**	**24.53**	**16362.43**

3.1) Capital work-in-progress ₹42830.15 lakhs (previous year ₹ 5303.92 lakhs) includes project development & pre-operative expenses refer note. 33

3.2) Some of the assets acquired out of finance are under Hypothecation.

3.3) Details of security of property, plant and equipment subject to charge to secured borrowings - refer note. 15.1

3.4) Depreciation capitalised during the year ₹ 5.79 lakhs (previous year ₹ 0.14 lakhs)

NOTES TO FINANCIAL STATEMENTS

3. Property, plant and equipment (contd..)

B. ROU Leased Assets *

(₹ in Lakhs)

Particulars	Leasehold Land	Building	Total
1. Deemed cost (Gross carrying amount)			
Balance as at 1st April 2019	-	-	-
Additions	-	-	-
Addition on account of transitions to Ind AS 116 -1st April, 2019	766.59	275.79	1042.38
Disposals/ transfer	-	-	-
Balance as at 31st March 2020	**766.59**	**275.79**	**1042.38**
2. Accumulated Depreciation			
Balance as at 1st April 2019	-	-	-
Depreciation/ amortisation for the year	35.86	49.91	85.77
Disposals		-	-
Balance as at 31st March 2020	**35.86**	**49.91**	**85.77**
3. Carrying amount (net)			
At 31st March 2019	-	-	-
At 31st March 2020	**730.73**	**225.88**	**956.61**

*refer note. 42

4 Loans

A. Non-current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Loan receivables considered good -unsecured		
Security deposit	251.50	170.33
Other loans	19.66	19.66
Total	**271.16**	**189.99**

B. Current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Loan receivables considered good -unsecured		
Other loans	28.92	40.15
Total	**28.92**	**40.15**

5 Other financial assets

A. Non-current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Deposits with maturity for more than 12 months		
Margin Money given against a Bank Guarantee/Letter of Credit	387.26	362.60
Interest accrued on fixed deposits	32.67	10.79
Deferred payment charges	1844.69	-
Total	**2264.62**	**373.39**

NOTES TO FINANCIAL STATEMENTS

5 Other financial assets (Contd..)

B. Current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Interest accrued on fixed deposits	66.07	63.15
Deferred payment charges	110.74	-
Total	176.81	63.15

6 Deferred tax assets (net)

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred tax asset		
Provisions	346.78	249.11
Unused tax credit	1578.82	2842.00
Receivables	13.21	9.23
	1938.81	3100.34
Deferred tax liabilities		
Property, plant & equipment	1733.01	2394.88
Total	205.80	705.46

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
At the start of the year	705.46	411.86
Unused tax credit	(1263.18)	716.55
Charge/ (Credit) to statement of P&L *	(763.52)	422.95
At the end of the year	205.80	705.46

*includes ₹ 0.40 lakhs capitalised

Component of deferred tax liabilities

(₹ in Lakhs)

Deferred tax asset/(liabilities) in relation to:	As at March 31, 2019	Charge/ (credit) to profit or loss	As at March 31, 2020
Property, plant and equipment	(2394.88)	661.87	(1733.01)
Provisions	249.11	97.67	346.78
Receivables	9.23	3.98	13.21
Unused tax credit	2842.00	(1263.18)	1578.82
Total	705.46	(499.66)	205.80

NOTES TO FINANCIAL STATEMENTS

7 Other assets

A. Non-current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Capital advances	533.01	4503.97
Advance to Suppliers	610.81	-
Prepaid lease payments	-	766.59
Defer lease rentals	6.53	5.76
Total	**1150.35**	**5276.32**

B. Current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Indirect tax receivable	672.78	92.06
Advance to suppliers	183.95	215.18
Prepaid expenses	207.55	175.50
Total	**1064.28**	**482.74**

8 Inventories

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Raw materials	920.77	1129.53
Work-in-progress	174.37	368.13
Finished goods	3238.35	3827.14
Consumables, stores & spares	1319.84	1575.07
Others	168.65	77.95
Packing material	120.40	105.21
Total	**5942.38**	**7083.03**

Details of materials in transit included in inventories above

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Raw materials	-	66.58
Consumables, stores & spares	1.93	163.69
Packing material	0.17	1.40

9 Trade receivables

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Considered good -secured	-	-
Considered good -unsecured	2608.06	5535.26
Which have significant increase in credit risk	52.47	26.41
Credit impaired	-	-
Allowance for credit losses	(52.47)	(26.41)
Total	**2608.06**	**5535.26**

9.1 There are no outstanding debts due from directors or other officers of the company.

NOTES TO FINANCIAL STATEMENTS

10 Cash and cash equivalents

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Cash in hand	7.95	0.33
Balances with banks:		
On current accounts	915.09	303.18
On cash credit accounts	118.55	265.72
Total	**1041.59**	**569.23**

10.1 For the purpose of statement of cash flows, cash and cash equivalents comprise of following

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Cash and cash equivalents	1041.59	569.23
Less: Cash credit [refer note. 15(B)]	(400.29)	-
Total	**641.30**	**569.23**

11 Other bank balances

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Margin money given against a bank guarantee/letter of credit with maturity for more than 3 months but less than 12 months	1950.48	2554.12
Total	**1950.48**	**2554.12**

12 Current tax assets

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Tax refundable	2.60	2.60
Total	**2.60**	**2.60**

13 Share capital

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Authorised:		
1,00,00,000 (previous year 1,00,00,000) equity shares of ₹10/- each par value	1000.00	1000.00
Issued, subscribed and fully paid-up:		
41,70,584 (previous year 41,70,584) equity shares of ₹10/- each	417.06	417.06
Total	**417.06**	**417.06**

NOTES TO FINANCIAL STATEMENTS

13.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

(₹ in Lakhs)

Equity shares	As at March 31, 2020 No.of Shares	As at March 31, 2019 No.of Shares
At the beginning of the period	4170584	4170584
Issued during the period	-	-
Outstanding at the end of the period	4170584	4170584

13.2 Terms / rights attached to equity shares:

The company has only one class of equity shares having a par value of ₹10/- 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 is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

13.3 Details of shares held by holding company

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	Amount	No. of shares	Amount
Equity shares of ₹10/- each fully paid				
Holding company - Directly				
Pokarna Limited	4170584	417.06	4170584	417.06

13.4 Details of shareholders holding more than 5% shares in the company

(₹ in Lakhs)

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	% holding	No. of shares	% holding
Equity shares of ₹10/- each fully paid				
Pokarna Limited	4170584	100.00	4170584	100.00

14 Other equity

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Securities Premium	5698.82	5698.82
Debenture redemption reserve		
Opening balance	-	132.75
Less: Transfer to Profit & Loss Account	-	(132.75)
	-	-
Net surplus in the statement of Profit and Loss		
Opening balance	13194.74	5681.95
Add: Profit for the year	7566.98	7380.04
Transfer from debenture redemption reserve	-	132.75
	20761.72	13194.74
Other comprehensive income		
Opening balance	5.06	(0.86)
Add: Movement in OCI (net) during the year	(36.09)	5.92
	(31.03)	5.06
Total	26429.51	18898.62

NOTES TO FINANCIAL STATEMENTS

15 Borrowings

A. Non-current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Secured loans - From banks (refer note. 15.1)		
Term loans in Indian rupees	3803.92	3073.01
Term loans in Foreign currency	7053.89	1209.00
Unsecured loans		
Loans & advances from related parties		
Loans from directors	2717.95	2887.61
Inter corporate deposits	6488.09	5838.60
Total	**20063.85**	**13008.22**

B. Current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Secured loans -From banks		
Working capital loans - repayable on demand - (refer note. 15.1)		
Cash Credit Facilities in Indian rupees	400.29	-
Packing credit loans in Indian rupees	854.90	1485.24
Packing credit loans in Foreign currency	1342.32	821.79
Bill discounting facilities in Indian rupees	-	1253.41
Total	**2597.51**	**3560.44**

15.1 Indian rupee term loans, foreign currency loans & working capital facilities of ₹ 2105.69 lakhs from Union Bank of India, Bank of India & Indian Overseas Bank of under consortium are secured by a first charge ranking pari-passu mortgage over leasehold interests under the land lease agreement and equitable mortgage of buildings along with the plant & machinery including current assets such as inventories, book debts and other receivables both present and future of the unit situated at Visakhapatnam and personal guarantees of the Directors (other than independent directors).

Further 51% of the shares held by Pokarna Limited in the company are also pledged against the borrowing from the banks.

Indian rupee term loan and foreign currency loans of ₹ 9711.47 lakhs from Union bank of India for Unit 2 at Mekaguda Gram Panchayat, Dooskal Village, Ranga Reddy District is secured by a first charge on entire assets and also 2nd pari passu charge on the entire assets (both movable and immovable) of existing unit at Visakhapatnam as a additional collateral security and personal guarantees of the Directors (other than independent directors) and corporate guarantee by parent company Pokarna Limited till the achievement of date of commercial operations.

Cash credit facilities in Indian rupees carries interest @ 11.75% to 12.75%, Packing credit loans in Indian rupees carries interest @ 8.9% to 9.45%, Packing credit loans in foreign currency carries interest @ 2.77% to 4.41% and Bill discounting facilities in Indian currency carries interest @ 8.85% to 9.75%.

Other term loans of ₹ 99.51 lakhs are for purchase of assets, secured by hypothecation of respective assets and personal guarantee of the Directors (other than Independent directors).

15.2 Maturity profile of term loans from banks are as set out below:

(₹ in Lakhs)

Rate of interest	2020-21	2021-22	2022-23	2023-24	2024-25 & Beyond
1 yr. MCLR plus 2.7% to 3.9% -11.60% to 12.75%	347.69	602.31	331.61	331.61	2486.57
Six months libor plus 425 bps -4.96%	663.52	983.29	639.54	639.54	4791.48

The Maturity profile of term loans availed from the banks has been recomputed as per regulatory package given by RBI vide circular dated 27th March 2020 including interest for the period from April to August 2020.

NOTES TO FINANCIAL STATEMENTS

16 Other financial liabilities

A. Non-Current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Lease liability (refer note. 42)	178.92	-
Total	**178.92**	**-**

B. Current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Current maturities of long term borrowings:		
Secured - From banks (refer note. 15.1)		
Term loans in Indian rupees	395.34	623.34
Term loans in Foreign currency	663.52	1074.66
Lease liability (refer note. 42)	57.64	-
Interest accrued but not due on borrowings	0.19	0.34
Interest accrued and due on borrowings	0.33	-
Total	**1117.02**	**1698.34**

17 Provisions

A. Non-current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
For employee benefits		
Gratuity (refer note. 25(1a))	185.47	113.69
Compensated absence (refer note. 25(1b))	69.35	40.17
Total	**254.82**	**153.86**

B. Current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
For employee benefits		
Gratuity (refer note. 25(1a))	6.99	5.19
Compensated absence (refer note. 25(1b))	4.47	3.03
Others		
Warranties	861.49	583.22
Total	**872.95**	**591.44**

17.1

(₹ in Lakhs)

Particulars	Opening balance	Provision recognized	Provision utilized	Closing balance
Provision for warranty	583.22	294.74	16.47	861.49

Product warranties: The company gives warranties on its products in the nature of repairs / replacement, which fail to perform satisfactorily during warranty period. Provision made represents the amount of the expected cost of meeting such obligation on account of rectification / replacement. The timing of outflows is expected to be within a period of 1- 2 years.

NOTES TO FINANCIAL STATEMENTS

18 Other liabilities

A. Non-current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Creditors for Capital Expenditure*	18711.05	-
Total	**18711.05**	**-**

*Creditors for capital expenditure of ₹16428.87 lakhs is covered by letter of credit (part of 25000 lakhs term loan) from Union Bank of India, which is secured by first charge on land and building and hypothecation of plant & machinery and other assets of the Unit-2 at Mekaguda Gram Panchayat, Dooskal Village, Ranga Reddy District.

B. Current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Advance received from customers	171.65	281.38
Creditors for capital expenditure	2069.23	1103.37
Statutory liabilities	59.20	52.89
Other liabilities	587.67	574.14
Total	2887.75	2011.78

19 Trade payables

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
a) total outstanding dues of Micro Enterprises and Small enterprises	2.04	8.33
b) total outstanding dues of creditors other than Micro Enterprises and Small enterprises	2449.51	3134.02
Total	**2451.55**	**3142.35**

19.1 Disclosure in accordance with Section 22 of micro, small and medium enterprises development Act, 2006

(₹ in Lakhs)

Sl.No.	Particulars	As at March 31, 2020	As at March 31, 2019
a)	Principal amount due to suppliers registered under the MSMED Act and remaining unpaid at the year end	-	-
b)	Interest due to suppliers registered under the MSMED Act and remaining unpaid as at the year end	-	-
c)	Principal amount paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	0.23	-
d)	Interest paid, under section 16 of MSMED Act, to suppliers registered under the Act, beyond the appointed day during the year	-	-
e)	Interest due and payable towards suppliers registered under MSMED Act, for payments already made	-	-
f)	Interest accrued and remaining unpaid at the end of accounting year	-	-
g)	Further interest remaining due and payable for earlier years	-	-

The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company, regarding the status of registration of such vendor under the said Act, as per the intimation received from them on the request made by the company.

NOTES TO FINANCIAL STATEMENTS

20 Current tax liabilities (net)

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for income tax	1790.15	2040.98
Less: Advance tax	915.90	1512.64
Total	**874.25**	**528.34**

21 Revenue from operations

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Sale of products	31642.66	31567.52
Sale of services	34.11	27.90
Total	**31676.77**	**31595.42**

22 Other income

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Interest income on		
Bank deposits	25.18	27.24
Others	28.81	10.30
Exchange gain (net)	400.55	713.07
Scrap sales	16.51	22.09
Insurance claim	0.59	0.47
Sundry credit balances written back	-	0.42
Allowance for credit losses written back	-	2.86
Profit on sale of property, plant & equipment	0.43	-
Total	**472.07**	**776.45**

23 Cost of raw material consumed

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Opening stock	1129.53	739.81
Add: Purchases	10274.88	11639.33
	11404.41	**12379.14**
Less: Closing stock	920.77	1129.53
Total	**10483.64**	**11249.61**

NOTES TO FINANCIAL STATEMENTS

24 Changes in stock of finished goods, work-in-progress

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Inventories at the beginning of the year		
Finished goods	3827.14	4687.45
Work-in-progress	368.13	634.00
	4195.27	**5321.45**
Inventories at the end of the year		
Finished goods	3238.35	3827.14
Work-in-progress	174.37	368.13
	3412.72	**4195.27**
Total	**782.55**	**1126.18**

25 Employee benefits expense

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Salaries, wages, bonus & allowances	1910.20	1654.23
Contribution to provident fund and other funds	80.12	69.43
Retirement benefits	55.62	46.78
Staff welfare expense	106.22	79.46
Total	**2152.16**	**1849.90**

25.1 Employee benefits:

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Defined contribution plan		
Employer's contribution to provident fund	70.40	52.95

Defined benefit plan

The present value of gratuity obligation is determined based on actuarial valuation using the projected unit credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for compensated absence is recognized in the same manner as gratuity.

a) Retiring gratuity:

(i) The following table sets out the amounts recognised in the financial statements in respect of retiring gratuity plan:

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Change in defined benefit obligations:		
Obligation at the beginning of the year	118.88	91.15
Current service costs	30.45	22.81
Interest costs	8.82	6.83
Remeasurement (gain)/losses	36.52	0.54
Past service cost	-	-
Benefit paid	(2.21)	(2.45)
Obligation at the end of the year	**192.46**	**118.88**

NOTES TO FINANCIAL STATEMENTS

25 Employee benefits expense (Contd..)

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Change in plan assets:		
Fair value of plan assets at the beginning of the year		
Interest income		
Remeasurement gain/(losses)		
Employers' contributions	2.21	2.45
Benefits paid	(2.21)	(2.45)
Fair value of plan assets at the end of the year	**-**	**-**

Amounts recognised in the balance sheet consists of:

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Fair value of plan assets at beginning/end of the year	-	-
Present value of obligation at the beginning/end of the year	192.46	118.88
	192.46	**118.88**
Recognised as:		
Retirement benefit liability - Current	6.99	5.19
Retirement benefit liability - Non-current	185.47	113.69

Expenses recognised in the statement of profit and loss consists of:

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Employee benefits expenses:		
Current service costs	27.65	22.81
Interest costs	8.82	6.84
	36.47	**29.65**
Other comprehensive income:		
(Gain)/loss on plan assets	-	-
Actuarial (gain)/loss arising from changes in demographic Assumption	-	-
Actuarial (gain)/loss arising from changes in financial assumption	22.66	(0.16)
Actuarial (gain)/loss arising from changes in experience adjustments	14.56	0.70
	37.22	**0.54**
Expenses recognised in the statement of profit and loss	**73.69**	**30.19**

(ii) The key assumptions used in accounting for retiring gratuity is as below:

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Discount rate (per annum)	6.64%	7.61%
Rate of escalation in salary (per annum)	8.00%	8.00%

(iii) The estimates of future salary increases considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.

(iv) The table below outlines the effect on obligation in the event of a decrease/increase of 1% in the assumptions used.

NOTES TO FINANCIAL STATEMENTS

25 Employee benefits expense (Contd..)

As at March 31, 2020

(₹ in Lakhs)

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 1%, decrease by 1%	Decrease by ₹221.87 lakhs, increase by ₹168.36 lakhs
Salary rate	Increase by 1%, decrease by 1%	Increase by ₹ 219.88 lakhs, decrease by ₹169.57 lakhs

As at March 31, 2019

(₹ in Lakhs)

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 1%, decrease by 1%	Decrease by ₹136.38 lakhs, increase by ₹104.50 lakhs
Salary rate	Increase by 1%, decrease by 1%	Increase by ₹135.08 lakhs, decrease by ₹105.36 lakhs

The above sensitivities may not be representative of the actual change as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

b) Compensated absence:

(i) The following table sets out the amounts recognised in the financial statements in respect of compensated absence:

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Change in defined benefit obligations:		
Obligation at the beginning of the year	43.20	38.54
Current service costs	17.88	14.31
Interest costs	3.16	2.82
Remeasurement (gain)/losses	11.17	(9.63)
Benefit paid	(1.59)	(2.84)
Obligation at the end of the year	**73.82**	**43.20**

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Change in plan assets:		
Fair value of plan assets at the beginning of the year		
Interest income		
Remeasurement gain/(losses)		
Employers' contributions	1.59	2.84
Benefits paid	(1.59)	(2.84)
Fair value of plan assets at the end of the year	**-**	**-**

Amounts recognised in the balance sheet consists of:

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Fair value of plan assets at beginning/end of the year	-	-
Short term compensated absence liability		
Present value of obligation at the beginning/end of the year	73.82	43.20
	73.82	**43.20**
Recognised as:		
Retirement benefit liability - Current	4.47	3.03
Retirement benefit liability - Non-current	69.35	40.17

NOTES TO FINANCIAL STATEMENTS

25 Employee benefits expense (Contd..)

Expenses recognised in the statement of profit and loss consists of:

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Employee benefits expenses:		
Current service costs	15.99	14.31
Interest costs	3.16	2.82
	19.15	**17.13**
Other comprehensive income:		
(Gain)/loss on plan assets	-	-
Actuarial (gain)/loss arising from changes in demographic Assumption	-	-
Actuarial (gain)/loss arising from changes in financial assumption	8.50	(0.06)
Actuarial (gain)/loss arising from changes in experience adjustments	3.52	(9.57)
	12.02	**(9.63)**
Expenses recognised in the statement of profit and loss	**31.17**	**7.50**

(ii) The key assumptions used in accounting for compensated absence is as below:

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Discount rate (per annum)	6.64%	7.61%
Rate of escalation in salary (per annum)	8.00%	8.00%

(iii) The estimates of future salary increases considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.

'(iv) The table below outlines the effect on obligation in the event of a decrease/increase of 1% in the assumptions used.

As at March 31, 2020

(₹ in Lakhs)

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 1%, decrease by 1%	Decrease by ₹ 84.86 lakhs, increase by ₹64.80 lakhs
Salary rate	Increase by 1%, decrease by 1%	Increase by ₹84.44 lakhs, decrease by ₹64.96 lakhs

As at March 31, 2019

(₹ in Lakhs)

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 1%, decrease by 1%	Decrease by ₹49.50 lakhs, increase by ₹38.05 lakhs
Salary rate	Increase by 1%, decrease by 1%	Increase by ₹49.31 lakhs, decrease by ₹38.11 lakhs

The above sensitivities may not be representative of the actual change as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

26 Depreciation & Amortization expense

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Depreciation on Property, plant & equipment (owned assets)	1013.02	1082.86
Depreciation on Property, plant & equipment (leased assets) (refer note. 42)	85.77	-
Total	**1098.79**	**1082.86**

NOTES TO FINANCIAL STATEMENTS

27 Finance costs

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Interest on borrowings:		
- Banks	421.97	781.16
- Others	1133.09	1073.54
Interest expense on lease liability(refer note. 42)	32.96	-
Interest on taxes / duties	51.72	41.28
Interest on debentures	-	58.41
Total	**1639.74**	**1954.39**

28 Other expenses

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Consumption of stores & spares	1913.80	2076.17
Packing material	384.88	428.10
Processing & job work exp.	119.12	120.61
Power and fuel	538.21	569.37
Repairs and maintenance:		
- Plant and machinery	55.87	120.66
- Building	2.25	15.00
- Others	23.46	15.55
Lease rent (refer note. 42)	-	11.86
Rent (refer note. 42)	6.00	60.29
Amortization of land lease expenses	-	35.96
Rates and taxes	32.29	27.26
Insurance	113.09	112.63
Communication charges	15.76	15.58
Printing & stationery	18.98	24.07
Travelling & conveyance expenses	119.81	149.03
Electricity charges	17.30	14.22
Vehicle maintenance	67.04	61.38
Auditors remuneration	12.74	10.55
Professional & consultancy	327.51	66.43
Directors sitting fee	9.00	2.60
Commission to Non-Executive Directors	26.18	-
Donations	4.42	12.93
Fees & subscriptions	5.18	8.80
Carriage outwards	1266.30	990.14
Discounts and claims	11.09	124.75
Business promotion expenses	579.67	470.94
CSR activity expenses	15.00	23.90
Allowance for credit losses	26.06	-
Provision for warranties	294.74	295.93
Deferred lease rental expenses written off	4.28	4.26
Sundry debit balances written off	-	0.11
Bad debts written off	-	-
Loss on sale of PPE	6.05	3.89
Sales tax	-	-
Bank charges	89.52	99.62
Miscellaneous expenses	16.82	12.10
Total	**6122.42**	**5984.69**

NOTES TO FINANCIAL STATEMENTS

28 Other expenses

28.1 - Auditors remuneration

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Statutory audit	12.50	7.50
Certification	-	2.85
Out of pocket expenses	0.24	0.20

28.2 - Corporate social responsibility (CSR)

Corporate social responsibility (CSR) as per section 135 of the Companies Act, 2013, the Company is required to spend ₹136.23 lakhs (March 31, 2019 is ₹181.84 lakhs), being 2% of the average net profits during the three immediately preceding financial years, towards CSR activity. The Company has made a contribution of ₹15 lakhs (March 31, 2019 ₹23.90 lakhs) to facilitate education and environmental sustainability.

29 Income taxes

A) Income tax expense/(benefit) recognised in the statement of profit and loss

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Current tax	3053.33	2040.98
Less: MAT credit entitlement	-	(716.55)
Deferred tax	(750.77)	419.78
Deferred tax on comprehensive income	(13.15)	3.17
Prior year tax	-	(0.01)
Total	**2289.41**	**1747.37**

B) Reconciliation of Income tax expense

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Profit / (loss) before tax	9869.54	9124.24
Other comprehensive income	(49.24)	9.09
Effective tax rate	29.120%	29.120%
Computed effective tax expense	**2859.67**	**2659.63**
Tax Effect of:		
Expenses disallowed	615.03	471.90
Allowable items from IT act	350.19	518.98
Deductions under IT act	71.18	1288.12
Current tax provision (A)	**3053.33**	**1324.43**
Incremental deferred tax liability on account of PPE and intangible assets	(661.87)	398.03
Incremental deferred tax asset on account of financial assets and other items	102.05	(24.92)
Deferred tax provision (B)	**(763.92)**	**422.95**
Tax Expense recognised in the Statement of Profit and Loss (A+B)	**2289.41**	**1747.38**
Effective Tax Rate	**23.31%**	**19.13%**

Note: The deferred tax assets and liabilities at the close of the year has been measured at 25.168% (previous year 34.94%) based on tax rates that have been enacted by end of reporting period.

Note: Pursuant to the Taxation Law (Amendment) Ordinance, 2019 ("Ordinance") issued by Ministry of Law and Justice (Legislative Department) on September 20, 2019 effective from April 01, 2019, domestic companies have an option to pay Corporate income tax rate at 22% plus applicable surcharge and cess ("New tax rate") subject to certain conditions.

NOTES TO FINANCIAL STATEMENTS

29 Income taxes (Contd..)

The Company has made an assessment of the impact of the Ordinance and decided to continue with existing tax structure until utilisation of accumulated Minimum Alternate Tax (MAT) credit. Further, Ind-AS 12 requires deferred tax assets and liabilities to be measured using the enacted (or substantively enacted) tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse. The Company has made estimates, based on its budget, regarding income anticipated in foreseeable future year when those temporary differences are expected to reverse and measured the same at new tax rate. Accordingly, the Company has re-measured the outstanding deferred tax balances that is expected to be reversed in future at new tax rate.

30 Earnings per share (EPS)

(₹ in Lakhs)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
(i) Face value of equity share (in ₹)	10.00	10.00
(ii) Weighted average number of equity shares outstanding	4170584	4170584
(iii) Profit for the year	7566.98	7380.04
(iv) Weighted average earnings per share (basic and diluted) (in ₹)	181.44	176.95

31 Related party disclosures :

As per IND AS 24, the disclosures of transactions with the related parties are given below:

List of related parties where control exists and related parties with whom transactions have taken place and relationships:

a) Enterprises where control exists:

Pokarna Limited - parent company

b) Names of the associates:

Pokarna Fabrics Pvt Limited, Pokarna Fashions Pvt Limited, Pokarna Marketing Pvt Limited, Southend, Southend Extension

c) Names of Key management personnel

Gautam Chand Jain, Rahul Jain

d) Names of relatives

Vidya Jain, Rekha Jain, Anju Jain, Ritu Jain, Pratik Jain, Neha Jain, Nidhi Jain, Gautam Chand Jain (HUF), Prakash Chand Jain (HUF), Ashok Chand Jain (HUF), Karvy Data Management Services

e) Name of executive & non-executive director

Apurva Jain, Prakash Chand Jain, Mahender Chand Chordia, Meka Yugandhar, T.V.Chowdary, Vinayak Rao Juvvadi

A. Compensation of Key management personnel of the Company

The amount mentioned below represents remuneration paid and debited to the company. The compensation includes salary, employer's contribution to PF, LTA, bonus, medical benefits, gratuity & leave encashment. All amounts mentioned below are inclusive of GST. Managing Director is regarded as Key management personnel in terms of Companies act, 2013.

(₹ in Lakhs)

	Year ended March 31, 2020	Year ended March 31, 2019
Short-term employee benefits	523.65	480.98
Post-employment pension, provident fund and medical benefits	0.22	0.22
Termination benefits*	-	-
Total compensation paid to Key management personnel	**523.87**	**481.20**

* Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall Company basis and, accordingly, have not been considered in the above information.

NOTES TO FINANCIAL STATEMENTS

31 Related party disclosures : (Contd..)

B. Transactions with KMP and other related parties - 2019-20 (2018-19)

(₹ in Lakhs)

Nature of the transaction	Parent Co	Key management personnel	Non-executive director	Associates/ other related parties	Relatives	Total
Purchases						
Goods and services, net	**17.76**	**-**	**-**	**0.30**	**-**	**18.06**
	(4.93)	-	-	-	-	(4.93)
Job work	**1.20**	**-**	**-**	**-**	**-**	**1.20**
	(0.13)	-	-	-	-	(0.13)
Expenses						
Remuneration	**-**	**523.87**	**-**	**-**	**-**	**523.87**
	-	(481.20)	-	-	-	(481.20)
Rent	**7.28**	**-**	**-**	**-**	**62.67**	**69.95**
	(5.72)	-	-	-	(62.67)	(68.39)
Interest	**-**	**350.53**	**-**	**755.84**	**-**	**1106.37**
	-	(354.12)	(1.21)	(714.59)	-	(1069.92)
Commission & Sitting fees	**-**	**-**	**35.20**	**-**	**-**	**35.20**
	-	-	(2.60)	-	-	(2.60)
Carrying amount						
Loans & advances payables		**3109.90**	**26.15**	**6488.39**	**-**	**9624.44**
		(3237.54)	-	(5838.60)	-	(9076.14)
Rent deposits - receivable	**-**	**-**	**-**	**-**	**81.16**	**81.16**
	-	-	-	-	(81.16)	(81.16)

Disclosure in respect of material transactions with KMP and other related parties during the year:

(₹ in Lakhs)

S.No	Particulars	Relationship	Year ended March 31, 2020	Year ended March 31, 2019
1	**Purchases**			
	Goods and services, net			
	Pokarna Fabrics Pvt Limited	Associate	-	-
	Pokarna Ltd	Parent Co	17.76	4.93
	Karvy Data Management Services Ltd	Related party	0.30	-
	Job work			
	Pokarna Ltd	Parent Co	1.20	0.13
2	**Expenses**			
	Remuneration			
	Gautam Chand Jain	Key management personnel	523.87	481.20
	Rent			
	Rekha Jain	Relative	16.57	16.57
	Ashok Chand Jain (HUF)	Relative	11.34	11.34
	Anju Jain	Relative	5.84	5.84
	Gautam Chand Jain (HUF)	Relative	14.18	14.18
	Prakash Chand Jain (HUF)	Relative	14.74	14.74
	Pokarna Ltd	Parent Co	7.28	5.72
	Interest			
	Pokarna Fabrics Pvt Limited	Associate	614.72	573.74
	Pokarna Marketing Pvt Limited	Associate	141.12	140.85
	Gautam Chand Jain	Key management personnel	201.91	216.90
	Rahul Jain	Key management personnel	148.62	137.22
	Prakash Chand Jain	Non-executive director	-	1.21
	Commission & Sitting fee			
	Prakash Chand Jain	Non-executive director	7.24	0.40
	Mahender Chand Chordia	Non-executive director	7.24	0.60
	Meka Yugandhar	Non-executive director	7.24	0.60
	T.V.Chowdary	Non-executive director	6.74	0.50
	Vinayak Rao Juvvadi	Non-executive director	6.74	0.50

NOTES TO FINANCIAL STATEMENTS

31 Related party disclosures : (Contd..)

(₹ in Lakhs)

S.No	Particulars	Relationship	Year ended March 31, 2020	Year ended March 31, 2019
3	**Carrying amount**			
	Loans & advances payables			
	Pokarna Fabrics Pvt Limited	Associate	5276.79	4723.54
	Pokarna Marketing Pvt Limited	Associate	1211.30	1115.06
	Gautam Chand Jain	Key management personnel	1834.13	2095.53
	Rahul Jain	Key management personnel	1275.77	1142.01
	Prakash Chand Jain	Non-executive director	5.23	-
	Karvy Data Management Services Ltd	Related party	0.30	-
	Mahender Chand Chordia	Non-executive director	5.23	-
	Meka Yugandhar	Non-executive director	5.23	-
	T.V.Chowdary	Non-executive director	5.23	-
	Vinayak Rao Juvvadi	Non-executive director	5.23	-
	Rent deposits receivable			
	Rekha Jain	Relative	16.48	16.48
	Ashok Chand Jain (HUF)	Relative	11.34	11.34
	Anju Jain	Relative	19.80	19.80
	Gautam Chand Jain (HUF)	Relative	16.44	16.44
	Prakash Chand Jain (HUF)	Relative	17.10	17.10

32 Contingent liabilities and commitments

32.1 Contingent liabilities :

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
a) Letter of credits outstanding	305.87	17771.75
b) Bank guarantee	10.00	10.00
c) Claims against the company / disputed liabilities not acknowledged as debts:		
(i) Claim against warranty	26.93	-
(ii) As per the amendment in The Payment of Bonus Act, 1965 notified on 1 January 2016, which was effective retrospectively from 1st April, 2014, the company on the legal advice decided not to consider in view of the interim order dated 26th April, 2016 of Hon'ble Andhra Pradesh High Court allowing stay on the amendment with retrospective effect till the time its constitutional validity is established.	32.83	32.83
(iii) The Company has evaluated the impact of Supreme Court Judgment in case of Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal and the related circulars issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. In the assessment of the management, the aforesaid matter is not likely to have a retrospective impact, amount remains uncertain and accordingly no provision has been made in the Financial Statements.		

32.2 Capital commitments

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Estimated amount of contracts remaining to be executed on Capital Account not provided for	2933.62	22930.57

NOTES TO FINANCIAL STATEMENTS

32 Contingent liabilities and commitments (Contd..)

32.3 Other Commitments:

a) The undertaking of the company situated at Atchutapuram,Visakhapatnam being a SEZ has executed a legal undertaking for obligations regarding proper utilization and accountable of goods, including capital goods, stores & spares, raw materials, components and consumables including fuels, imported or procured duty free and regarding achievement of positive net foreign exchange earning. As on 31st March,2019, the Company has a positive Net Foreign Exchange Earning, as defined in the SEZ Act,2005

b) The undertaking of the company situated at Mekaguda Gram panchayat and Dooskal village, Ranga Reddy Dist. is registered as a 100% export oriented unit ("EOU"), and is exempted from customs and central excise duties, GST and levies on imported & indigenous capital goods and stores & spares. The company has executed a bond cum legal undertaking to pay customs duty, central excise duty,GST, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores & spares, consumed duty free, in the event that certain terms and conditions are not fulfilled. As on 31st March, 2020, company has not started its operations and expects a positive net foreign exchange earning, as defined in the foreign trade policy 2009-2014 and 2015-2020 wherever applicable.

32.4 Lease commitments of short term lease and low value lease

Lease commitments are the future cash out flows from the lease contracts which are not recorded in the measurement of lease liabilities. These include potential future payments related to leases of low value assets and leases with term less than twelve months.

(₹ in Lakhs)

Particulars	As at March 31, 2020
Not later than One year	11.82
Later than one year and not later than five years	-

33 Project development & pre-operative expenses

The following expenditure incurred during the construction period in respect of Engineered stone project at Mekaguda is classified as Project Development Expenditure' and are apportioned to the assets upon completion of the project.

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Amount brought forward	63.98	50.71
Payments to and Provisions for Employees:		
- Salaries, wages and Allowances	138.10	12.15
- Contribution to Provident Fund and other funds	4.61	0.37
- Workmen and Staff welfare expenses	17.06	0.02
Power & Fuel	40.19	5.76
Hire charges others	4.82	-
Security charges	17.42	3.44
Insurance	17.92	18.29
Communication charges	6.06	-
Depreciation	5.79	0.14
Printing & stationary	0.72	0.01
Factory Maintenance	11.13	0.36
Rent	3.23	-
Vehicle Maintenance	11.72	0.07
Professional consultancy charges	3.61	0.71
Repairs & Maintenance charges	0.19	-
Conveyance	10.83	0.02
General Expenses	1.24	-
Exchange loss	1344.79	-
Interest and Finance Charges	641.01	34.74
Bank charges	36.38	15.40
Interest Received	(130.60)	(78.21)
Balance to be carried forward	**2250.20**	**63.98**

NOTES TO FINANCIAL STATEMENTS

34 Capital management

i) The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity.

ii) The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

iii) The Company's adjusted net debt to equity ratio is as follows:

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Gross debt	23720.22	18266.66
Less: Cash and bank balances	3379.33	3485.95
Adjusted net debt	20340.89	14780.71
Total equity	26846.57	19315.68
Adjusted net debt to equity ratio	0.76	0.77

35 Segment reporting

The company is engaged in manufacturing, processing and selling high quality engineered quartz surfaces only and accordingly this is the only business segment. The company's chief operating decision maker (CODM) is considered to be the company's Managing Director. The company's CODM reviews financial information presented, for making operating decisions and assessing financial performance of the company. Therefore, the company has determined that it operates in a single operating and reportable segment.

Revenue attributable to location of customers is as follows:

(₹ in Lakhs)

Geographical market	Year Ended March 31, 2020	Year Ended March 31, 2019
U.S.A	28033.58	28239.41
India	771.41	422.40
Rest of the World	2871.78	2933.61
Total	**31676.77**	**31595.42**

(i) The entire activity pertaining to sales outside India is carried out from India.

(ii) The Company's exposure to customers is diversified and there are only two customers who contributes more than 10% each of the total revenue for the year ended March 31, 2020 and March 31, 2019.

NOTES TO FINANCIAL STATEMENTS

36 Financial instruments

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

31st March 2020

(₹ in Lakhs)

Particulars	Carrying amount			Fair value		
	Other financial assets -amortised cost	Other financial liabilities - amortised cost	Total carrying amount	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Security Deposit	251.50	-	251.50	-	251.50	-
Deferred payment charges	1955.43	-	1955.43	-	1955.43	-
Financial assets not measured at fair value						
Other loans	48.58	-	48.58	-	-	-
Accrued interest	98.74	-	98.74	-	-	-
Trade receivables	2608.06	-	2608.06	-	-	-
Cash and bank balances	3379.33	-	3379.33	-	-	-
Total	**8341.64**	**-**	**8341.64**	**-**	**2206.93**	**-**
Financial liabilities measured at fair value						
Lease liability	236.56	-	236.56	-	236.56	-
Financial liabilities not measured at fair value						
Secured bank loans	14514.18	-	14514.18	-	-	-
Loans from related parties	9206.04	-	9206.04	-	-	-
Trade payables	2451.55	-	2451.55	-	-	-
Accrued interest	0.52	-	0.52	-	-	-
Total	**26408.85**	**-**	**26408.85**	**-**	**236.56**	**-**

31st March 2019

(₹ in Lakhs)

Particulars	Carrying amount			Fair value		
	Other financial assets-amortised cost	Other financial liabilities - amortised cost	Total carrying amount	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Security Deposit	170.33	-	170.33	-	170.33	-
Financial assets not measured at fair value						
Other loans	59.81	-	59.81	-	-	-
Accrued interest	73.94	-	73.94	-	-	-
Trade receivables	5535.26	-	5535.26	-	-	-
Cash and bank balances	3485.95	-	3485.95	-	-	-
Total	**9325.29**	**-**	**9325.29**	**-**	**170.33**	**-**
Financial liabilities not measured at fair value						
Secured bank loans	9540.45	-	9540.45	-	-	-
Loans from related parties	8726.21	-	8726.21	-	-	-
Trade payables	3142.35	-	3142.35	-	-	-
Accrued interest	0.34	-	0.34	-	-	-
Total	**21409.35**	**-**	**21409.35**	**-**	**-**	**-**

The fair value of financial instruments is determined using discounted cash flow analysis. The carrying amount of current financial assets and liabilities are considered to be the same as their fair values, due to their short term nature. The fair value of the long-term borrowings with floating-rate of interest is not impacted due to interest rate changes, and will be evaluated for their carrying amounts based on any change in the under-lying credit risk of the Company borrowing (since the date of inception of the loans). For financial assets and liabilities that are measured at fair value, the carrying amount is equal to the fair values.

NOTES TO FINANCIAL STATEMENTS

37 Financial risk management objectives and policies

I. Overview

The Company has exposure to the following risks from its use of financial instruments:

• Credit risk

• Liquidity risk

• Market risk

• Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

II. Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

• Credit risk

i) **Credit risk** is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

ii) **Trade and other receivables:** The company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The following table provides information about the exposure to credit risk and measurement of loss allowance using Life time expected credit loss for trade receivables:

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Not due	2031.27	5039.97
Upto 1 year	545.37	373.91
1 to 2 years	3.23	88.73
2 to 3 years	28.19	32.65
More than 3 years	52.47	26.41
Total	**2660.53**	**5561.67**

Financial Assets are considered to be of good quality and there is no significant increase in credit risk.

(₹ in Lakhs)

Movements in allowance for credit losses of receivables is as below:	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the year	26.41	29.27
Charge in statement of profit and loss	26.06	-
Release to statement of profit and loss	-	(2.86)
Utilised during the year	-	-
Balance at the end of the year	**52.47**	**26.41**

iii) **Cash and cash equivalents:** The company held cash and cash equivalents of ₹1041.59 lakhs (previous year ₹569.23 lakhs). The cash and cash equivalents are held with public sector banks. There is no impairment on cash and cash equivalents as on the reporting date and the comparative period.

NOTES TO FINANCIAL STATEMENTS

37 Financial risk management objectives and policies (Contd..)

• Liquidity risk

i) **Liquidity risk** is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

ii) The company aims to maintain the level of its cash and cash equivalents and investments at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next six months. The company also monitors the level of expected cash inflows on trade receivables and loans together with expected cash outflows on trade payables and other financial liabilities. This excludes potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

iii) Exposure to Liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date.

31st March 2020

(₹ in Lakhs)

Particulars	Carrying amount	1 year or less	1-3 years	More than 3 years
Borrowings- secured	14514.18	3040.50	2602.28	8871.40
Borrowings- un-secured	9206.04	-	-	9206.04
Trade payables	2451.55	2451.55	-	-
Other financial liabilities	237.08	58.16	83.78	95.14

31st March 2019

(₹ in Lakhs)

Particulars	Carrying amount	1 year or less	1-3 years	More than 3 years
Borrowings- secured	9540.45	5258.44	2037.96	2244.05
Borrowings- un-secured	8726.21	-	-	8726.21
Trade payables	3142.35	3142.35	-	-
Other financial liabilities	0.34	0.34	-	-

• Market risk

i) **Market risk** is the risk that changes in market prices such as foreign exchange rates and interest rates prices, will affect the Company's income or the value of its financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables, long term debt and commodity prices. The Company is exposed to market risk primarily related to foreign exchange rate risk and interest rate risk.

(₹ in Lakhs)

Particulars	As at March 31, 2020		As at March 31, 2019	
Currency	**USD**	**EURO**	**USD**	**EURO**
Borrowings	9064.82	-	3114.36	-
Trade receivables	2402.52	1.94	5313.96	48.10
Trade and other payables (including payable for capital goods)	52.94	20075.80	43.58	808.61
Interest accrued but not due	-	-	-	-
Cash & Bank balances (Including deposits)	336.71	225.65	185.08	15.93
Total	**11856.99**	**20303.39**	**8656.98**	**872.64**

NOTES TO FINANCIAL STATEMENTS

37 Financial risk management objectives and policies (Contd..)

ii) Currency risk: The company is exposed to foreign exchange risk arising from foreign currency transaction. The Company also imports and the risk is managed by regular follow up . The Company has a policy which is implemented when the foreign currency risk become significant.

A 10% appreciation/depreciation of the foreign currencies with respect to functional currency of the Company would result in an increase/ decrease in the Company's net profit before tax by approximately ₹ 2628.38 lakhs (previous year ₹159.67 lakhs).

iii) Interest rate risk : Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates, in cases where the borrowings are measured at fair value through the Statement of profit and loss. Cash flow interest rate risk is the risk that the future cash flows of floating interest bearing investments will fluctuate because of fluctuations in the interest rates.

A reasonably possible change of 100 basis points in interest rate at the reporting date would have increased or decreased profit or loss by ₹101.55 lakhs (previous year ₹81.64 lakhs). This analysis assumes that all other variables remain constant.

• Operational risk

i) Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

ii) The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

iii) The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective.

iv) Compliance with Company's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and Board of the Company.

NOTES TO FINANCIAL STATEMENTS

38 The US Department of Commerce had initiated an investigation on the imports of quartz surface products from India in response to a complaint of dumping & subsidy file by U.S. domestic manufacturers. The US Department of Commerce has determined a Countervailing Duty (CVD) and an Anti-dumping Duty (AD) on the Company's export of quartz surface products to the US market. The CVD and AD determined for Pokarna Engineered Stone Limited are:

Final Subsidy Rate		Final Dumping Rate	
CVD	**Cash Deposit**	**AD**	**Cash Deposit**
2.34%	2.34%	2.67%	0.33%

This CVD and AD will be revised based on the first review by the US Department of Commerce expected around June 2021.

'There is no impact on the financials of the company.

39 Estimation of uncertainties relating to the global health pandemic from COVID-19 :

The outbreak of COVID-19 pandemic globally and in India is causing significant disturbance and slowdown of economic activity. In view of the lock down across the country due to COVID-19 pandemic, operations in many of our locations (processing units, offices, etc.) were scaled down or shut down in compliance with the directives/ orders issued by the local Panchayat / Municipal Corporation / State / Central Government authorities.

The Company has made initial assessment of its cash flow for the next one year and of the carrying values of its assets as at the balance sheet date and has concluded that there are no adjustments required in the financial statements. Management believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of financial results as on 31st March 2020. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration and accordingly the impact may be different from the estimated as at the date of approval of these financial statements. The Company will continue to monitor any material changes to future economic conditions.

40 The Company evaluates events and transactions that occur subsequent to the balance sheet date but prior to the approval of financial statements to determine the necessity for recognition and/or reporting of any of these events and transactions in the financial statements. As of 27th June 2020, there are no subsequent events to be recognised or reported that are not already disclosed.

41 The financial statements for the year ended 31st March 2020 have been reviewed by the Audit Committee and approved by the Board of Directors at their meetings held on 27th June 2020.

42 Transition to IND AS 116

The Company has adopted Ind AS 116 effective 1st April, 2019, using the modified retrospective method. The Company has applied the standard to its leases with the cumulative impact recognised on the date of initial application (1st April, 2019). Accordingly, previous period information has not been restated. The Company's leases mainly comprise of land allotted by APSEZ in Vizag and buildings for office premises, guesthouses and warehouse. This has resulted in recognising a right-of-use lease asset of ₹ 275.79 lakhs and a corresponding lease liability of ₹275.79 lakhs. In the statement of profit and loss for the current year, operating lease expenses which were recognised as rent expenses in previous years is now recognised as depreciation on leased assets and finance cost for interest expense on lease liability. The lease liabilities were discounted using the incremental borrowing rate of the company 11.95%.

The impact of Ind AS 116 on the Company's financial statements at 31st March 2020 is as follows:

Balance sheet: The adoption of Ind AS 116 has resulted an increase in total assets of ₹ 225.88 Lakhs by right-of-use lease assets and increase in financial liabilities by ₹ 236.56 Lakhs

Statement of profit and loss: The adoption of Ind AS 116 has resulted an increase in depreciation by ₹ 49.91 Lakhs from the right-of-use lease assets and an increase in finance costs by ₹ 32.96 Lakhs per year due to the interest expense recognized on lease liabilities. This impact was offset due to reduction in operating lease expenses by ₹72.19 Lakhs for the year, resulting in an overall net reduction of profit before taxes of ₹10.68 Lakhs.

Statement of Cash flows: The adoption of Ind AS 116 has resulted an increase in operating cash flows by ₹72.19 Lakhs and decrease in financing cash flows by ₹ 72.19 Lakhs.

NOTES TO FINANCIAL STATEMENTS

42 Transition to IND AS 116 (Contd..)

As a Lessee

Right of use of Assets

(₹ in Lakhs)

Particulars	As at March 31, 2020
Opening balance as on 01.04.2019	-
Additions on account of adoption of Ind As 116	275.79
Reclassification from other assets - Prepaid lease expenses	766.59
ROU lease assets as on 01.04.2019	**1042.38**
ROU lease asset adjustments on modification of leases	-
Depreciation expense on leased assets during the year	85.77
Carrying value as on 31.03.2020	**956.61**

Movement in lease liability during the year:

(₹ in Lakhs)

Particulars	As at March 31, 2020
Opening balance as on 01.04.2019	-
Additions on account of adoption of Ind As 116	275.79
Adjustments on modification of leases	-
Interest expenses on lease liability	32.96
Principal payments of lease liability	(72.19)
As at 31st March 2020	**236.56**
Current	57.64
Non Current	178.92
Amounts recognised in the statement of cash flows	
Payments for leases in financing activity	72.19

(₹ in Lakhs)

Amounts recognised in statement of profit or loss	Year ended March 31, 2020	Year ended March 31, 2019
Depreciation expense on leased assets	85.77	-
Interest expense on lease liability	32.96	-
Rent expense (Short term leases and leases of low value assets)	6.00	60.29
Amortization of land lease expenses	-	35.96
Total amount recognised in Profit or loss	**124.73**	**96.25**

43 Previous year figures are regrouped, rearranged and reclassified wherever considered necessary in order to conform to the current year's presentation.

In terms of our report attached

For **K.C.Bhattacharjee & Paul**
Chartered Accountants
(F.No.303026E)

Manoj Kumar Bihani
Partner
Membership No. 234629

Place : Hyderabad
Date : 27th June, 2020

For and on behalf of Board of Directors

Gautam Chand Jain
Managing Director
(D.No: 00004775)

Prakash Chand Jain
Director
(D.No: 00084490)

Meka Yugandhar
Director
(D.No: 00012265)

Apurva Jain
Director
(D.No: 06933924)